

## FRANCHISE DISCLOSURE DOCUMENT



### Shrunk 3D, Inc.

A South Carolina corporation  
2019 Cherry Hill Ln. A.  
North Charleston, SC 29405  
(843) 212-9336  
[franchise@shrunk3d.com](mailto:franchise@shrunk3d.com)  
[www.Shrunk3d.com](http://www.Shrunk3d.com)

Shrunk 3D, Inc. ("Shrunk 3D") offers franchises to qualified individuals to operate a franchised mobile store selling 3D printed products and other 3D scanning and printing services operating under the Shrunk 3D name. You will provide and market these services to both residential and commercial customers at offices, festivals, sporting events, schools, carnivals, government buildings etc. operating under the marks and using the system.

The total investment necessary to begin operation of a Shrunk 3D franchise is \$187,485 to \$267,235. This includes \$174,900 that must be paid to the franchisor or an affiliate. The total investment necessary to begin operation under a two- to five-territory Development Rights Rider (including the first unit) is \$232,485 to \$417,235. This includes \$219,900 to \$324,900 that must be paid to the franchisor or affiliate. You must develop at least two Shrunk 3D units under the Development Rights Rider.

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, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Zak Petersen at 2019 Cherry Hill Ln. A., North Charleston, SC 29405, (843) 212-9336.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., Washington, D.C. 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 20, 2024



### **How to Use This Franchise Disclosure Document**

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

| <b>QUESTION</b>                                                               | <b>WHERE TO FIND INFORMATION</b>                                                                                                                                                                                                                                  |
|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>How much will I earn?</b>                                                  | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 and Exhibits D and E. |
| <b>How much will I need to invest?</b>                                        | Items 5 and 6 list fees you will be paying to the franchisor and at the franchisor's direction; Item 7 lists the initial investment to open, and Item 8 describes the suppliers you must use.                                                                     |
| <b>Does the franchisor have the financial ability to support my business?</b> | Item 21 and Exhibit F include financial statements. Review these statements carefully.                                                                                                                                                                            |
| <b>Is the franchise system stable and growing or shrinking?</b>               | Item 20 summarizes the 3-year history of the number of company-owned and franchised outlets.                                                                                                                                                                      |
| <b>Will my business be the only Shrunk 3D business in my market?</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 Shrunk 3D franchisee?</b>                           | Item 20 and Exhibits D and E list current and former franchisees. You can contact them to ask about their experiences.                                                                                                                                            |
| <b>What else should I know?</b>                                               | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.                                                           |



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

1. **Continuing Responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.
2. **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 franchised business or may harm your franchised business.
3. **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.
4. **Operating restrictions.** The franchise agreement may prohibit you from operating a similar business both 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.
5. **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.
6. **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.
7. **When your franchise ends.** Your franchise agreement may not permit you to renew. Even if it does, most franchise agreements do not allow you to renew on the same terms and conditions. You may have to sign a new agreement with different terms and conditions in order to continue to operate your franchised business.

### **Some States Require Registration**

Your state may have a franchise 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 the state where the respondent's business is located. 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 another state than in your own state.
2. **Supplier Control.** You must purchase all or nearly of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere from the same or similar goods. This may reduce the anticipated profit of your franchise business.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments regardless of your sales levels. Your inability to make payments may result in termination of your franchise and loss of your investment.
4. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
5. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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.



**THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW**

**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 the franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the license 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 shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.



- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual service.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or sub-franchisor until the obligations to provide real estate, improvements, equipment, inventory, training, 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 THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

**ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE OFFICE OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE SECTION, G. MENNEN WILLIAMS BUILDING, 6TH FLOOR, LANSING, MICHIGAN 48933, (517) 373-7117.**



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APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES REGARDING THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT, IF ANY, APPEAR IN THE STATE ADDENDA AT **EXHIBIT H** EXCEPT THAT ADDITIONAL DISCLOSURES RELATED TO MICHIGAN LAW CAN BE FOUND RIGHT BEFORE THIS TABLE OF CONTENTS.



## **ITEM 1 - THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

### **Franchisor Predecessors, Parents or Affiliates**

The franchisor is Shrunk 3D, Inc., a South Carolina corporation, incorporated on April 20, 2019. Shrunk 3D, Inc. will be referred to in this franchise disclosure document as “Shrunk 3D” “we” or “us.” “You” means the person, corporation, partnership or other form of legal entity (and its owners, as the context may require) who is buying the franchise. This franchise disclosure document is referred to as “Franchise Disclosure Document”.

Shrunk 3D is a South Carolina corporation formed on April 20, 2019. Our principal place of business is 2019 Cherry Hill Ln. A., North Charleston, SC 29405. We do business under Shrunk 3D, Inc. or the “Shrunk 3D” name. Our agents for service of process are disclosed in Exhibit B.

We sell Shrunk 3D franchises and support our franchisees in the operation of their Shrunk 3D business. We began offering Shrunk 3D franchises in May of 2021. We also build and sell the proprietary Shrunk 3D scanning booths (each a “Booth”) that franchisees use to conduct their business activities. We have built Booths since August of 2020. Finally, we engage vendors to create the Shrunk 3D figurines purchased by our customers and our franchisees’ customers. We have engaged vendors to create 3D printed figurines since August of 2020. Neither we nor any affiliate of Shrunk 3D currently operates any Booths. We do not, and have not, conducted any other type of business.

We have no predecessors, or parent. Except for those described above, we do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees.

### **The Franchise Offered**

We offer franchises to operate a Booth under the Shrunk 3D™ name in a defined territory (a “Franchised Business”). The Booth you will purchase and operate in your franchised territory will be used to scan customers, or people or objects designated by customers. We, our suppliers, or our affiliate if we create an affiliate in the future (as used in this Franchise Disclosure Document the term “Affiliate” will be in reference to an affiliate we create in the future, if any), will use the scanned images to create detailed 3D figurines, which the customers will have pre-purchased from you at the time of the scan.

As a franchisee, it will be your responsibility to market the Booth to businesses, teams, schools, organizations, event planners, private gatherings, and organizers of other groups or events who will hire you to operate the Booth at their gathering or event for guests, attendees, or employees who want to order a 3D figurine. This is based on information from our affiliates.

If you sign a Development Rights Rider (a “Development Rider”, which is attached as Exhibit C to this disclosure document), you will develop at least two Shrunk 3D territories, each with its own Booth, on an agreed-upon development schedule (the “Development Schedule”). For each future Franchised Business you develop inside your Development Schedule, we will require you to sign our then-current form of franchise agreement, which may be different from the form of franchise agreement included in this disclosure document.

You may also solicit and sell custom 3D printing orders from customers. We, our suppliers, or our affiliates will fulfill the custom 3D orders on your behalf.

Finally, if your territory includes, or is near, a United States military base, or facility, we may retain you to make your Booth available at the base, or facility, to service personnel who are stationed there.



We may offer financial incentives to existing franchisees who refer a franchise prospect lead to us that results in the granting of a franchise to that lead. Any information given to you by a franchisee is coming from them in their capacity as a franchisee or third party. No franchisee shall be deemed our agent. Under no circumstances shall any such referral source be deemed a franchise seller, broker or other third-party sales representative for the franchise sales process.

### **Market Competition**

The market for 3D printing of people and objects is still developing, however the market for services offered to groups, and events, for entertainment purposes, or for the creation of personalized memorabilia, is well-developed and competitive. As a franchisee, you will compete with photo booths, balloon artists, face-painters, and other types of entertainers and novelty-creation services as well as with other national, regional, and local 3D scanning and printing service businesses, some of whom may operate a Shrunk 3D Business from a fixed location within a franchisee's territory, and online 3D scanning and printing service businesses operating in your market. Your Franchised Business may operate in close proximity to major competitors. Some competitors will offer many goods and services that are the same as or similar to those you offer. Demand for your franchise's services are not seasonal, though the availability to market your services at outdoor events may depend on appropriate weather.

### **Industry Regulations**

We are not aware of any regulations or laws that specifically apply to the 3D scanning and printing industry. However, some states have laws governing the storage, and use, of biometric information, including scans of a person's face. Further, other state or federal privacy laws and regulations that may apply to your business. Depending on the rules and regulations of your state with regards to the Booth, you may need to obtain registration credentials for the Booth and/or a license plate in order to transport the Booth in the state(s) in which you operate your Franchised Business. It is your responsibility to investigate and comply with the vehicle registration and titling requirements of your state.

You must comply with all laws and regulations that apply generally to businesses, such as laws and regulations relating to advertising, local land use, licensing, zoning regulations (which may impact where you place the Booth, or store the Booth); and general employment laws, like the federal Fair Labor Standards Act and state laws governing minimum wages, overtime and working conditions. We have no responsibility for advising you on legal or regulatory matters. You should consult with an attorney regarding the laws and regulations that may be applicable to your franchise.

## **ITEM 2 - BUSINESS EXPERIENCE**

### **Zak Petersen, Chief Executive Officer & Co-Founder**

Mr. Petersen has served as our CEO and Co-Founder since we were founded in of April 2019. Prior to April of 2019 he was an engineer with Bluetowne in Charleston, South Carolina from November of 2015 to March of 2019. Mr. Petersen serves in his current capacity in Charleston, South Carolina.

### **Mr. Micah Smith, Chief Technology Officer & Co-Founder**

Mr. Smith has served as our CTO and Co-Founder since we were founded in April of 2019. From October of 2018 to October of 2019 Mr. Smith was a software engineer with Dynata in Charleston, SC. From June of 2014 to October of 2018, he was the Head of Development for Prescribers Choice in Mount Pleasant, SC. Mr. Smith serves in his current capacity in Mount Pleasant, South Carolina.



### **Tom Hodgson, Brand President**

Mr. Hodgson has served as our Brand President in Powell, Ohio since August 2023. From January 2022 to June 2023, he served as Brand President for Authority Brands in Columbus, Ohio. From January 2016 to January 2022, he served as President and CEO for Color World Franchise Systems, LLC in Powell, Ohio. From 1997 to January 2022, he served as President and Chief Executive Office for Color World Housepainting, Inc. in Powell, Ohio.

### **ITEM 3 - LITIGATION**

No litigation is required to be disclosed in this Item.

### **ITEM 4 - BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

### **ITEM 5 - INITIAL FEES**

#### **Initial Franchise Fee**

When you sign your franchise agreement, you must pay an initial franchise fee of \$49,900 (the “Initial Franchise Fee”) for the operation of single Franchise Business in a single territory consisting of up to 70,000 households with annual household income of at least \$100,000. After you sign the Franchise Agreement, the Initial Franchise Fee is deemed fully earned by us once it is paid, and is not refundable. If you request, and we agree to grant you a territory includes a household count that exceeds 70,000 households with annual income of at least \$100,000, in addition to the Initial Franchise Fee, you must pay us an amount equal to \$0.71 per additional household (based on the household count of the territory as determined by us as of the date you sign the Franchise Agreement). We offer a \$2,500 reduction from the Initial Franchise Fee to honorably discharged veterans of the United States military.

#### **Development Fee**

If we determine that you are financially and operationally qualified to develop multiple Franchised Businesses, we may offer you the opportunity to enter into a Development Rider, in which you will commit to develop a certain number of Franchised Businesses that you and we determine to be appropriate. In addition to the full Initial Franchise Fee for the first Franchised Business to be developed, you are required to pay a development fee (“Development Fee”) at the time of signing the Development Rider. The amount of your Development Fee is based upon the number of Franchised Business included in your Development Schedule up to 5 units, as set forth in the chart below. We offer a \$5,000 reduction from the cumulative Development Fee to honorably discharged veterans of the United States military.

If you enter into a Development Rider, you must execute our current form of Franchise Agreement for the first Franchised Business we grant you the right to open concurrently with the Development Rider. You will be required to pay the entire Development Fee upon signing your Development Rider, however you will not be required to pay us any additional amounts in the form of franchise or Development Fees as you sign franchise agreements for each additional Franchised Business in your Development Schedule. The Development Fee is uniformly calculated, payable when you sign your Development Rider and is non-refundable under any circumstances, even if you fail to open any Franchised Businesses.

#### **Development Fee Chart**



| Number of Franchised Businesses | Initial Franchise Fee per Franchised Business | Cumulative Development Fee |
|---------------------------------|-----------------------------------------------|----------------------------|
| 1                               | \$49,900                                      | \$49,900                   |
| 2                               | \$45,000                                      | \$94,900                   |
| 3                               | \$40,000                                      | \$134,900                  |
| 4                               | \$35,000                                      | \$169,900                  |
| 5                               | \$30,000                                      | \$199,900                  |

### **Signing of Multiple Franchise Agreements Concurrently with Development Rights Rider**

If you enter into a Development Rider with us, you may be required to sign multiple Franchise Agreements concurrently with the signing of the Development Rider. The number of concurrent Franchise Agreements you must sign depends upon the total number of Franchised Businesses we grant you the right to develop. If you commit to develop 2 Franchised Businesses, you must execute 1 Franchise Agreement concurrently with the Development Rider. If you commit to develop 3 or 4 Franchised Businesses, you must execute 2 Franchise Agreements concurrently with the Development Rider. If you commit to develop 5 Franchised Businesses, you must execute 3 Franchise Agreements concurrently with the Development Rider. You will be required to purchase a separate Booth under each Franchise Agreement you execute concurrently with the Developer Rider.

### **Booth Purchase Price and Start-Up Welcome Kit**

When you sign the Franchise Agreement, you agree to purchase from us a Booth equipped with all of the technology you will need to operate your Franchised Business in your territory. The cost of the Booth will vary based on the costs associated with the equipment incorporated into the Booth and/or upon the cost of labor to construct the Booth. However, as of the date of this Franchise Disclosure Document, the cost of a Booth is estimated to be \$125,000. The estimate provided is dependent on several factors, including availability, manufacturer costs, supply and demand, space available, and other variables. The Booth cost includes our Start-Up Welcome Kit that includes tent, table cloth, hats, shirts, brochures, and business cards for your franchise, valued at \$3,000. Seventy-five percent (75%) of the *anticipated* cost of the Booth is due when you sign the Franchise Agreement or upon invoice within thirty (30) days of the day when you sign the Franchise Agreement. The difference between the amount paid upon execution of the Franchise Agreement, and the actual cost of the Booth, is due upon delivery of the Booth to you. All payments made toward your purchase of the Booth are deemed fully earned by us once they are paid, and are not refundable. We will provide as much substantive information as possible at least seven days before you sign your Franchise Agreement.

## **ITEM 6 - OTHER FEES**

| Type of fee                    | Amount                                                                                            | Due Date                                                                              | Remarks                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------|---------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Royalty Fee<sup>1</sup></b> | The greater of 8% of Gross Revenues or a “Minimum Royalty” of \$500 per month per Booth beginning | Retained from the fees paid by customers of your Booth and collected by us. (Note A). | Gross Revenues includes the full price of all figurines, 3D printed objects, or other goods and services You sell, whether or not You have received cash or consideration in some other form. The only thing not included in Gross Revenues is taxes or fees You are required to collect on behalf of the government. Gross Revenues are calculated at the |



| Type of fee                                 | Amount                                                                                                                                                                                                                                               | Due Date                                                                              | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                             | in your 4th month of operations.                                                                                                                                                                                                                     |                                                                                       | time You sell the goods or services, without regard to when You receive or expect to receive payment.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Brand Development Fee</b>                | 2% of Gross Revenues.                                                                                                                                                                                                                                | Retained from the fees paid by customers of your Booth and collected by us. (Note A). | Gross Revenues includes the full price of all figurines, 3D printed objects, or other goods and services You sell, whether or not You have received cash or consideration in some other form. The only thing not included in Gross Revenues is taxes or fees You are required to collect on behalf of the government. Gross Revenues are calculated at the time You sell the goods or services, without regard to when You receive or expect to receive payment.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Local Marketing Spending Requirement</b> | A minimum of \$500 per month beginning in your 4 <sup>th</sup> month of operations.                                                                                                                                                                  | Each month as incurred by you.                                                        | In addition to your Brand Development Fee, you decide what forms of promotion you want to engage in. Beginning in the fourth full month after the date the Booth opens, you must spend a minimum of \$500 per month on local advertising and promotional activities, which shall be payable directly to third party vendors. If you fail to pay the required amount in any quarter, we may require you to pay us the shortfall as an additional Brand Development Fee or to pay us the shortfall for us to spend on local marketing for your Booth. We may require you to expend certain amounts of the Local Marketing Spending Requirement on specific types of advertising, such as digital marketing, social media marketing, and other forms of marketing in our sole discretion. We may require you to use certain approved or designated suppliers to meet your Local Marketing Spending Requirement, which may include us or our affiliates. |
| <b>Production Fee</b>                       | Our actual direct costs for producing the figurine.<br><br>Currently \$45 - \$190 per figurine or other 3D printed item sold. Price may increase for larger figurines depending on the actual direct costs incurred by us in producing the figurine. | Retained from the fees paid by customers of your Booth and collected by us. (Note A). | The Production Fee covers the cost of design and printing each 3D printed object ordered by one of your customers. It is retained from your Gross Revenue. The amount of the Production Fee is based on the retail price paid by the customer for the figurine or other 3D printed object. It is limited to the direct costs incurred by us in producing each figurine, which is the sum of our direct materials costs and our direct labor, design, printing, and shipping costs. The retail price of each figurine or other 3D printed object is based on the size and complexity of the figurine or object. The specific amount of the Production Fee charged for each type and size of figurine is stated in our confidential and proprietary Partner Pricing Sheet, which will be provided to you after you sign a confidentiality agreement. The amount of the Production Fee                                                                  |



| Type of fee                     | Amount                                                                                                                                                                                                                                                                                                                                                                               | Due Date                                                                                                                                                              | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                 |                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                       | charged for custom 3D printing orders will be set by us and will be based on the size and complexity of the object to be printed. The amount of the Production Fee is subject to change by us.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Technology Fee</b>           | <p>Currently, \$250 per month per Booth beginning in the month you begin using technology services that we provide to you, but subject to change at any time upon 30 days' written notice to you.</p> <p>You must also pay \$45 per month to an approved supplier for access to the Point of Sale and credit card processing ("POS") system used in the operation of your Booth.</p> | Retained from the fees paid by customers of your Booth and collected by us. (Note A).                                                                                 | <p>The Technology Fee currently includes fees related to your access to and usage of our customer management system, our intranet, email addresses, any mobile applications we develop, and the Shrunk 3D 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 and any increase will be based on corresponding increase in associated costs for the technology provided and/or for new or additional products, services, systems, or technology that are part of the Technology Fee. The first month will be assessed pro rata from the date on which you begin receiving services.</p> <p>The POS access fee may be subject to increase in the future and any increase will be based on corresponding increase in associated costs.</p> |
| <b>Training Fee<sup>1</sup></b> | <p>\$0 for up to three (3) of your owners or representatives to attend our initial training.</p> <p>We may charge up to \$199 per person per day for additional personnel you send to initial training.</p>                                                                                                                                                                          | If not retained by us from the fees paid by customers of your Booth and collected by us (Note A), then in advance of the training program(s), or when invoiced by us. | <p>The Initial Franchise Fee includes the training fee for up to three individuals. If you wish to have more than three individuals attend our Initial Training Program, you must pay a training fee.</p> <p>After you complete initial training, if you ask us to conduct additional training for you, your employees or contractors, or if we require you to participate in additional training, you will be required to pay a training fee.</p> <p>In addition to the training fee, if any, you are solely responsible for all costs associated with you, your employees and/or contractors attending the Initial Training Program, including wages, compensation, and salaries; benefits; costs of air travel; lodging and meals.</p>                                                                                                                |



| Type of fee                                           | Amount                                                                                                                                              | Due Date                                                                                                                                                                                                             | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Annual Convention Fee</b>                          | Then-current fee, currently up to \$500                                                                                                             | Upon demand                                                                                                                                                                                                          | You are required to attend our annual convention. We may charge this fee even if you do not attend.                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Initial Inventory of Figurines</b>                 | \$45 - \$190 per additional figurine                                                                                                                | Upon ordering inventory from us. We are permitted to withhold the cost of any inventory ordered by you from Gross Revenues paid by customers of your Booth to us.                                                    | At the time we deliver the booth, we provide 24 figurines for you to display with the Booth to show the quality and detail of our product at no additional charge to You. If you wish to purchase additional figurines for promotional purposes, you must purchase them from us. The cost of the promotional figurines to you will be equal to the amount of the Figurine Production Fee outlined in our confidential and proprietary Partner Pricing Sheet. The amount of the Production Fee is subject to change by us. |
| <b>Late Upload Fee</b>                                | \$50                                                                                                                                                | Retained from the fees paid by customers of your Booth and collected by us. (Note A).                                                                                                                                | If you fail to upload scans taken with your Booth within 24 hours of completion of sale, you must pay a \$50 Late Upload Fee. If you do not load the scans within 48 hours after they are taken you must pay \$25 for each day, or part of a day, that occurs after 48 hours, until the scans are uploaded.                                                                                                                                                                                                               |
| <b>Interest</b>                                       | 1.5% per month interest, or if less, the highest amount permitted by applicable law, on amount of underpayment plus the amount of the underpayment. | If not retained by us from the fees paid by customers of your Booth and collected by us. (Note A), when invoiced by us.                                                                                              | Payable if You have underreported Gross Revenues or failed to pay amounts owed to us when due.                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Audit (3% or more under reported) <sup>1</sup></b> | All costs we incur to conduct the audit.                                                                                                            | If not retained by us from the fees paid by customers of your Booth and collected by us (Note A) when invoiced by us.                                                                                                | Payable only if an audit reveals that You have underreported Gross Revenues by 3 percent or more.                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Costs for replacement parts or equipment</b>       | Variable between \$25 and \$4,000 per piece of equipment.                                                                                           | When You purchase items from Us or Our affiliate(s). At our option, we may retain the amounts you owe for replacement parts or equipment from the fees paid by customers of your Booth and collected by us. (Note A) | Some items (for example, those bearing the Marks) may be available only from Us or an affiliate. All hardware required to operate the Booth must be purchased from us, unless we indicate otherwise in the Operations Manual or our affiliate.                                                                                                                                                                                                                                                                            |



| Type of fee                                | Amount                                                                                                                                                                                                              | Due Date                                                                                                                                                                                                                                                                                                                                    | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Transfer Fee<sup>(1)</sup></b>          | <p>\$5,000 (plus any broker fees incurred by us) for any transfer which results in change of control or ownership of your franchise.</p> <p>Our actual costs up to a maximum of \$2,500 for any other transfer.</p> | <p>Prior to the transfer of your Franchised Business (in whole or in part), you must pay us a \$1,000 deposit upon notice of your intent to transfer. Any balance owed to us will be due upon closing of the transfer transaction and we will refund any deposit amounts above our actual costs in the event of a non-control transfer.</p> | <p>Payable if you intend to transfer some or all of the ownership interests in your Franchised Business with our prior written approval.</p> <p>The amount of the Transfer Fee is subject to state law.</p>                                                                                                                                                                                                                                                                    |
| <b>Renewal Fees<sup>(1)</sup></b>          | <p>15% of our then-current single unit Initial Franchise Fee or \$5,000, whichever is greater.</p>                                                                                                                  | <p>Prior to the renewal of your franchise agreement being effective.</p>                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Alternative supplier or product fee</b> | <p>\$500 per request</p>                                                                                                                                                                                            | <p>Upon submitting a written request for us to approve an alternative supplier or product.</p>                                                                                                                                                                                                                                              | <p>We may require you to purchase certain products or services from suppliers we approve. You may request that we approve an alternative supplier for such products or services. If you make such a request, we may require you to pay a reasonable fee to cover the costs we incur to evaluate the proposed supplier.</p>                                                                                                                                                     |
| <b>Public and Private Offering Fee</b>     | <p>\$5,000 or our actual costs to review the public offering.</p> <p>\$2,500 or our actual costs to review the private offering.</p>                                                                                | <p>Review deposit due upon delivery of notice to us that you intend to conduct a public or private offering of an interest in your Franchised Business. Balance due for our actual costs of review (if any) due upon receipt of invoice.</p>                                                                                                | <p>Securities, units, or other ownership interests in Franchisee may be offered by public or private offering, or otherwise, only with the prior written consent of Franchisor. All materials required for such offerings by federal or state law shall be submitted to Franchisor for review prior to their being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for review prior to their use.</p> |
| <b>Cooperative fees</b>                    | <p>Set if a cooperative is established up to a</p>                                                                                                                                                                  | <p>The payment schedule will be set when a</p>                                                                                                                                                                                                                                                                                              | <p>We have not established any national, regional, or local marketing cooperatives as of the issuance date of this disclosure document. If we establish a</p>                                                                                                                                                                                                                                                                                                                  |



| Type of fee                                              | Amount                                                                                                       | Due Date                                                                                                              | Remarks                                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                          | maximum of 2% of Gross Revenues.                                                                             | cooperative is established                                                                                            | product or marketing cooperative that applies to your Franchised Business we may collect contributions of up to 2% of your Gross Revenues t on the cooperative's behalf and forward the contributions to the cooperative.                                                                                                             |
| <b>Indemnification</b>                                   | Varies                                                                                                       | Upon demand.                                                                                                          | You must indemnify us, and/or others affiliated with us, for any losses, claims, liabilities, obligations, damages, attorneys fees, costs, settlement amounts, judgments, lost profits, charges, expenses, taxes and investigation costs we, or those associated with us, incur arising out of the operation of your business.        |
| <b>Unauthorized product or service fee</b>               | \$250/day                                                                                                    | If not retained by us from the fees paid by customers of your Booth and collected by us (Note A) when invoiced by us. | If you sell products or services that are not authorized by us, you must pay a \$250 fee for each day that the unauthorized product(s) and/or service(s) were offered for sale.                                                                                                                                                       |
| <b>Quality Audit Fee</b>                                 | Varies. This fee shall equal the actual expense we incur to conduct a quality audit                          | If not retained by us from the fees paid by customers of your Booth and collected by us (Note A) when invoiced by us. | If we conduct an inspection of your Booth we may charge you this fee                                                                                                                                                                                                                                                                  |
| <b>Advisory Franchisee Committee Dues or Assessments</b> | The amount of dues and assessments authorized by any Advisory Franchisee Committee on which you are a member | If not retained by us from the fees paid by customers of your Booth and collected by us (Note A) when invoiced by us. | If we establish an Advisory Franchisee Committee, we may collect dues and assessments authorized by that committee on the committee's behalf to be remitted to the committee.                                                                                                                                                         |
| <b>Management Fee</b>                                    | 10% of Gross Revenues                                                                                        | Retained from the Gross Revenues of the Franchised Business                                                           | If you are unable to operate the Franchised Business for any reason, we or an agent of ours, or an Affiliate of ours, may operate the Franchised Business for as long as we deem it necessary and practical. If we operate the Franchised Business on your behalf, we are entitled to compensation equal to 10% of the Gross Revenue. |

#### Notes Regarding Other Fees:

(1) All fees are non-refundable. All of the fees identified in this Item 6 are payable to us, unless otherwise indicated. None are currently payable to an affiliate of ours.



- (2) These fees are uniformly imposed by us.

**Note A. Royalty Fees**

Payments for figurines purchased by customers of your Booth are collected by us using the POS incorporated into the Booth. Each week we retain from those payments all amounts you then owe to us and forward the remainder to you.

**Note B. Training Expense.**

Initially, you must have one to two full-time managers operating the business, one of which must be You. You must be responsible for business operations and management, unless you request to delegate those responsibilities to a manager, and we approve of that delegation in writing. You must ensure that all individuals operating the Booth are Certified Shrunk 3D, Inc.<sup>TM</sup> 3D Scanning and Printing Services Specialists (SPSS) trained and certified by you using the training videos and any other materials we provide to you for use in training. We will decide whether you and your managers, if any attend, successfully complete the initial training program based upon knowledge test results and our observations of your ability to use the knowledge effectively.

As part of your Initial Franchise Fee we will provide initial training to up to three people from your franchise, which must include you, or your owners. If you wish to have more than 3 people attend training, you must pay our training fee for all additional attendees. In all cases, you are solely responsible for all salaries, compensation, benefits, travel and related expenses for the individuals attending the initial training program.

**Note C. Transfers.**

A Transfer Fee is owed prior to any Transfer by Franchisee. A “Transfer by Franchisee” is defined in the Franchise Agreement as the voluntary, involuntary, direct or indirect assignment, sale, gift, or other transfer of any Franchised Interest, including, without limitation, the following events: (i) the transfer of ownership of the stock or partnership or limited liability company ownership interest of Franchisee; (ii) any merger, reorganization, consolidation, or issuance of additional securities representing a direct or indirect ownership interest in Franchisee, the Booth or the Franchised Business; (iii) any sale of a Controlling Interest in Franchisee in a single transaction or a related series of transactions; (iv) transfer of a Franchised Interest by declaration, division, or otherwise in a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; (v) transfer of a Franchised Interest in the event of Franchisee’s death or the death of one of its owners with a Controlling Interest, by will, declaration of or transfer in trust, or under the laws of intestate succession; (vi) any change in ownership or control of any or all of the Franchised Interest by sale, gift, assignment, or otherwise; (vii) if Franchisee or any owner with a Controlling Interest is a trust, any change in the trustees or the beneficial owners of the trust; or (viii) a pledge, hypothecation, or encumbrance of any Franchised Interest intended as security for an obligation.

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## ITEM 7 - ESTIMATED INITIAL INVESTMENT

### A. YOUR ESTIMATED INITIAL INVESTMENT – SINGLE TERRITORY/BOOTH

| Type of Expenditure <sup>(1)</sup>                 | Low Estimate     | High Estimate    | Method of Payment                        | When Due                                                                   | To Whom Payment Is To Be Made                        |
|----------------------------------------------------|------------------|------------------|------------------------------------------|----------------------------------------------------------------------------|------------------------------------------------------|
| Franchise Fee <sup>(2)</sup>                       | \$49,900         | \$49,900         | Lump sum                                 | Upon signing Franchise Agreement                                           | Us                                                   |
| Booth, Equipment & Software Lease <sup>(3)</sup>   | \$125,000        | \$125,000        | Deposit, balance due upon Booth delivery | Deposit due upon signing Franchise Agreement, balance on delivery of Booth | Us.                                                  |
| Booth Shipping <sup>(4)</sup>                      | \$0              | \$5,000          | As incurred                              | As Incurred                                                                | Shipping Vendors.                                    |
| Technology & POS Fees (3 months) <sup>(5)</sup>    | \$885            | \$885            | As incurred                              | As Incurred                                                                | Us, Approved Suppliers                               |
| Travel Expenses to Training <sup>(6)</sup>         | \$500            | \$5,000          | As Incurred (One time)                   | As Incurred                                                                | Airlines, Hotels, Car Services, Restaurants, etc.    |
| Booth Towing Vehicle <sup>(7)</sup>                | \$0              | \$45,000         | Cash or financing.                       | As Incurred                                                                | Vendors of your choosing                             |
| Booth Parking/Storage <sup>(8)</sup>               | \$0              | \$500            | As incurred (Monthly)                    | As Incurred                                                                | Vendors in your area                                 |
| Internet Service (3 Months) <sup>(9)</sup>         | \$250            | \$350            | As incurred                              | As Incurred                                                                | Vendors in your area                                 |
| Business Licenses & Permits <sup>(10)</sup>        | \$200            | \$600            | Lump Sum                                 | As Incurred                                                                | State, County, City                                  |
| Initial Marketing Spend (3 months) <sup>(11)</sup> | \$3,000          | \$3,000          | As Arranged                              | As Incurred                                                                | Advertising Vendors, Approved Suppliers              |
| Insurance <sup>(12)</sup>                          | \$750            | \$7,000          | As Arranged                              | As Incurred                                                                | Insurance companies of your choice                   |
| Professional Fees <sup>(13)</sup>                  | \$2,000          | \$5,000          | As Incurred                              | As Incurred                                                                | Professionals of your choice                         |
| Additional Funds (3 months) <sup>(14)</sup>        | \$5,000          | \$20,000         | As Incurred                              | As Incurred                                                                | Employees, Vendors, Utilities, Taxing Agencies, Etc. |
| <b>Total <sup>(15)</sup></b>                       | <b>\$187,485</b> | <b>\$267,235</b> |                                          |                                                                            |                                                      |



### **Notes Regarding Initial Investment:**

1. **Type of Expenditure.** The amounts provided in this Item 7 include costs you will incur to start your business. These estimates are based upon our experience and based upon data reported to us by our franchisees (the “Reporting Franchised Businesses”). All fees and payments are non-refundable, unless otherwise stated or permitted by the payee.
2. **Franchise Fee.** You will pay the Initial Franchise Fee when you sign the Franchise Agreement. After you sign the Franchise Agreement, the Initial Franchise Fee is deemed fully earned by us once it is paid, and is not refundable unless: 1) we, in our sole discretion, determine that you have failed to successfully complete the initial training; or 2) we do not deliver a working Booth to you within 12 months of you signing the Franchise Agreement.
3. **Booth, Equipment & Software Lease.** You will pay at least 75% of the estimated price for the Booth and equipment and to lease the software at the time you sign the Franchise Agreement. The remainder of the *actual* price of the Booth, equipment and software will be due upon delivery.
4. **Booth Shipping.** You must arrange for delivery or pickup of the booth from our production facility in Charleston, South Carolina. The low-end assumes you are local to the area and will not have travel or shipping costs associated with picking up the Booth. The high estimate assumes you arrange for delivery of the booth from a freight hauler capable of delivering the Booth to you via flat-bed truck.
5. **Technology & POS Fees.** Currently, our Technology fee is \$250 per month beginning in the month you begin using technology services that we provide to you, but subject to change at any time upon 30 days’ written notice to you. The Technology Fee currently includes fees related to your access to and usage of our customer management system, our intranet, email addresses, any mobile applications we develop, and the Shrunk 3D 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 receiving services. In addition to the Technology Fee you pay to us, you must pay \$45 per month to an approved supplier for access to the Point of Sale (“POS”) system used in the operation of your Booth. The POS access fee may be subject to increase in the future.
6. **Travel Expenses to Training.** These are estimated expenses for you (if you are an individual) or one of your Owners (if you are an entity) and your manager to attend two (2) days of in-person training in Charleston, South Carolina. This amount estimates for travel-related items such as hotels, airlines, restaurants and local transportation. You may have as many as three (3) individuals attend initial training. If you choose to send more than three (3) people to attend our Initial Training Program, you will also be required to pay a training fee of \$199 per additional person per day. Your costs will be affected by the number of people you choose to have attend initial training, the distance between your location and the training location, your chosen mode of travel and the quality of the accommodations you choose.
7. **Booth Towing Vehicle.** You will need a pickup truck, sports utility vehicle or similar sized vehicle, capable of towing at least 3,500 pounds in order to transport the Booth. The Booth is built on a dual-axle trailer chassis and has a ground height clearance of roughly eleven (11) feet. We do not specify the make or model of towing vehicle you must use. The low estimate assumes you already own a vehicle capable of towing the Booth. The high estimate includes the cost of a new or used light- to medium duty truck or SUV capable of towing the Booth. Financing may be available from dealerships and/or third-party automobile financing companies. Your access to financing and the cost of borrowed funds will vary depending upon your credit worthiness, initial down payment,



and other factors. The low end is based on if you already have a vehicle that can tow the Booth. No vehicle wrap is required.

8. Booth Parking/Storage. If local laws, or neighborhood covenants prohibit you from parking your booth at your home, you will need to secure a place to park it when it is not in use. The low estimate assumes you are able to store the Booth at your home or another facility you already own. The high estimate includes the cost of renting a storage parking space in a secure facility for 1 month. The cost of rental or storage facilities may vary widely depending upon their location, proximity to urban/suburban areas, security features provided by the facility, and other factors.
9. Internet Service (Home & Mobile). You will need a high-speed internet connection at your home or office to upload the scans taken using the Booth. Your home/office internet needs to have an upload speed of at least 250 mbps. You also must purchase a mobile internet plan and equipment to operate the POS system and enable credit card transactions, wherever the Booth is located. We estimate that adequate high-speed internet at your home or office should cost \$40-\$60 per month, and that a mobile internet plan and equipment will cost around \$30-\$40 per month, however the actual cost for internet meeting our standards may be more or less depending on where you are located. The estimate stated above is for the first three months of your operations.
10. Business Licenses & Permits. You will likely need to acquire a business license. There may be other permits, bonds, utilities, merchant accounts and licenses that you will need to acquire to operate the Franchised Business legally and proficiently in your Territory.
11. Initial Marketing Spend (3 months). You will need to market the Franchised Business, throughout the term of the Franchise Agreement. However, marketing upon launching the business will be particularly important in order to raise awareness of your business as an option for local events and groups. You decide what forms of promotion you want to engage in. Marketing efforts may include paid social media and internet advertising, traditional media, and/or pop-up events in heavily trafficked areas. The cost of your initial marketing will depend on the costs of advertising in your local area, the types of advertising you choose to engage in, the competition in your area.
12. Insurance. These estimates are for your payment of insurance premiums prior to opening your Franchised Business through your first month of operations. The low-end estimated insurance cost assumes a minimum monthly payment of \$250 for the first three months. The high-end estimate assumes you pay an entire year of insurance costs before opening. You will typically have the choice to make payments monthly, quarterly, or annually. We require You to purchase and maintain, at Your expense, and at coverage levels we require, throughout the term of this Agreement: (a) commercial general and product liability insurance; (b) all risk property insurance, including fire and extended coverage, vandalism and malicious mischief insurance, for the replacement value of your SHRUNK 3D Booth, its contents; (c) commercial auto liability insurance covering owned, borrowed, hired and non-owned autos; (d) statutory workers' compensation/employer's liability insurance; and (e) such other insurance policies, such as business interruption insurance and unemployment insurance, as set forth in the Manual. You must provide Us with one or more certificates of insurance evidencing such coverages and naming Us as an additional insured as to each applicable policy. Such certificate(s) of insurance shall provide that the coverages under the respective policy(ies) may not be modified (except to increase coverage) or canceled until at least thirty (30) days prior written notice of such cancellation or modification has been given to Us. Upon Our request you must provide us with a true copy of any insurance policy, including all endorsements. Every insurance policy must provide that coverage



is primary/non-contributory. Every insurance policy must be with an insurance company that meets our criteria as set forth in the Manual.

13. Professional Fees. You may need an attorney to assist and advise You in setting up Your business organization and reviewing contract documents. Depending upon Your experience and staffing, you may also need accounting services. This is our estimate of the initial costs for retaining these types of professionals, however rates vary considerably between professionals and even geographic regions. The amounts you pay to your attorney and/or accountant of choice will depend upon the specific rates charged by those professionals, and the amount of work you ask those professionals to do on your behalf.
14. Additional Funds (3 months). This category is an estimate of other initial start-up expenses for the first 3 months of operation, such as vehicle fuel and maintenance, working capital, and potential fees related to Booth setup and parking at events. This estimate is based on relied on our experience operating a Booth and on the experience of our existing franchisees.
15. Total. All payments made to us are non-refundable except in the circumstances described in Item 5. This Item 7 estimates the estimated initial investment required to start a new Franchised Business. If you purchase an existing Franchised Business from us or from another franchisee, you should expect to pay an amount representing the fair market going concern value of the business, this is based on the assumption that some sales may come after the start of selling franchises. That value might exceed the estimated initial investment. Any purchase of existing business assets and goodwill would be under a separate agreement negotiated between You and the seller.

All estimates are based on the information we had as of the end of our most recently completed fiscal year. We nor our affiliates offer direct or indirect financing. It is possible to reduce the initial investment by leasing or financing all or part of the investment. Financing-related costs, including finance charges or interest, are not included. The availability and terms of financing will depend on factors like the availability of financing generally, your creditworthiness, collateral available and lending policies of financial institutions from which you may request a loan.

## B. YOUR ESTIMATED INITIAL INVESTMENT – DEVELOPMENT RIGHTS RIDER

| Type of Expenditure                                                   | Low Estimate          | High Estimate          | Method of Payment | When Due                    | To Whom Payment Is Made |
|-----------------------------------------------------------------------|-----------------------|------------------------|-------------------|-----------------------------|-------------------------|
| <b>Development Fee (1)</b>                                            | \$94,900<br>(2 Units) | \$199,900<br>(5 Units) | Lump sum          | When sign Development Rider | Us                      |
| <b>Estimated Initial Investment for First Franchised Business (2)</b> | \$137,585             | \$217,335              | As incurred       | As incurred                 | Us and third parties    |
| <b>TOTAL (3)</b>                                                      | \$232,485             | \$417,235              |                   |                             |                         |

### Notes to Item 7 Table B.

1. Development Fee. Upon signing the Development Rider, you must pay us the Development Fee. The Development Fee varies based on the number of Franchised Businesses you commit to develop. The low estimate is based on a commitment to develop two Franchised Businesses and the high estimate is based on a commitment to develop 10 Franchised Businesses. We may permit you to enter into a Development Rider to develop more than ten (10) Franchised Businesses if we determine that you are operationally and



financially capable of doing so. The Development Fee will be credited towards the initial Franchise Fee for each Franchised Business developed under the Development Rider. The Development Fee is not refundable. See Item 5.

2. Estimated Initial Investment for First Franchised Business. For each Franchised Business that you develop under a Development Rider, you will execute a Franchise Agreement and incur the initial investment expenses (but not any additional Initial Franchise Fees) for the development of a single Franchised Business as described in the first table of this Item 7. This estimate is based on the expenses described in the first table of this Item 7. The estimate does not include the Franchise Fee, since the Development Fee is credited towards the Franchise Fee for each Franchised Business.
3. Signing of Multiple Franchise Agreements Concurrently with Development Rights Rider.

If you enter into a Development Rider with us, you may be required to sign multiple Franchise Agreements concurrently with the signing of the Development Rider. The number of concurrent Franchise Agreements you must sign depends upon the total number of Franchised Businesses we grant you the right to develop. If you commit to develop 2 Franchised Businesses, you must execute 1 Franchise Agreement concurrently with the Development Rider. If you commit to develop 3 or 4 Franchised Businesses, you must execute 2 Franchise Agreements concurrently with the Development Rider. If you commit to develop 5 Franchised Businesses, you must execute 3 Franchise Agreements concurrently with the Development Rider. You will be required to purchase a separate Booth under each Franchise Agreement you execute concurrently with the Development Rider.

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

You must purchase from Us or an approved or designated supplier. We approve certain equipment, supplies and inventory necessary to start or operate the Franchised Business. As to other equipment, supplies and inventory, you may purchase them from the vendor(s) of Your choice, but the item(s) must meet Our specifications. We issue specifications in writing and incorporate them in the Manual. These specifications include quality, accuracy, preparation, installation, application, delivery, performance, design and appearance. In some instances, you must purchase items that comply with Our reasonable subjective determination of whether they meet the standards and comport with the **Shrunk 3D, Inc.<sup>TM</sup>** image. If We have not provided specifications, you may purchase any items that reasonably meet the requirements of the Franchised Business.

You must purchase the Booth, all equipment needed to operate the Booth, and display figurines from us, or any vendor we designate. We have the authority to designate an affiliate or an approved vendor to be additional, or replacement suppliers of the Booth, and the associated equipment, or some of the equipment associated with the Booth.

You must use our designated software in operating your franchise business, including customer relationship management software, point of sale and credit card processing systems, and software that provides scheduling, invoicing and collections, and reporting functions. To provide you and us with current and accurate financial reports, we currently require that you use our designated accounting software, currently QuickBooks online Essentials Plan or higher or the then-current equivalent, for your accounting and bookkeeping and use our designated vendor for bookkeeping services vendor to set up you chart of accounts, to integrate into our system, and for ongoing bookkeeping services.

We may require you to utilize a designated third-party merchant processor or processing service for credit card and/or ACH collection transactions with your customers and your franchised business.



You must obtain before you operation of the Franchised Business and must maintain at all times the types of insurance and the minimum policy limits described and specified in the Franchise Agreement and in the Manuals which are currently: 1) commercial general liability insurance, including product liability coverage and broad form commercial liability coverage written on an ‘occurrence’ policy form in an amount of not less than \$1,000,000 per occurrence and \$2,000,000 aggregate limit; (2) business automobile liability insurance including owned, leased, nonowned, and hired automobile coverage in an amount of not less than \$1,000,000; and (3) workers’ compensation insurance and/or employer’s liability insurance as required by state law of the state in which the Business is located. All of your insurance carriers must be rated A or higher by A.M. Best and Company, Inc. (or such similar criteria as we periodically specify). These insurance policies must be in effect on or before the deadlines we specify. All coverage must be on an “occurrence” basis. All policies shall apply on a primary and non-contributory basis to any other insurance or self-insurance that we or our affiliates maintain. We and our affiliates must be named as an additional insured under each policy that we require. Your policies must include a waiver of subrogation in favor of us and our affiliates. Your policies must stipulate that we receive 30 days prior written notice. Upon our request or as specified in the Manuals, you must provide us with certificates of insurance evidencing the required coverage. We may require additional types of coverage or increase the required minimum amount of coverage upon 60 days’ notice to you. Some venues and events may require you to have more coverage with higher limits or additional types of coverage than the minimum insurance that we require and describe above.

You may be required to purchase from Us or a vendor. We approve all items used to start or operate Your business that contain or bear the Marks. We or our designated vendor(s) may profit from purchases you are required to make from Us or our designated vendors. If we do not require you to purchase items bearing the Marks from us, or approved vendors, you will be required to obtain our approval of all such items before they are used.

We publish a list of approved vendors and the products or services they sell in the Manual. None of our officers own an interest in any supplier, other than Shrunk 3D. Neither we, nor any persons affiliated with the franchisor are currently approved suppliers, other than Shrunk 3D. Our officers Zak Petersen, Micah Smith, and Tom Hodgson have an ownership interest in us.

We may approve other vendors you request. You or the vendor must request approval in writing. If the vendor demonstrates to Our satisfaction that it: is financially capable, can provide product(s) or service(s) that meet Our specifications, are consistent with Our image, and is willing to protect our proprietary information. We may charge a fee up to \$500 to cover Our costs in evaluating a proposed vendor. We will give you a good faith estimate of our cost of evaluating a proposed vendor within a realistic time after you make the request, but before we begin the evaluation process. We will normally make Our decision within thirty days. We reserve the right to disapprove any previously approved vendor whose performance falls below Our standards. We will make any approvals of new vendors or revoke approval of vendors in writing and will incorporate Our decision in the Manual.

During the fiscal year that ended on December 31, 2023, neither we nor our affiliates derived any revenue from vendors based on required purchases or leases by franchisees made in accordance with our specifications. We have negotiated rebates with certain suppliers who have agreed to pay us 1% to 5% of the amount of franchisee purchases with these suppliers. We expect to receive other rebates, discounts and allowances from some vendors with whom you do business.

In the future, we may negotiate product and service purchase terms with vendors for the benefit of all Shrunk 3D businesses, franchised, as well as company-owned, if any. As part of those negotiations it is possible that we will receive rebates or other material consideration from the vendor related to required purchases made by our franchisees. We may choose to pass such rebates on to the Brand Development Fund, or directly to you, but are not required to do so. We do not currently provide any material benefits



to a franchisee based on a franchisee's purchase of any particular or services or use of particular suppliers. We do not currently have any purchasing or distribution cooperations, but we may establish them in the future.

For the fiscal year ending December 31, 2023, revenues from franchisee required purchases or leases were \$1,796,893 or 60% of our total revenue of \$2,975,917. Our affiliates did not derive revenue or other material consideration based on required purchases or leases.

We estimate that 75-95% of all the purchases and leases of goods and services you make in starting the Franchised Business will be purchases and leases from us, our designees, suppliers we approve, or based on our specifications, and that 70-85% of all purchases and leases of good and services you make operating the Franchised Businesses will be purchases and leases from us, our designees, suppliers we approve, or based on our specifications.

## ITEM 9 - FRANCHISEE'S OBLIGATIONS

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

| Obligation                                                 | Section in agreement                                                                                                                                                                                                                                                                                                                       | Disclosure document item |
|------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| a. Site selection and acquisition/lease                    | Sections 2.2, 5.1, and 5.2 of Franchise Agreement<br>Section 4 of the Development Rider ("DR")                                                                                                                                                                                                                                             | 5, 6, 7 & 11             |
| b. Pre-opening purchases/leases                            | Sections 4.1.B., 5.2 and 8.1 of Franchise Agreement                                                                                                                                                                                                                                                                                        | 7 & 8                    |
| c. Site development and other pre-opening requirements     | Sections 4.1.B., 5.1, 5.2, 7.1 and 7.2 of Franchise Agreement<br>DR Section 4                                                                                                                                                                                                                                                              | 6, 7 & 11                |
| d. Initial and ongoing training                            | Sections 5.7 and 7.2, 7.3, 7.4, 7.5 of Franchise Agreement                                                                                                                                                                                                                                                                                 | 6, 7, 11 & 15            |
| e. Opening                                                 | Sections 7.1 and 9.2 of Franchise Agreement<br>DR Section 3.1, 4                                                                                                                                                                                                                                                                           | 7 & 11                   |
| f. Fees                                                    | Sections 2.7, 3.2, 4.1, 4.2, 7.3, 7.4, 7.5, 7.6, 7.8, 7.9, 7.10, 7.23, 7.24, 8.1.D, 8.3, 9.5, 10.4, 12.4, 12.5, 13.7, 13.8, 14.3, 14.4, 15.1, 15.2, 19.1B and 19.6 of Franchise Agreement, Sections 8 of the Confidentiality Agreement, Section 4 of Covenant Agreement, Sections 5 and 13 of the Software License Agreement, DR Section 2 | 5, 6, 7 & 11             |
| g. Compliance with standards and policies/operating manual | Sections 2.3, 4.2, 5.1, 6.1, 7.2, 7.3, 7.5, 7.6, 7.7, 7.8, 7.9, 7.10, 7.11, 7.15, 7.19, 7.20, 7.21, 7.22, 7.25, 7.26, 8.1, 8.2, 8.5, 8.6, 9.1, 9.6, 10.1, 10.4, 10.6, 11.2, 11.5, 11.9, 12.1, 12.4 and 14.1.B and 14.1.D, 14.4, 14.5, 16.1 of Franchise Agreement                                                                          | 8, 11, 14 & 16           |
| h. Trademarks and proprietary information                  | Sections 7.25, 9.1, 9.2 8.1, 11.1 - 11.11, and 15.1 of Franchise Agreement<br>Sections 1 and 2 of Confidentiality Agreement and Section 2 of Covenant Agreement<br>DR Section 8                                                                                                                                                            | 13 & 14                  |



| <b>Obligation</b>                                       | <b>Section in agreement</b>                                                                                                                                          | <b>Disclosure document item</b> |
|---------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| i. Restrictions on products/services offered            | Sections 7.8, 8.1, and 8.2 of Franchise Agreement                                                                                                                    | 8 & 16                          |
| j. Warranty and customer service requirements           | None                                                                                                                                                                 | None                            |
| k. Territorial development and sales quotas             | Section 7.3 of the Franchise Agreement                                                                                                                               | 12                              |
| l. Ongoing product/service purchases                    | Sections 7.8 and 8.1 of Franchise Agreement                                                                                                                          | 8                               |
| m. Maintenance, appearance, and remodeling requirements | Section 7.10, 7.11, 7.18 and 8.3 of Franchise Agreement                                                                                                              | 8 & 11                          |
| n. Insurance                                            | Sections 12.1, 12.2, 12.3, and 12.4 of Franchise Agreement                                                                                                           | 6, 7 & 11                       |
| o. Advertising                                          | Sections 4.1.D, 7.3, 7.20, 7.23, 8.1, 8.5, 9.1, 9.2, 9.3, 9.4, 9.5, 9.6, and 9.7 of Franchise Agreement                                                              | 6, 7, 8 & 11                    |
| p. Indemnification                                      | Section 12.5 of Franchise Agreement<br>DR Section 8                                                                                                                  | 6, 17                           |
| q. Owner participation/management/staffing              | Sections 7.2, 7.7, and 7.10 of Franchise Agreement                                                                                                                   | 11 & 15                         |
| r. Records and reports                                  | Sections 7.7, 7.8, 7.16, 8.3, 10.1, 10.2, 10.3 10.4, and 15.3 of Franchise Agreement                                                                                 | 6 & 11                          |
| s. Inspections and audits                               | Sections 6.1, 7.16, 8.1, 8.3 10.4 and 15.3 of Franchise Agreement                                                                                                    | 6 & 11                          |
| t. Transfer                                             | Sections 13.1, 13.2, 13.3, 13.4, 13.5, 13.6, 13.7, 13.8, and 13.9 of Franchise Agreement<br>DR Section 7                                                             | 6, 15 & 17                      |
| u. Renewal                                              | Section 3.2 of the Franchise Agreement                                                                                                                               | 6                               |
| v. Post-termination obligations                         | Sections 11.2, 11.4, 15.1, 15.2, 15.3 of Franchise Agreement<br>Section 2 of Covenant Agreement<br>DR Section 8                                                      | 6, 11, 14 & 17                  |
| w. Non-competition covenants                            | Sections 7.8, 7.10, 11.6, 11.11 and 14.3 of Franchise Agreement<br>Section 1 of the Confidentiality Agreement and<br>Section 2 of Covenant Agreement<br>DR Section 8 | 17                              |
| x. Dispute Resolution                                   | Sections 12.6, 19.1, 19.2, 19.3, 19.4, 19.5, 19.6 and 19.7 of Franchise Agreement<br>Section 16 of the Software License Agreement.<br>DR Section 8                   | 17                              |
| y. Owner's Guaranty/Owner's Acknowledgement             | Immediately following signature page<br>DR – Exhibit B                                                                                                               | 1                               |



## ITEM 10 - FINANCING

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

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

**Except as listed below, We need not provide any assistance to You.**

### **Pre-opening Obligations.**

Before You open Your Franchised Business, We will:

1. Grant you a license to use our Marks and System in the operation of your Franchised Business (Section 2.1 of the Franchise Agreement);
2. If you intend to operate the Booth at a fixed location, you must submit all information that we request regarding the location to us. We reserve the right to require approval of any proposed location before you sign a lease. In approving sites, we consider the site's availability and location to potential customers, such as sports, weddings, corporate, and other events, and seasonality and weather. We may approve or disapprove the location in our sole discretion. (Section 5.1 of the Franchise Agreement). We do not normally own premises for you to lease.
3. We have twenty (20) days after all the required information is received from you to approve or disapprove your operation at any proposed fixed location. If we do not approve the site, we will provide our reasonable explanation for doing so. If we do not approve, you may not operate at the proposed fixed location (Section 5.2 of the Franchise Agreement).
3. Designate Your Territory (Section 2.2 of the Franchise Agreement);
4. Sell, and deliver, to you the Booth, and all software, computer equipment and related items needed to operate the Booth and transfer to you any manufacturer's warranties capable of transfer to you (Sections 4.1 and 6.1 of the Franchise Agreement);
5. Loan you access to our Operations Manual which includes required and recommended processes and procedures for operating your Franchised Business, our standards and specifications, a list of approved suppliers, and standards for your Booth's appearance (Section 6.1 of the Franchise Agreement);
6. Provide you with Initial figurines to use to promote your Booth (Section 6.1 of the Franchise Agreement);
7. Provide you with a menu board for the exterior of your Booth when we deliver your Booth. We will also make digital versions of our Marks and other graphics available to you for use in your marketing materials (Sections 6.1 and 11.2 of the Franchise Agreement);
8. Provide you, and your initial manager(s), if any, and your initial SPSS, if any, with our required initial training program at no additional charge for up to three individuals. The training will be conducted at a location and time that we designate, and may be conducted in whole or in part in an existing Shrunk 3D franchisee's territory and Booth, a Booth owned by us, or a Booth owned by an affiliate of ours. You will be responsible for all salaries, compensation, and travel expenses for the individuals attending training, including



expenses related to lodging, transportation, and meals. (Section 7.1 of the Franchise Agreement);

9. Provide any information in our possession, if any, regarding potential locations within the Territory. If you wish to locate your Booth at a location permanently we must review and approve of the lease, sub-lease or other written agreement relating to your occupation of the location before you enter into that agreement. (Section 6.1 of the Franchise Agreement);
10. License to you the right to use our proprietary software to the extent needed to operate the Franchised Business (Section 6.1 of the Franchise Agreement).

### **Opening your Franchise Business**

Franchisees typically begin operating their Franchised Businesses 3 to 4 months after they sign a Franchise Agreement. The factors that may affect the time it takes for you to begin operating your Franchised Business after signing the Franchise Agreement are: the length of time it takes for us to build and deliver your Booth; the timing of, and you and your manager(s) and SPSS' completion of our initial training program; the time it takes for You to schedule your Booth at events, gatherings or locations; and the time it takes for you to hire and train any necessary employees. You must make 25 sales per month during the term of the Franchise Agreement to maintain the territorial protections granted by the Franchise Agreement. (Section 7.3 of the Franchise Agreement). If you operate at a location, you will be responsible for ensuring the location complies with local ordinances, building codes, and any required permits. You will also be responsible for any construction, remodeling, and decorating the premises, and hiring/training employees.

### **Obligations During Operation of the Franchise**

During the operation of your Franchised Business, we will

1. Change, update, improve the System, or any part of the System, as necessary in our business judgment to maintain a high standard of quality for the System, and promote, protect and enhance the public image and reputation of the System. (Section 1.2.GG. and 6.1 of the Franchise Agreement);
2. Provide consultation to you in the operation of your Franchised Business as we deem appropriate. (Section 6.1 of the Franchise Agreement);
3. Upon your payment of our usual fee, provide extraordinary management or support services you request, or that require, either in your Territory, or at any other location we designate. (Section 7.23 of the Franchise Agreement);
4. Conduct any other subsequent training that we deem appropriate, or that you request. (Section 7.4 of the Franchise Agreement);
5. Provide training materials to you for your use in training your managers, employees or contractors. (Section 7.4 of the Franchise Agreement);
6. Contact any of your customers or vendors for quality assurance purposes, or other purposes. (Section 8.3 of the Franchise Agreement);
7. Maintain a list of standards for equipment, fixtures, supplies, inventory, products and services you must use in the operation of your Franchised Business or sell through your Franchised Business. (Section 6.1 of the Franchise Agreement);



8. Recommend or establish, to the extent permitted by applicable laws, retail prices, or ranges of retail prices, for products and/or services you sell through your Franchised Business. (Section 8.6 of the Franchise Agreement);
9. Create local, regional and/or national franchisee advisory committees or councils as we deem necessary or appropriate (Section 9.5 of the Franchise Agreement);
10. Sell to you replacement equipment needed to maintain your Booth in working order, items bearing our Marks, and figurines for you to display, or designate suppliers who will be approved to sell those items to you. (Sections 7.11 of the Franchise Agreement);
11. In the event of your death, or incapacity, or the death or incapacity of your Owner, we may assign a manager to operate your Franchised Business if it is not being operated properly (Section 13.6 of the Franchise Agreement);
12. Require you, upon renewal of your Franchise Agreement, to replace or update your Booth's exterior graphics, and/or technology (such as cameras, scanners or computers), if needed to conform to our then-current standards. (Section 7.14 of the Franchise Agreement).

#### **Our obligations after opening:**

After you open the Franchised Business, we expect to be in regular contact with You to discuss Your operation of the Franchised Business and to generally be of assistance. We plan to provide additional on-going training for you at our usual charges. The Agreement does not obligate Us to provide such services, however.

You must conduct marketing for yourself directly or through a Regional Marketing Cooperative and/or you may use your own marketing materials, but you must obtain our approval of any such materials in advance. We are not obligated to conduct a marketing program for your local territory.

We currently do not have an advisory council. If We form or approve an advisory council, you may be required to participate. Any advisory council would not have decision-making power. It would be advisory only. We have the right to form, change or dissolve any advisory council.

#### **Advertising Program**

You are responsible for marketing your Franchised Business. All of your Franchised Business' marketing and advertising must conform to our standards and protect and enhance the Shrunk 3D brand's image. You must comply with the requirements included in the Operations Manual regarding your use of the Marks. All advertising materials that you propose to use must be approved by us before you use the materials. This includes mobile advertising and online advertising. We may disapprove any advertising or marketing materials you use or propose to use without liability to you for any costs incurred by you to produce those materials. Our review of the advertising is for compliance with brand standards and proper use of the Licensed Marks. It is always your obligation to make sure that the advertising you use complies with applicable law. (Sections 9.1 and 9.2 of the Franchise Agreement).

We may use in-house advertising departments and may use national or regional advertising agencies. If we designate a supplier for advertising and marketing materials you must use that supplier. We may require you to use only marketing and advertising materials we, or an affiliate of ours, provides. We will provide you with a website to use to promote your Franchised Business. You are prohibited from creating a domain name, or any other website using the Marks, and are prohibited from using the Marks in any way to conduct commerce through the Internet or similar media, other than for marketing of your Franchised Business,



without our prior, written approval. We will maintain a website for the System, and you may not maintain your own website for your Franchised Business. We may, however, provide you with a subpage on the System website. You are currently permitted to promote your Franchised Business using existing social media platforms. You must provide us with sufficient current and accurate information to enable us to access the social media accounts you use to promote your Franchised Business. We will be permitted to add, remove or alter content placed, posted, or otherwise displayed through your Franchised Businesses social media accounts, and we may withdraw approval of you using social media to promote your Franchised Business.

You may advertise outside of your Territory, as long as you: do not advertise in the Territory of another Shrunk 3D franchisee; are willing to operate the Booth in all areas in which you advertise; and are not restricted from advertising outside your Territory by a Regional Marketing Cooperative we establish.

We do not have currently have any Regional Marketing Cooperatives, but have the authority to establish one or more in our sole discretion. We have the power to require cooperatives to be formed, changed, dissolved, or merged. We will promptly notify you and other franchisees of the establishment, modification, and geographical boundaries of Regional Marketing Cooperatives. Your Franchised Business may or may not be included in any Regional Marketing Cooperative. If it does, you will be required to comply with the terms of the cooperative we establish, which may limit you from advertising outside of your Territory. All Shrunk3D™ businesses within the geographic area of the cooperative will participate on the same basis, including units owned by us or our affiliate. You may be required to contribute up to 2% of your Gross Revenues to the cooperative. Contributions will be made either to us or directly to the cooperative, as we direct. We will administer each Regional Marketing Cooperative in the same manner and upon the same terms and conditions as the Brand Development Fund. There are no other written governing documents that govern any cooperative advertising program. No Regional Marketing Cooperative will be audited; however, we will prepare or cause to be prepared annual financial statements that cooperative members may obtain upon written request. We may, in our discretion, offset the Brand Development Fee by the amount of Gross Revenues you contribute to a Regional Marketing Cooperative.

### **Brand Development Fund**

We have established a Brand Development Fund (the “**Brand Development Fund**”). The Brand Development Fund will be accounted for separately from our other funds. We will not use the Brand Development Fund to defray any of our general operating expenses, except for reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Brand Development Fund and all costs of research, development and preparing national, regional, point of sale and local advertising and marketing strategy materials for use within the System. The materials may be disseminated via radio, television, print media, Internet (including social media), or outdoor advertising. The Brand Development Fund Fee is 2% of your Gross Revenues, payable on a weekly basis. All Shrunk 3D’s locations owned by our affiliates, will contribute to the Brand Development Fund at the same percentage of Gross Revenues required of Franchisees within the System.

During the 2023 fiscal year we collected \$7,183 in Brand Development Fund contributions from our franchisees. The 2023 expenditures from the Brand Development Fund collected by us were spent as follows: 100% on marketing staff. We intend to spend the entire Brand Development Fund Fee collected in a given year, provided that we have the right to carry over fees to future years, if the entire fee from one year is not spent that year. The Brand Development Fund will be administered by us. When we establish a franchisee advisory council its board will serve in an advisory capacity to us, but we will have sole discretion over the concepts, materials, and media used in these programs and activities and their placement and allocation. In any calendar year we may spend more or less than the amount of aggregate contributions from all Shrunk 3D’s locations to the Brand Development Fund in that year, and the Brand Development Fund may borrow from us or from others to cover deficits or invest any surplus for future use. We will use



all interest earned on monies contributed to the Brand Development Fund before we expend other assets of the Brand Development Fund. We will not audit the Brand Development Fund, but Franchisees may, upon written request to us, receive an annual accounting of how advertising fees are spent. Brand Development Fund contributions will not be principally used to sell additional franchises but we may include information in our general advertising materials that Shrunk 3D franchise opportunities are available. (Section 9.2 of the Franchise Agreement).

Expenditures by the Brand Development Fund may not be proportionate or equivalent to contributions to the Brand Development Fund by Shrunk 3D's locations operating in that geographic area. We are not required to spend any amount on advertising in your territory. You or your Franchised Business may not benefit directly or in proportion to your contribution to the Brand Development Fund. Neither we, nor the Brand Development Fund would be liable to you for the maintenance, direction or administration of the Brand Development Fund, including for contributions, expenditures, investments or borrowings, except for acts constituting willful misconduct. The funds collected by the Brand Development Fund and any earnings thereon, are not and shall not be an asset of ours or of any Franchisee.

In lieu of charging a Brand Development Fund fee, and independent of the establishment of the Brand Development Fund, we may, at our option, charge you a fee on a project basis for marketing and advertising materials and projects prepared or undertaken for use by the System. The fee for the project basis will not surpass the Brand Development Fund fee.

**Local Marketing.** In addition to your contributions to the Brand Development Fund, beginning in the fourth full month after the date the Booth opens, you must spend a minimum of \$500 per month on local advertising and promotional activities, which shall be payable directly to third party vendors. If you fail to pay the required amount in any quarter, we may require you to pay us the shortfall as an additional Brand Development Fee or to pay us the shortfall for us to spend on local marketing for your Booth. We may require you to expend certain amounts of the Local Marketing Spending Requirement on specific types of advertising, such as digital marketing, social media marketing, and other forms of marketing in our sole discretion. We may require you to use certain approved or designated suppliers to meet your Local Marketing Spending Requirement, which may include us or our affiliates. We are not obligated to spend any amount on your area or territory.

## **Computer Software**

We require you to use the computer equipment and software that will be delivered to you with the Booth. You are responsible to maintain and repair your hardware and to update or upgrade the software. You must purchase replacement equipment from us. We may recommend or require additional hardware. We require You to use Shrunk 3D's specified point of sale or register equipment and credit card processing software and/or portable hand-held devices (collectively the "POS System"). Initially, we provide you with the equipment needed to use the POS System. However, if that equipment needs to be replaced, you must purchase it from our designated supplier. The POS System currently costs about \$450. If we choose to change POS system vendors, you may be required to purchase a new POS system and equipment. We currently require You to use the following computer hardware and software:

1. The Shrunk 3D, Inc.<sup>TM</sup> camera operating software that is used to operate the scanning cameras in the Booth to take the images necessary to render the 3D printed figurines.
2. The Shrunk 3D, Inc.<sup>TM</sup> scanning software is a proprietary software program that allows SPSSs to collect data while collecting data points on a figure.
3. The Proprietary software is operated on laptop or a desktop computer. New releases or updates of the software may be provided at an additional cost. All data collected is leased



form us, and remains the sole property of **Shrunk 3D, Inc.** It is not to be used in any capacity other than the operation of your Franchised Business consistent with our standards.

4. POS hardware and software from our designated supplier, which we will provide to you with the Booth.
5. Other hardware that is provided by us as part of the Booth.
6. A customer relationship management (CRM) software that we designate.

Via our proprietary software, we have access to the information and data generated described above, and we are the sole owners of that data. There are no contractual limitations on our rights to access the information and data.

We currently require High speed Cable or Fiber Optic Internet connection that is always on, for uploading scan files. We require You to have a static IP address—it is required for the security system. We recommend that You obtain your Internet access from a major supplier.

We have no contractual obligation to provide support for any other software programs you choose to use in the operation of your Franchised Business, such as software from Microsoft, Adobe, Intuit, or other 3rd party vendors. You may be able to obtain support from Your computer hardware manufacturer or directly from the producers. We have no contract with Microsoft or with any hardware manufacturer to provide You with service or support. We estimate the cost of maintenance, updates and upgrades to the Booth or any of the hardware of software required for operation of your Franchised Business to be approximately \$50 to \$3,000 per year and there is no limit to the frequency with which you may require them or the amount of the cost. We have not approved any alternative software at this time.

You must upgrade the Booth, or its equipment, within the time specified by us at your expense to conform to the appearance and presentation of the Proprietary Marks and trade dress consistent with our then-current public image, including, without limitation, structural changes, equipment changes and upgrades, and redecoration and such modifications to existing equipment as may be deemed necessary by us, as long as those same upgrading requirements apply to a majority of Franchised Businesses operated by franchisees or by us and any of our affiliates, or are necessary to bring the Booth into compliance with requirements already adopted or being adopted by a majority of Franchised Businesses. You may not make additions, alterations, or replacements to the Booth or anything located on the Booth without our prior written consent.

The required computer hardware and software will enable you to gather, analyze and transmit scans taken using your Booth, and data generated by those scans. The required computer hardware and software will also collect and make available to you and to us extensive information about your business, including purchases, customer data, inventory, receipts, cost of goods, profitability and expenses, including payroll, and employee expense and scheduling. Under the Franchise Agreement, we have unlimited independent access to the information stored in, or generated by, the computer hardware and software you use in connect with your Franchised Business.

### **Training Program**

Before opening your Franchised Business, You, must successfully complete our initial training program, which currently includes one day in the Charleston, South Carolina area and up to 10 hours of online training, but may be held at any location we designate. Trainings will be held at least twice annually. Your manager(s) and any SPSS you wish to have participate in the initial training program may also attend. If three or fewer people from your Franchised Business attend the initial training program, it will be provided to you at no cost. If more than three people from your Franchised Business attend the initial training program, you must pay \$199 per person per day of training for each additional person who attends.



We will decide whether You successfully complete the initial training program based upon knowledge test results and Our observations of Your ability to use the knowledge effectively. We will ordinarily schedule the initial training program so that You will complete the initial training program no more than 10 days before the scheduled opening of Your Franchised Business. You are responsible for all salaries, compensation and travel-related expenses of persons attending training. The chart below provides a summary of the training program:

| <b>TRAINING PROGRAM</b>                |                                    |                                     |                           |
|----------------------------------------|------------------------------------|-------------------------------------|---------------------------|
| <b>Subject</b>                         | <b>Hours of Classroom Training</b> | <b>Hours of On The Job Training</b> | <b>Location*</b>          |
| Objectives of Shrunk 3D, Inc.          | 1                                  | 0                                   | Charleston, SC and online |
| Service Overview                       | 1                                  | 3                                   |                           |
| Operations, Support & Computer Systems | 4                                  | 3                                   |                           |
| Sales                                  | 2                                  | 0                                   |                           |
| Marketing & Advertising                | 2                                  | 0                                   |                           |
| <b>TOTAL</b>                           | <b>10</b>                          | <b>6</b>                            |                           |

All times are approximate, and we may adjust them based upon your experience and rate of learning. Our training program is coordinated by two of our founders, Zak Petersen and Micah Smith. Zak and Micah may be assisted by other individuals who have knowledge about a particular topic. Instructors will typically have at least one year's experience relevant to the subjects they are teaching. Zak and Micah, together, developed the software and system you will use to operate your Booth and your Franchised Business. The initial training program will involve the use of our training manual, and slides. See Exhibit G for the table of contents for our operations manual as of the date of this disclosure document, with the number of pages devoted to each subject. There are 30 total pages in the operations manual as of the issuance date of this disclosure document.

Generally, you will be expected to train your SPSS' and other employees using, in part, training materials we will make available to you, and your own knowledge of our system. We may require you, your managers or one or more of your SPSS' to attend additional training at a location we determine. You may also request that we provide you, your managers or one or more of your SPSS' with additional training. If we require, or if you request, that we provide additional training to you, or your employees, you will be required to pay our training fee. Currently our training fee is \$199 per person per day of training.

We may make available training materials and equipment to you for use with your employees and may charge a fee. All training materials are Trade Secrets. You must ensure that all employees successfully complete any training we designate as mandatory. We currently require everyone operating the Booth to be a Certified SPSS.



## ITEM 12 - TERRITORY

The Franchise Agreement defines your assigned geographic area in which you will operate the Franchised Business (“Territory”). The Territory will be described in Exhibit A to the Franchise Agreement. Generally, your Territory will have a household count of up to 70,000 households with an annual household income of at least \$100,000. However, actual geographic size of your protected territory will vary depending on population, tourism trends, frequency of events, geographical location, and other factors. Generally, we describe your Territory using zip codes, but we may define it in different ways, using state or county boundaries, city limits, population, and drive time, to delineate the territory. If you request, and we agree to grant you a territory includes a household count that exceeds 70,000 households with annual household income of at least \$100,00, in addition to the Initial Franchise Fee, you must pay us an amount equal to \$0.71 cents per additional household (based on the household count of the territory as determined by us as of the date you sign the Franchise Agreement).

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 anticipate that you will manage your Franchised Business from your home or from a small office setting. You are not required to have a separate, dedicated office outside of your home for the operation of your Franchised Business, however your primary office must be located in your Territory or within a reasonable driving distance unless we agree otherwise. Your Booth may be stored at a commercial or residential location (subject to local laws). You must have access to at least 100 square feet of secure storage for your Booth. You may relocate your business headquarters anywhere in your Territory, at no charge but you must provide us notice of the relocation. You may not relocate your Franchised Business to a different territory without entering into a new franchise agreement.

You may establish additional Booths in your Territory if you are not in default of your franchise agreement, if you have not committed a default in the prior 12 months, and if you have our approval (which will not be unreasonably withheld). If you dedicate your Booth to serving a single location for more than 25 out of 30 consecutive days, we may require you to purchase an additional Booth in order to serve other venues and events in your Territory.

If you sign a Development Rider (in the form attached as Exhibit C to this disclosure document), then you will have the right to develop additional specified territories, each with its own Booth. These territories will be reserved for you so long as you sign the required additional franchise agreements, purchase additional Booths, and begin operations in each additional territory by the dates set forth in your Development Schedule. You will be required to sign our then-current form of franchise agreement and purchase a Booth at the then-current price for each additional territory in your Development Schedule. The then-current form of franchise agreement may contain terms that are materially different from the original franchise agreement that you signed. If you do not comply with your Development Schedule, we may terminate your right to develop additional territories, however a failure to comply with your Development Schedule will not, on its own, trigger an event of default for any franchise agreement already in effect at the time of the Development Schedule default. Unless you sign a Development Rider, you have no rights to establish any future Franchised Businesses, or any right of first refusal to obtain additional territory unless we agree otherwise in writing.

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.

Except as described in your franchise agreement and in this Item 12, if you are not in breach of the Agreement, we will not locate or open another Franchised Business under the Marks and using the System in Your Territory, either company-owned or franchised, during the term of the Agreement – unless certain minimum sales requirements are not met. We may operate a Booth in your Territory, or license a franchisee



to operate at Booth in your Territory, if you do not make 25 sales a month. Neither we nor our affiliates operate or plan to operate or franchise businesses under a different trademark that will sell goods or services that are the same as or similar to those that you will sell.

You may not operate or offer and sell products or services in a territory belonging to another franchisee without our prior express written approval. You may market to and service customers and events outside your Territory, with our prior written approval, if customers or events are located in areas geographically contiguous to your Territory, and no other franchisee of ours has been awarded that territory, and the territory is not protected as a territory that is being operated by a Company-Owned Outlet (an “Open Territory”). We may revoke our approval for you to operate in Open Territories in our sole discretion. Further, if you service customers in Open Territories with our approval, and elect not to execute our current form of Franchise Agreement with respect to all or any portion of such Open Territories, you assume the risk that we may sell such Open Territories to one or more other current or prospective franchisees of the Shrunk 3d system. In such event, you will no longer have the right to service the customers located in such Open Territories. You may not engage in sales through alternative channels of distribution or the internet, catalog sales, telemarketing without our written approval. We are not required to give you such approval. You may not operate or offer or sell any products or services outside of the state boundaries in which your Territory is located without our prior express written approval.

You may operate your Booth at locations in an area that has been licensed to another franchisee if you receive the express, written consent of that franchisee. You may operate your booth at an event occurring within an area licensed to another franchisee, with, or without, that franchisee’s permission, if the event is to occur, or begin, less than thirty (30) days from the date you are engaged to operate your Booth at the event, and the franchisee in whose territory the event is to occur, has not already been engaged to operate his/her/its/their Booth at the event. Likewise, other franchisees can operate their Booths in your Territory with your permission, or at events at which you are not engaged to operate your Booth that are to occur within thirty (30) days of the other franchisee being engaged.

We also may initiate National Accounts programs. What constitutes a National Account is reasonably determined by us, such as a customer that has multiple properties or events across multiple Territories and/or states, partnerships, sponsorships, or endorsements that extend to multiple Territories, or a large institution with operations or market that extends to multiple Territories. You may not negotiate any contract terms with a prospective National Account. We will have sole discretion to negotiate terms with the National Account. We anticipate that you will participate in the National Accounts program, which will require you to provide products and services to the National Account according to the agreement we have negotiated with them. We do not charge you any additional amount of royalty or other fees to service National Accounts, however the terms of our agreement with a National Account may require you to pay for space for your Booth, agree to sell your figurines at minimum or maximum pricing amounts, pay a portion of your revenue to the National Account venue, or otherwise comply with the terms of our agreement with the National Account. To service National Accounts, you may be required to obtain and maintain additional insurance coverage or policies and you may be required to meet certain eligibility requirements or qualifications such as background or credit checks or revenue sharing or royalty programs. The specific requirements for servicing a National Account may vary and will be made available to you as soon as practicable in advance.

You are not required to participate in events generated by National Accounts, but if you choose not to participate in the National Account program, or if you are unable or unwilling to provide products and services to the National Account as requested, we, our affiliate or a third party (which may be another franchisee) may enter your Protected Territory and service the National Account without needing to obtain your permission, and you are not entitled to any portion of the revenue in these circumstances. We also reserve the right to terminate your participation in the National Account program if you are not providing



products and services according to the terms we have negotiated or if your participation is not otherwise in compliance with our policies.

If the Booth is damaged or destroyed by fire, collision, storm or other casualty, you must notify us and promptly make arrangements to repair the damage. If the casualty requires you to suspend operations, you must: (i) immediately notify us, (ii) commence repair or replacement as soon as practicable, but in any event, if the Booth can be repaired within ninety (90) days after the casualty, (iii) repair the Booth in accordance with the then-current System standards and specifications, and (iv) reopen the Booth for continuous operations under the System as soon as practicable within ninety (90) days after the casualty. If the Booth must be replaced, you must request a new Booth from us and pay 75% of the then-current estimated price of the new Booth to us within thirty (30) days of the casualty, or the determination that the Booth cannot be repaired, whichever is earlier. You must pay the remainder of the cost of the Booth when we deliver the completed Booth to you.

We reserve all rights not specifically granted to you in the Franchise Agreement. The Franchise Agreement does not limit our right or the right of any of our affiliates to: use or license the System or to engage in or license any business activity under the Licensed Marks at any location outside your Territory; and/or to own, operate or franchise businesses, including 3D printing businesses, under any other trade name, trademark or service mark now or later owned by or licensed to us or our affiliates at any location inside or outside your Territory; and/or sell, distribute or market products identified by the Licensed Marks inside or outside of your Territory. There are no restrictions on us from soliciting or accepting orders from members inside your Territory. We and our affiliates are not prohibited from using other channels of distribution, including the Internet, telemarketing, catalog sales, or other direct marketing sales to make sales within your Territory using the Licensed Marks or under other trademarks, different from the Licensed Marks. We do not have to pay you any compensation for soliciting or accepting orders from inside your Territory.

There are no restrictions on where customers may come from. You may engage in marketing outside your Territory, except that you cannot market in the Territory of another Shrunk 3D franchisee, in areas outside your Territory you are unwilling to serve, or if restricted by a Regional Marketing Cooperative. As of the issuance date of this disclosure document, we have not formed any Regional Marketing Cooperatives for the Shrunk 3D system.

If you are in full compliance with the Agreement and with the Manual, we may permit you to acquire expansion territory; expansion territory is adjacent territory that We have not assigned to another franchisee. The current price of such expansion territory is \$0.25 per person residing in the expanded territory based upon currently available governmental demographic data or a purchase of an additional Booth at our then-current price for a new Booth. The purchase price for expansion territory is payable, in full, when You sign an amendment to the Franchise Agreement changing the description of your Territory to include the expansion territory. We shall have sole discretion to determine the size of the expansion territory you are granted, and we may require alternatively that you sign an additional franchise agreement for an entire new territory rather than adding an expansion territory to your existing franchise agreement.

### **ITEM 13 - TRADEMARKS**

We grant You the non-exclusive right to operate the Franchised Business under the “Shrunk 3d” name and design as the principal trademarks, services marks, names, logos and commercial symbols which we own (the “Marks”). We have submitted trademark applications to the United States Patent and Trademark Office (“USPTO”) to have the Marks added to the USPTO’s Principal Register.

We have applied for registration of the following Marks on the Principal Register of the USPTO and we have filed all required affidavits with respect to each Mark.



| Mark                                                                              | U.S. App. No. | Application Date |
|-----------------------------------------------------------------------------------|---------------|------------------|
|  | 97,566,496    | August 26, 2022  |
| <b>SHRUNK 3D</b>                                                                  | 97,566,468    | August 26, 2022  |

In September 2023, our applications listed above were suspended until the resolution of cancellation proceedings initiated by us against the owner of the ShrinkR mark. In December 2024, our request to cancel the ShrinkR mark registration application was granted and the cancellation proceedings ended. In January 2024, we requested that the suspension of our applications be lifted. As of the date of this disclosure document, the applications are still pending.

We do not have a federal registration for our principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses. We are currently unaware of any prior rights or infringing uses that could materially affect the franchisee's use of the principal Marks.

There are no currently effective material determinations of the PTO, the Trademark Trial and Appeal Board, the trademark administration of any state, or of any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation involving the principal trademark. There are no pending material federal or state court litigations regarding the franchisor's use or ownership rights in the Marks.

There are no agreements currently in effect which significantly limit our right to use or license the use of our marks in a manner material to the franchise.

You may use the Marks only in the manner and format we specify in the Operations Manual or otherwise with our prior written consent. You cannot use any mark in connection with the performance or sale of any unauthorized services or products or in any manner we have not expressly authorized in writing. We reserve the right to designate and approve the location or territory name that you use to identify your business, including the use of any assumed or fictitious business name.

You will not acquire any proprietary rights in the Marks by virtue of the license granted to you in the Franchise Agreement or otherwise. All goodwill established by your use of the Marks will inure to our sole and exclusive benefit. You agree not to contest at any time either the validity, or our ownership, of any of the Marks. Any unauthorized use of the Marks by you will constitute an infringement of our rights in and to the Marks.

You may not use the Marks for your corporate, business organization or trade name, or with any prefix, suffix or other modifying words, terms, designs or symbols (except for those that we license to you) or in any modified form. You may not use the Marks when selling any unauthorized product or service or in any other manner that we have not expressly authorized in writing in advance.

You must identify yourself as the independent owner of the Franchised Business, give notices of trademark and service mark registrations in the manner we specify, and obtain any fictitious or assumed name



registrations as may be required under applicable law or as may be required by us to distinguish the Franchised Business from us.

You must give us notice immediately upon learning of any alleged infringement or a challenge to your use of the Marks, or any claim by any third party of any rights in the Marks or any similar mark, and you may not communicate with any person other than us or our attorneys and your attorneys about the alleged infringement, challenge or claim. We will indemnify you and hold you harmless from any out of pocket expense or liability arising from your use of the Marks in accordance with the Franchise Agreement. We have the sole discretion to take the action, if any, we deem appropriate, and the right to exclusively control any litigation, trademark office proceeding or other administrative proceeding arising out of any infringement, challenge or claim or otherwise concerning any of the Marks. You must sign all instruments and documents, provide assistance and take any action that, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation, trademark office proceeding or other administrative proceeding or to otherwise protect and maintain our interest in the Marks.

We will bear all legal expenses incident to your participation, at our request, in any action to prevent the infringement or illegal use of the Marks, except for the cost of any legal counsel you separately retain. Notwithstanding anything to the contrary in this discussion, we will not be liable to you for any loss of profits or business opportunities, or indirect, incidental or consequential damages of any kind or nature regarding any action involving the Marks.

We have the right to modify or discontinue our or your use of the Marks or the specifications for use of the Marks, or to require you to start use of new or substitute Marks. You understand that we may change the mark under which you operate your Franchised Business to another mark, and, if any change is made, you will use the other mark as directed by us at your expense.

You must comply with the mandatory requirements included in the Operations Manual regarding your use of the Marks in electronic commerce, which includes all forms of electronic or computer communication, including your use of social media or mobile marketing. Upon expiration or termination of this Agreement, you must transfer your registrations, including your social media or mobile marketing accounts, to us upon our written request. You will not receive any compensation for any transfer.

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

No patents are material to the franchise.

We claim copyrights in the Operations Manual, advertising material and related items used in operating the franchise. Although we have not filed an application for a copyright registration for those items, we claim a copyright and the information is proprietary. We are not obligated to take any action to protect our copyrighted materials, but will respond to this information as we think appropriate.

The Operations Manual and other materials we provide to you contain our confidential and proprietary information. Certain information about the operation of the Franchised Business including the standards, methods, procedures and specifications of the System, including the contents of the Operations Manual, is derived from information we disclose to you and all that information is of a proprietary and confidential nature and our trade secret ("Confidential Information"). You (if you are an individual) and each of your Owners (if you are an entity), officers, directors, members, partners, manager, employees and agents must maintain the absolute confidentiality of all Confidential Information both during the term of your Franchise Agreement and after its termination or expiration and may use that Confidential Information only to the extent necessary to operate the Franchised Business. You cannot disclose that Confidential Information for any reason, except to your Owners, officers, directors, members, partners, managers, employees and agents only to the extent necessary for the operation of the Franchised Business. You must sign, and shall cause all persons receiving the Confidential Information to sign, the Confidentiality Agreement attached as



Exhibit I. You cannot use any Confidential Information in any other business or in any other manner or obtain any benefit from it not specifically approved in writing by us during the term of your Franchise Agreement or afterwards. You may not use our Confidential Information in an unauthorized manner and must take all reasonable steps to prevent its disclosure to others. You must promptly tell us when you learn about unauthorized use of our confidential and proprietary information.

You irrevocably and permanently grant us an exclusive, global, royalty-free license for any and all of the following developed by you, or on your behalf, if such development occurred, in whole or in part, in connection with your Franchised Business: improvements to existing or newly developed Shrunk 3D products or services; your means, manner and style of offering and managing sales; and all sales, marketing, advertising and promotional programs and campaigns developed by you or on your behalf. We may authorize our affiliates, franchisee and/or licenses to use the rights you grant under such license, regardless of where in the world they operate. No further consideration will be payable as a result of this license.

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

You must either devote Your full time and effort to managing and operating the Franchised Business or delegate its management or operation to a trained manager (the “Key Manager”). You must designate one person with management authority over your Franchised Business as the “Operating Principal”, reserve and exercise ultimate authority and responsibility over operation and management of the Franchised Business to the Operating Principal. Your Operating Principal and Key Manager may be, but is not required to be, the same individual. You may not delegate management and operation to a manager without our prior express written approval. If You are a corporation or other entity, each owner must personally guarantee the Agreement and the entity must designate a competent manager. We do not require the designated manager, if any, to be an equity owner of the franchised business. We require that the designated manager must successfully complete the franchisors training program. You must, at all times, employ at least one SPSS unless you are the sole operate of the Booth. You must require each manager and employee to whom You disclose our trade secrets to execute a confidentiality agreement in the form we designate.

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

You may offer for sale only products and services we approve, including 3D scanning and printing services utilizing the Booth. The products you sell must be consistent with the Shrunk 3D, Inc.<sup>TM</sup> image. We have sole discretion in determining what constitutes the Shrunk 3D, Inc.<sup>TM</sup> image. You may not sell services or products that we prohibit. We have the right to prohibit the sale of services or products that were previously permitted by us. As permitted by law, you must sell figurines and other 3D printing services at prices we set. The wholesale prices we and our approved suppliers charge for figurine production will not be adjusted to account for any reductions in the prices you set for customers of your Franchised Business.

Where permitted by law, we may require that you participate in certain programs to serve certain national, or regional, accounts that we enter into on behalf of us and the Shrunk 3D franchise system. Those programs may establish certain fees that you may, or must, charge, or certain pricing for the services and products you sell through your involvement with the program.

You must obtain your supplies and equipment from suppliers We select or approve, which may be us, or our affiliates. You must use only scientific testing laboratories that we select or approve. You may not engage in sales through alternative distribution channels or the Internet without our prior written approval. We are not required to give you such approval.

We may change the System or any part of the System at any time, and as changed it will remain the System. These changes may include requirements that you sell certain additional products and services, or that you stop selling certain products and services that were previously approved by us. If we modify the System,



you must, at your own expense, adopt and use the modification(s) as if they were part of the System at the time you signed the Franchise Agreement. There are no restrictions on our right to modify the types of goods and services you will offer except that we will remain primarily a 3D scanning and printing service.

## ITEM 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

### THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

#### A. Franchise Agreement

| Provision                                         | Section in franchise or other agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of the franchise term                   | Section 3.1                             | 10 years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| b. Renewal or extension of the term               | Section 3.2                             | Two (2) renewal term(s) of 5 years each.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| c. Requirements for franchisee to renew or extend | Section 3.2                             | “Renewal” means to be granted successor franchise rights for the renewal term, as long as the following obligations are met: You give us timely notify of your intent to renew; you are not in default of any material provision of the Franchise Agreement, you are current on all amounts owed to us, our Affiliates and third party suppliers; all equipment in the Booth is functioning, and the Booth reflects our then-current standards related to appears, function and equipment; you have the right to continue locating the Booth at any permanent location you are then using, if any; you pay a successor agreement fee; all guarantors sign a general release; you sign our then-current franchise agreement, which may have materially different terms and conditions than your original Franchise Agreement. |
| d. Termination by franchisee                      | Not Applicable                          | You may terminate the Franchise Agreement under any grounds permitted by law or upon mutual agreement with us.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| e. Termination by franchisor without cause        | Not Applicable                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| f. Termination by franchisor with cause           | Sections 14.1.B - D                     | We can terminate only if you default.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |



| Provision                                              | Section in franchise or other agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| g. Cause defined – curable defaults                    | Sections 14.1.D, 8.3                    | You generally have 10 days to cure nonpayment of fees and 30 days to cure any other default not specified in Section 14B. and C.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| h. Cause defined – non-curable defaults                | Sections 14.1.B and 14.1.C              | Non-curable defaults: cease operating or abandon the Location, forfeit the right to do business where the Location is located, conviction of felony, unapproved transfers, improper use or disclosure of confidential information, false reporting or submissions to us, under-reporting Gross Revenues, repeated defaults even if cured, entry of judgment against you which remains unsatisfied for 30 days, levy against your business or Location, action brought to foreclose lien or mortgage against the Location premises or equipment which is not dismissed in 30 days, or you become insolvent, a receiver is appointed to take possession of your business or Location, you make a general assignment for the benefit of your creditors, violate your obligations to only sell products and/or services approved by us, you engage in public conduct that reflects materially and unfavorably upon the System, or the goodwill associated with the Marks, or you are in default under any other Franchise Agreement or other agreement with us or our affiliates which is not curable, or, if the default is curable, you have not cured the default within the cure period, or bankruptcy. |
| i. Franchisee's obligations on termination/non-renewal | Sections 15.1 - 15.3                    | Cease operating the Location; discontinue use of the Marks and advertising; complete deidentification as our Franchisee; transfer telephone numbers and listing to us; deliver all materials and documents for the Location to us; modification and alteration of Location; cease using the System and Manual; remove any sign that has our distinctive shape, color and/or design; discontinue all advertising; allow us, at our option, to purge at your cost all your usable materials bearing the marks, and/or your equipment, furniture, fixtures; sell movable signs to us at their fair market value, promptly pay all amounts due us; and maintain and preserve your financial and other records and make them available for our inspection. If we give you notice, sell the assets of the Location to us or our assignee. See State Addenda.                                                                                                                                                                                                                                                                                                                                                  |
| j. Assignment of contract by franchisor                | Section 13.1                            | No restriction on our right to assign.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| k. "Transfer" by franchisee – defined                  | Sections 1.2.KK and 13.2                | Transfer means voluntary or involuntary assignment, sale, gift or other transfer of your Franchise Agreement or any of your rights or obligations as a Franchisee (your "Franchised Interest"), including (i) the transfer of ownership of your stock, partnership or limited liability company ownership interest; (ii) merger, reorganization, consolidation or issuances of additional securities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |



| Provision                                         | Section in franchise or other agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                   |                                         | representing an interest in your Franchised Interest of Location; (iii) sale of more than a 50% interest in your Franchised Interest; (iv) transfer of a Franchised Interest in a divorce, insolvency, corporate partnership dissolution or otherwise; (v) transfer of a Franchised Interest by will, trust or intestate succession; (vi) change in ownership or otherwise; (vii) any change in trustee or beneficial owner of a trust (if the trust is a Franchisee or has more than a 50% interest in the Franchised Interest); or (viii) any pledge, hypothecation or encumbrance of any Franchised Interest as security for an obligation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| l. Franchisor approval of transfer by franchisee  | Section 13                              | You may not transfer your Agreement, your franchise, or any ownership interest in the franchise, the Location or a substantial portion of the Location's assets, without our consent, except under 3 circumstances. (1) If you sign as an individual, you can transfer your Agreement to a corporation, partnership or limited liability company if you maintain your same ownership interest in the new entity. (2) If you die or become incapacitated (and you are personally the Franchisee or the owner of more than 50% of the Franchisee), your executor or other personal representatives must transfer all your interests to a third party. With our consent, your personal representative may transfer all your interests to your spouse, parent, sibling, niece, nephew, descendant or spouse's descendant. (3) If you wish to transfer ownership by public or private offering, you must first obtain our written consent. We may withhold the consent in our sole discretion in the case of a public offering, and for a private offering will not unreasonably withhold it. Any other transfer is a change of ownership requiring a new application and payment of an application fee, and, if approved, an Initial Franchise Fee. If the transfer is of less than 50% of your ownership and does not transfer a controlling interest, no application fee or Initial Franchise Fee will be required. Transfer may not be unreasonably withheld. |
| m. Conditions for franchisor approval of transfer | Sections 13.6, 13.7, 13.8 and 13.10     | For sales of securities or other interests by public or private offering, we may grant or deny approval based on whatever we deem to be in our best interests. For public offerings, you must pay us a \$5,000 fee or such higher amount that covers our costs. For private offerings, you must pay us a \$2,500 fee or such higher amount that covers our costs. If you seek a change of ownership, your proposed transferee has to apply for a new franchise. If approved, the transferee has to sign a new Franchise Agreement for the remainder of your current term and pay a transfer fee. We may also require that the new franchisee's owner sign a guarantee, that you sign a general release, that the Location is updated to then-current standards for new Shrunk 3D Businesses. With our consent, your personal representative may transfer all                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |



| Provision                                                               | Section in franchise or other agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                         |                                         | your interests to your spouse, parent, sibling, niece, nephew, descendant or spouse's descendant. Subject to state law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| n. Franchisor's right of first refusal to acquire franchisee's business | Sections 13.5                           | Any transfer of ownership, other than from you (if you are an individual) to a corporation, partnership or limited liability company owned by you, is subject to our right of first refusal. We have the option for 30 days following our receipt of notice of transfer to exercise our right. We can purchase the ownership interest in Franchisee on the same terms as those offered by you to the third party.                                                                                                                                                                                                                                                                                           |
| o. Franchisor's option to purchase franchisee's business                | Sections 14.3 and 15.1.I                | <p>Upon termination for any reason of the Franchise Agreement, we have the option for 30 days following the termination or expiration to purchase your assets at a price determined by 1 appraiser elected by us (though you may select a second appraiser at your expense, and if their evaluations are more than 10% apart, you will pay for a 3 appraiser to determine the final price).</p> <p>We also have the rights within 60 days following our receipt of your inventory list following termination or expiration of the Franchise Agreement, to purchase at fair market value, your supplies, fixtures and equipment, signage, and other materials bearing the Proprietary Marks.</p>             |
| p. Death or disability of franchisee                                    | Sections 13.6                           | If you die or become incapacitated (and you are personally the Franchisee or the owner of more than 50% of the Franchisee), your executor or other legally appointed personal representative must appoint, within 30 days, an approved management company to operate the Location. Pending the appointment and subject to legal formalities, we can manage the Location. Your executor or other legally appointed personal representative must also transfer all your interests to a third party within 1 year. With our consent, your estate or legally appointed personal representative may transfer all your interest to your spouse, parent, sibling, direct descendant or spouse's direct descendant. |
| q. Non-competition covenants during the term of the franchise           | Sections 7.10 and 11.11.A               | You cannot use the Booth for any purpose or activity except to operate the Franchised Business and you cannot use it to promote any competing business. During the term of the Franchise Agreement you may not compete with us by being associated with any business engaged in scanning or 3D printing, or that is otherwise similar to the Franchised Businesses, no matter where located. Subject to state law.                                                                                                                                                                                                                                                                                          |
| r. Non-competition covenants after the                                  | Section 11.11 B                         | For 2 years after any transfer, expiration, or termination of the Franchise Agreement anywhere in your Protected Territory or the Protected Territory of any other System Location. The definition                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |



| <b>Provision</b>                   | <b>Section in franchise or other agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| franchise is terminated or expires |                                                | of what is a Competing Business is the same as for the in-term covenant not to compete. Subject to state law.                                                                                                                                                                                                                                                                                     |
| s. Modification of the agreement   | Section 20.1                                   | No modifications generally unless in writing signed by you and one of our officers. However, our Manual is subject to change at our discretion.                                                                                                                                                                                                                                                   |
| t. Integration/merger clause       | Section 20.1                                   | Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement are not enforceable. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments. |
| u. Dispute resolution by mediation | Section 19.1                                   | All disputes must be mediated. Mediation occurs in the city where the Franchisor has its principal place, currently Charleston, SC. The mediation proceedings are governed by rules of the American Arbitration Association. This provision may subject to applicable state law.                                                                                                                  |
| v. Choice of forum                 | Section 19.3                                   | Litigation must be in state or federal courts in the place where the Franchisor maintains its principal place of business, currently Charleston, SC (subject to applicable state law). See State Addenda.                                                                                                                                                                                         |
| w. Choice of law                   | Section 20.2                                   | South Carolina law applies (subject to applicable state law). See State Addenda                                                                                                                                                                                                                                                                                                                   |

## **B. Development Rights Rider**

|    | <b>Provision</b>                 | <b>Section in Development Rider</b> | <b>Summary</b>                                                                                                                                                      |
|----|----------------------------------|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. | Length of the franchise term     | Section 5                           | The term expires upon the deadline to develop the Franchised Businesses specified in the Development Schedule or upon the development of all Franchised Businesses. |
| b. | Renewal or extension of the term | Not Applicable                      | Not Applicable                                                                                                                                                      |



|    | <b>Provision</b>                                     | <b>Section in Development Rider</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                     |
|----|------------------------------------------------------|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| c. | Requirements for franchisee to renew or extend       | Not Applicable                      | Not Applicable                                                                                                                                                                                                                                                                                                                                     |
| d. | Termination by franchisee                            | Not Applicable                      | You may terminate the Franchise Agreement under any grounds permitted by law.                                                                                                                                                                                                                                                                      |
| e. | Termination by franchisor without cause              | None                                | Not Applicable                                                                                                                                                                                                                                                                                                                                     |
| f. | Termination by franchisor with cause                 | Section 6.1                         | We can terminate only if you default (see (g) and (h) below).                                                                                                                                                                                                                                                                                      |
| g. | "Cause" defined – curable defaults                   | Not applicable                      | Not Applicable                                                                                                                                                                                                                                                                                                                                     |
| h. | "Cause" defined - non-curable defaults               | Section 6.1                         | You fail to have open and operating the minimum number of Franchised Businesses specified in the Development Schedule by any Opening Deadline specified in the Development Schedule; any Franchise Agreement is terminated a result of default; or you breach or otherwise fail to comply fully with any other provision of the Development Rider. |
| i. | Franchisee's obligations on termination/no n-renewal | Sections 6.2                        | You will lose the right to continue to develop Franchised Businesses in your Development Area.                                                                                                                                                                                                                                                     |
| j. | Assignment of contract by franchisor                 | Section 7                           | Fully assignable and transferrable by us.                                                                                                                                                                                                                                                                                                          |
| k. | "Transfer" by franchisee - defined                   | Section 7                           | Includes transfer of the Development Rider, any interest in the Development Rider, or, if you are a business entity, any interest in the entity.                                                                                                                                                                                                   |
| l. | Franchisor approval of transfer by franchisee        | Section 7                           | We have the right to approve or not approve all transfers in our sole discretion. Transfer may not be unreasonably withheld.                                                                                                                                                                                                                       |



|    | <b>Provision</b>                                                       | <b>Section in Development Rider</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                   |
|----|------------------------------------------------------------------------|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| m. | Conditions for franchisor approval of transfer                         | Section 7                           | We have sole discretion in setting conditions for our approval of a transfer. Subject to state law.                                                                                                                                                                                                                                              |
| n. | Franchisor's right of first refusal to acquire franchisee's business   | Section 7                           | We have the first right of refusal on all transfer, exercisable within 30 days of receiving an executed copy of the contract of transfer.                                                                                                                                                                                                        |
| o. | Franchisor's option to purchase franchisee's business                  | Not applicable                      | Not applicable                                                                                                                                                                                                                                                                                                                                   |
| p. | Death or disability of franchisee                                      | Not applicable                      | We have the right approve or disapprove any transfer in our sole discretion. Subject to state law.                                                                                                                                                                                                                                               |
| q. | Non-competition covenants during the term of the franchise             | Section 8                           | The non-competition covenants in your Franchise Agreement shall apply to your Development Rider. Subject to state law.                                                                                                                                                                                                                           |
| r. | Non-competition covenants after the franchise is terminated or expires | Section 8                           | The non-competition covenants in your Franchise Agreement shall apply to your Development Rider. Subject to state law.                                                                                                                                                                                                                           |
| s. | Modification of the agreement                                          | Section 9                           | No modifications to the Development Rider unless you and we agree in writing. We may amend the Operations Manual at any time.                                                                                                                                                                                                                    |
| t. | Integration/merger clause                                              | Section 9                           | Only the terms of the Development Rider and any Franchise Agreements are binding (subject to state law). Any promises outside the Development Rider, the Franchise Agreements, and this FDD may not be enforceable. However, nothing in the Franchise Agreement will have the effect of disclaiming any of the representations made in this FDD. |
| u. | Dispute resolution by arbitration or mediation                         | Section 8                           | The dispute resolution provisions of the Franchise Agreement apply to any disputes under the Development Rider (subject to applicable state law)                                                                                                                                                                                                 |



|    | Provision       | Section in Development Rider | Summary                                                                                                                    |
|----|-----------------|------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| v. | Choice of forum | Section 8                    | The choice of forum provisions of the Franchise Agreement apply to the Development Rider (subject to applicable state law) |
| w. | Choice of law   | Section 8                    | The choice of law provisions of the Franchise Agreement apply to the Development Rider (subject to APPLICABLE state law)   |

## ITEM 18 - PUBLIC FIGURES

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

## ITEM 19 - FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and franchisor-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 an Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in an Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The following financial performance representation is based upon the historic data of the 23 franchised outlets which operated during the 12-month reporting period from April 1, 2023 through March 31, 2024. We obtained these historical financial results from the sales reports and orders provided to us by the franchised outlets through the point-of-sale system related to revenue-generating events. "Revenue-generating events" mean events in which the franchised outlet participated in to offer and sell the Shrunk3D™ figurine products. They do not include any results or data from revenue generated from other channels, such as through e-commerce and online, social media, or other marketing or promotional efforts or reorders or orders made after the event. During the reporting period, there were a total of 24 outlets in operation. There are no outlets owned or operated by us or any of our affiliates. 1 franchised outlet was excluded from this Item 19 because they were not yet open and did not have any revenue-generating events during the reporting period. None of our franchisees had any revenue generating events at a military base or facility.

The franchised outlets included in this financial performance representation all operated in a substantially similar manner to how your Franchised Business will operate. 6 of the 23 outlets operated in a territory with more than 70,000 households. The explanatory notes included with the following charts are an integral part of this financial performance representation and should be read in their entirety for a full understanding of the information contained in the following charts. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

**Table 1**  
**Average and Median Figurine Price**  
April 1, 2023 to March 31, 2024

| Ranking by Figurine Price <sup>1</sup> | Total Franchises | Average | Median | High  | Low  |
|----------------------------------------|------------------|---------|--------|-------|------|
| <i>All Franchises</i> <sup>2</sup>     | 23               | \$181   | \$197  | \$249 | \$93 |



|                                |   |       |       |       |       |
|--------------------------------|---|-------|-------|-------|-------|
| <i>Top-25%</i> <sup>3</sup>    | 6 | \$224 | \$220 | \$249 | \$215 |
| <i>Bottom-25%</i> <sup>4</sup> | 6 | \$111 | \$103 | \$167 | \$93  |

1. This table shows average and median figurine price for the 23 franchised outlets that had revenue generating events during the April 2023 to March 2024 reporting period. The first subset shows all included franchises; the second subset shows the top 25% of these franchises when ranked by figurine price; the third subset shows the bottom 25% of these franchises when ranked by figurine price.
2. “Figurine Price” is the price customers paid per figurine at a revenue generating event. This table does not include any data from other channels such as through e-commerce and online, social media, or other marketing or promotional efforts or reorders or orders made after the event.
3. All Franchises. The numbers in this row come from all 23 franchised outlets whose data was used in this financial performance representation. 16 out of 23 outlets or 69% attained or surpassed the stated Average Figurine Price. 12 out of 23 outlets or 52% attained or surpassed the stated Median Figurine Price.
4. Top-25%. The numbers in this row come from the 6 franchised outlets who had the best Average Median Figurine Price whose data was in the top 25% used to calculate the numbers. 2 out of 6 outlets or 33% attained or surpassed the stated Average Figurine Price. 3 out of 6 outlets or 50% attained or surpassed the stated Median Figurine Price.
5. Bottom-25%. The numbers in this row come from the 6 franchised outlets who had the lowest Average Median Figurine Price whose data was in the top 25% used to calculate the numbers. 2 out of 6 outlets or 33% attained or surpassed the stated Average and Median Figurine Price. 3 out of 6 outlets or 50% attained or surpassed the stated Median Figurine Price.

**Table 2**  
**Average and Median Estimated Gross Margin**  
April 1, 2023 to March 31, 2024

| <b>Ranking by<br/>Estimated Gross<br/>Margin <sup>1</sup></b> | <b>Total<br/>Franchises</b> | <b>Average</b> | <b>Median</b> | <b>High</b> | <b>Low</b> |
|---------------------------------------------------------------|-----------------------------|----------------|---------------|-------------|------------|
| <i>All Franchises</i> <sup>2</sup>                            | 23                          | 59.5%          | 59.9%         | 72.2%       | 48.2%      |
| <i>Top-25%</i> <sup>3</sup>                                   | 6                           | 67.2%          | 67.2%         | 72.2%       | 65.1%      |
| <i>Bottom-25%</i> <sup>4</sup>                                | 6                           | 51.6%          | 52.1%         | 53.7%       | 48.2%      |

1. This table shows average and median estimated gross profit margin for the 23 franchised outlets that had revenue generating events during the April 2023 to March 2024 reporting period. The first subset shows all included franchises; the second subset shows the top 25% of these franchises when ranked by estimated gross profit margin; the third subset shows the bottom 25% of these franchises when ranked by estimated gross profit margin. This table does not include any data from other channels such as through e-commerce and online, social media, or other marketing or promotional efforts or reorders or orders made after the event.
2. “Estimated Gross Margin” means the net sales revenue generated for all orders by a particular outlet(which excludes amounts collected as sales tax and paid to relevant taxing authorities, or discounts or rebates paid back to customers related to their purchases), *minus* the cost of goods sold for the production of all orders for the particular outlet, *divided by* the net sales revenue figure and



expressed as a percentage. “Cost of Goods Sold” is the wholesale printing cost charged by the manufacturer of the Shrunk3D figurines in fulfilling customer orders for the particular outlet.

3. All Franchises. The numbers in this row come from all 23 franchised outlets whose data was used in this financial performance representation. 12 out of 23 outlets or 52% attained or surpassed the stated Average and Median Estimated Gross Margin.
4. Top-25%. The numbers in this row come from the 6 franchised outlets who had the best Average Estimated Gross Margin whose data was in the top 25% used to calculate the numbers. 1 out of 6 outlets or 16% attained or surpassed the stated Average Estimated Gross Margin. 3 out of 6 outlets or 50% attained or surpassed the stated Median Estimated Gross Margin.
5. Bottom-25%. The numbers in this row come from the 6 franchised outlets who had the lowest Average Estimated Gross Margin whose data was in the bottom 25% used to calculate the numbers. 4 out of 6 outlets or 67% attained or surpassed the stated Average Estimated Gross Margin. 3 out of 6 outlets or 50% attained or surpassed the stated Average and Median Estimated Gross Margin.

**Table 3**  
**Average and Median Figures Sold Per Event Day**  
April 1, 2023 to March 31, 2024

| <b>Ranking by<br/>Figurines Sold per<br/>Event Day <sup>1</sup></b> | <b>Total<br/>Franchises</b> | <b>Average</b> | <b>Median</b> | <b>High</b> | <b>Low</b> |
|---------------------------------------------------------------------|-----------------------------|----------------|---------------|-------------|------------|
| <i>All Franchises <sup>2</sup></i>                                  | 23                          | 11.4           | 10.9          | 26.7        | 4.5        |
| <i>Top-25% <sup>3</sup></i>                                         | 6                           | 19.0           | 17.6          | 26.7        | 17.2       |
| <i>Bottom-25% <sup>4</sup></i>                                      | 6                           | 5.6            | 5.8           | 6.6         | 4.5        |

1. This table shows average and median by Figurines Sold Per Event Day for the 23 franchised outlets that had revenue generating events during the April 2023 to March 2024 reporting period. The first subset shows all included franchises; the second subset shows the top 25% of these franchises when ranked by Figurines Sold Per Event Day; the third subset shows the bottom 25% of these franchises when ranked by Figurines Sold Per Event Day. This table does not include any data from other channels such as through e-commerce and online, social media, or other marketing or promotional efforts or reorders or orders made after the event.
2. “Figurines Sold Per Event Day” means the number of figurines sold by the franchised outlet at each day of a revenue generating event.
3. All Franchises. The numbers in this row come from all 23 franchised outlets whose data was used in this financial performance representation. 9 out of 23 outlets or 39% attained or surpassed the stated Average and Median Figurines Sold Per Event Day. 12 out of 23 outlets or 52% attained or surpassed the stated Median Figurines Sold Per Event Day.
4. Top-25%. The numbers in this row come from the 6 franchised outlets who had the best Average Figurines Sold Per Event Day whose data was in the top 25% used to calculate the numbers. 1 out of 6 outlets or 16% attained or surpassed the stated Average Figurines Sold Per Event Day. 3 out of 6 outlets or 50% attained or surpassed the stated Median Figurines Sold Per Event Day.
5. Bottom-25%. The numbers in this row come from the 6 franchised outlets who had the lowest Average Figurines Sold Per Event Day whose data was in the bottom 25% used to calculate the numbers. 3 out of 6 outlets or 50% attained or surpassed the stated Average and Median Figurines Sold Per Event Day.



**Table 4**  
**Average and Median Order Amount**  
April 1, 2023 to March 31, 2024

| Ranking by Order Amount per Event Day <sup>1</sup> | Total Franchises | Average  | Median   | High     | Low      |
|----------------------------------------------------|------------------|----------|----------|----------|----------|
| <i>All Franchises</i> <sup>2</sup>                 | 23               | \$242.02 | \$232.81 | \$368.21 | \$114.81 |
| <i>Top-25%</i> <sup>3</sup>                        | 6                | \$294.94 | \$276.34 | \$368.21 | \$270.03 |
| <i>Bottom-25%</i> <sup>4</sup>                     | 6                | \$193.30 | \$208.35 | \$224.14 | \$114.81 |

1. This table shows average and median order amount for the 23 franchised outlets that had revenue generating events during the April 2023 to March 2024 reporting period. The dataset shows all included franchises. This table does not include any data from other channels such as through e-commerce and online, social media, or other marketing or promotional efforts or reorders or orders made after the event.
2. “Order Amount” means the average net sales revenue generated per order by a particular outlet (which excludes amounts collected as sales tax and paid to relevant taxing authorities, or discounts or rebates paid back to customers related to their purchases).
3. All Franchises. The numbers in this row come from all 23 franchised outlets whose data was used in this financial performance representation. 9 out of 23 outlets or 39% attained or surpassed the stated Average Order Amount. 12 out of 23 outlets or 52% attained or surpassed the stated Median Order Amount.
4. Top-25%. The numbers in this row come from the 6 franchised outlets who had the best Order Amount whose data was in the top 25% used to calculate the numbers. 2 out of 6 outlets or 33% attained or surpassed the stated Average Order Amount. 3 out of 6 outlets or 50% attained or surpassed the stated Median Order Amount.
5. Bottom-25%. The numbers in this row come from the 6 franchised outlets who had the lowest Order Amount whose data was in the bottom 25% used to calculate the numbers. 4 out of 6 outlets or 67% attained or surpassed the stated Average Order Amount. 3 out of 6 outlets or 50% attained or surpassed the stated Median Order Amount.

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

Other than preceding financial performance representations in this Item, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Zak Petersen, at zak@shrunk3d.com and (843) 212-9336, the Federal Trade Commission, and the appropriate state regulatory agencies.



## ITEM 20 - OUTLETS AND FRANCHISEE INFORMATION

**Table 1**  
**Systemwide Outlet Summary**  
**For Years 2021 to 2023**

| Outlet Type   | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---------------|------|----------------------------------|--------------------------------|------------|
| Franchised    | 2021 | 0                                | 1                              | +1         |
|               | 2022 | 1                                | 8                              | +7         |
|               | 2023 | 8                                | 22                             | +14        |
| Company-Owned | 2021 | 1                                | 0                              | -1         |
|               | 2022 | 0                                | 0                              | 0          |
|               | 2023 | 0                                | 0                              | 0          |
| Total Outlets | 2021 | 1                                | 1                              | 0          |
|               | 2022 | 1                                | 8                              | +7         |
|               | 2023 | 8                                | 22                             | +14        |

**Table 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For Years 2021 to 2023**

| State | Year | Number of Transfers |
|-------|------|---------------------|
| Texas | 2021 | 0                   |
|       | 2022 | 0                   |
|       | 2023 | 1                   |
| Total | 2021 | 0                   |
|       | 2022 | 0                   |
|       | 2023 | 1                   |

**Table 3**  
**Status of Franchised Outlets**  
**For Years 2021 to 2023**

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of the Year |
|-------|------|--------------------------|----------------|--------------|--------------|--------------------------|---------------------------------|----------------------------|
| FL    | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                          |
|       | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                          |
|       | 2023 | 0                        | 3              | 0            | 0            | 0                        | 0                               | 3                          |
| GA    | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                          |
|       | 2022 | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                          |
|       | 2023 | 1                        | 3              | 0            | 0            | 0                        | 1                               | 3                          |
| HI    | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                          |
|       | 2022 | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                          |
|       | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
| KS    | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                          |



|        |      |   |    |   |   |    |     |    |
|--------|------|---|----|---|---|----|-----|----|
|        | 2022 | 0 | 0  | 0 | 0 | 0  | 0   | 0  |
|        | 2023 | 0 | 1  | 0 | 0 | 0  | 0   | 1  |
| LA     | 2021 | 0 | 0  | 0 | 0 | 0  | 0   | 0  |
|        | 2022 | 0 | 0  | 0 | 0 | 0  | 0   | 0  |
|        | 2023 | 0 | 1  | 0 | 0 | 0  | 0   | 1  |
| MO     | 2021 | 0 | 0  | 0 | 0 | 0  | 0   | 0  |
|        | 2022 | 0 | 0  | 0 | 0 | 0  | 0   | 0  |
|        | 2023 | 0 | 3  | 0 | 0 | 0  | 0   | 3  |
| NE     | 2021 | 0 | 0  | 0 | 0 | 0  | 0   | 0  |
|        | 2022 | 0 | 0  | 0 | 0 | 0  | 0   | 0  |
|        | 2023 | 0 | 1  | 0 | 0 | 0  | 0   | 1  |
| NV     | 2021 | 0 | 0  | 0 | 0 | 0  | 0   | 0  |
|        | 2022 | 0 | 1  | 0 | 0 | 0  | 0   | 1  |
|        | 2023 | 1 | 0  | 0 | 0 | 0  | 0   | 1  |
| OH     | 2021 | 0 | 0  | 0 | 0 | 0  | 0   | 0  |
|        | 2022 | 0 | 0  | 0 | 0 | 0  | 0   | 0  |
|        | 2023 | 0 | 1  | 0 | 0 | 0  | 0   | 1  |
| SC     | 2021 | 0 | 1  | 0 | 0 | 0  | 0   | 1  |
|        | 2022 | 1 | 1  | 0 | 0 | 0  | 0   | 2  |
|        | 2023 | 2 | 0  | 0 | 0 | 0  | 1   | 1  |
| TN     | 2021 | 0 | 0  | 0 | 0 | 0  | 0   | 0  |
|        | 2022 | 0 | 0  | 0 | 0 | 0  | 0   | 0  |
|        | 2023 | 0 | 2  | 0 | 0 | 0  | 0   | 2  |
| TX     | 2021 | 0 | 0  | 0 | 0 | 0  | 0   | 0  |
|        | 2022 | 0 | 4  | 0 | 0 | 1* | 0   | 3  |
|        | 2023 | 3 | 1  | 0 | 0 | 0  | 1** | 3  |
| UT     | 2021 | 0 | 0  | 0 | 0 | 0  | 0   | 0  |
|        | 2022 | 0 | 0  | 0 | 0 | 0  | 0   | 0  |
|        | 2023 | 0 | 1  | 0 | 0 | 0  | 0   | 1  |
| Totals | 2021 | 0 | 1  | 0 | 0 | 0  | 0   | 1  |
|        | 2022 | 1 | 8  | 0 | 0 | 1* | 0   | 8  |
|        | 2023 | 8 | 17 | 0 | 0 | 0  | 3   | 22 |

\*In 2022 one of our franchisees was unable to continue operating their business due to illness. We reacquired their Booth and it was later resold to a new incoming franchisee.

\*\*In 2023, a franchise was transferred during the year but the new transferee did not start operating until 2024.

**Table 4**  
**Status of Company-Owned Outlets**  
**For Years 2021 to 2023**

| State  | Year | Outlets at Start of the Year | Outlets Opened | Outlets Reacquired From Franchisee | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of the Year |
|--------|------|------------------------------|----------------|------------------------------------|----------------|-----------------------------|----------------------------|
| SC     | 2021 | 1                            | 0              | 0                                  | 1              | 0                           | 0                          |
|        | 2022 | 0                            | 0              | 0                                  | 0              | 0                           | 0                          |
|        | 2023 | 0                            | 0              | 0                                  | 0              | 0                           | 0                          |
| Totals | 2021 | 1                            | 0              | 0                                  | 1              | 0                           | 0                          |



|  |      |   |   |   |   |   |   |
|--|------|---|---|---|---|---|---|
|  | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
|  | 2023 | 0 | 0 | 0 | 0 | 0 | 0 |

**Table 5**  
**Projected Openings As Of December 31, 2023**

| State | Franchise Agreements Signed But Outlet Not Opened | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company – Owned Outlets in the Next Fiscal Year |
|-------|---------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------------|
| AL    | 0                                                 | 1                                                        | 0                                                             |
| AZ    | 1                                                 | 1                                                        | 0                                                             |
| CA    | 0                                                 | 3                                                        | 0                                                             |
| CO    | 0                                                 | 1                                                        | 0                                                             |
| DE    | 0                                                 | 1                                                        | 0                                                             |
| FL    | 2                                                 | 2                                                        | 0                                                             |
| LA    | 1                                                 | 1                                                        | 0                                                             |
| NC    | 0                                                 | 1                                                        | 0                                                             |
| OH    | 0                                                 | 1                                                        | 0                                                             |
| OR    | 1                                                 | 1                                                        | 0                                                             |
| PA    | 0                                                 | 1                                                        | 0                                                             |
| SC    | 0                                                 | 1                                                        | 0                                                             |
| TN    | 1                                                 | 2                                                        | 0                                                             |
| TX    | 3                                                 | 4                                                        | 0                                                             |
| WI    | 1                                                 | 1                                                        | 0                                                             |
| Total | 10                                                | 22                                                       | 0                                                             |

Attached as **Exhibit D** is a list of the names of all franchisees and their addresses and telephone number of all their outlets as of the issuance date of this Disclosure Document.

Attached as **Exhibit E** is a list of the name, city and state and current business telephone number or last known home telephone of every franchisee who, in our most recent full fiscal year end; had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily closed to do business under the Franchise Agreement; or has not communicated with us within 10 weeks of this disclosure document's issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. During the last three (3) fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

### **Franchise Advisory Council**

We may form a Franchise Advisory Council (“**FAC**”) of franchisees and our representatives to provide non-binding advice to us. You may be required to become a Member of the FAC and pay any dues that may be assessed. We do not currently have an FAC, nor do we have a trademark-specific franchisee organization associated with the franchise system, but we reserve the right to create one.

## **ITEM 21 - FINANCIAL STATEMENTS**

Our audited financial statements for the periods ended December 31, 2021, December 31, 2022 and December 31, 2023 are attached to this Franchise Disclosure Document in Exhibit F. Our fiscal year end is December 31. Exhibit F also contains our interim, unaudited financial statements as of June 30, 2024.



## **ITEM 22 - CONTRACTS**

The following agreements are attached to this franchise disclosure document:

- Franchise Agreement, including owner's guaranty, confidentiality agreement, covenant agreement and software license agreement,. (Exhibit B)
- Development Rights Rider, including owner's guaranty (Exhibit C)
- Confirmation of Additional Terms and Representations Addendum (Page 120)
- State Specific Addenda and Riders to Agreement(s) (Exhibit H)
- Sample Confidentiality and Non-compete Agreement for prospective franchisees & employees (Exhibit I)
- Sample General release (Exhibit J)

## **ITEM 23 - RECEIPT**

The last 2 pages of this Disclosure Document are receipt pages. Please date and sign both copies immediately upon receipt. Detach the last page and return to us promptly upon execution. Retain the other copy of the receipt page for your records.



**EXHIBIT A**

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



## List of State Regulatory Administrators

| <b>LIST OF STATE ADMINISTRATORS</b>                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><u>CALIFORNIA</u></b><br>Department of Financial Protection and Innovation<br>320 West 4th Street, Suite 750<br>Los Angeles, California 90013-2344<br>(213) 576-7500<br>Toll Free (866) 275-2677                                                                     | <b><u>CONNECTICUT</u></b><br>State of Connecticut<br>Department of Banking<br>Securities & Business Investments Division<br>260 Constitution Plaza<br>Hartford, Connecticut 06103-1800<br>(860) 240-8230                             |
| <b><u>HAWAII</u></b><br>Commissioner of Securities of the State of Hawaii<br>Department of Commerce and Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722 | <b><u>ILLINOIS</u></b><br>Franchise Bureau<br>Office of the Attorney General<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465                                                                             |
| <b><u>INDIANA</u></b><br>Indiana Secretary of State<br>Franchise Section<br>302 Washington Street, Room E-111<br>Indianapolis, Indiana 46204<br>(317) 232-6681                                                                                                          | <b><u>MARYLAND</u></b><br>Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, Maryland 21202-2021<br>(410) 576-6360                                                                            |
| <b><u>MICHIGAN</u></b><br>Michigan Attorney General's Office<br>Corporate Oversight Division, Franchise Section<br>525 W. Ottawa Street<br>G. Mennen Williams Building, 1 <sup>st</sup> Floor<br>Lansing, Michigan 48933<br>(517) 373-7117                              | <b><u>MINNESOTA</u></b><br>Minnesota Department of Commerce<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, Minnesota 55101-2198<br>(651) 539-1600                                                                          |
| <b><u>NEW YORK</u></b><br>New York State Department of Law<br>Investor Protection Bureau<br>28 Liberty Street, 21 <sup>st</sup> Floor<br>New York, NY 10005<br>(212) 416-8222                                                                                           | <b><u>NORTH DAKOTA</u></b><br>North Dakota Securities Department<br>State Capitol<br>Department 414<br>600 East Boulevard Avenue State Capitol, Fourteenth Floor,<br>Dept 414<br>Bismarck, North Dakota 58505-0510<br>(701) 328-4712 |
| <b><u>OREGON</u></b><br>Department of Business Services<br>Division of Finance and Corporate Securities<br>Labor and Industries Building<br>350 Winter Street, NE Room 410<br>Salem, Oregon 97310<br>(503) 378-4387                                                     | <b><u>RHODE ISLAND</u></b><br>Department of Business Regulation Securities Division,<br>Building 69, First Floor<br>John O. Pastore Center<br>1511 Pontiac Avenue<br>Cranston, Rhode Island 02920<br>(401) 462-9527                  |
| <b><u>SOUTH DAKOTA</u></b><br>Division of Insurance<br>Securities Regulation<br>124 S. Euclid, Suite 104<br>Pierre, South Dakota 57501<br>(605) 773-3563                                                                                                                | <b><u>VIRGINIA</u></b><br>State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9th Floor<br>Richmond, Virginia 23219<br>(804) 371-9051                                            |
| <b><u>WASHINGTON</u></b><br>Department of Financial Institutions<br>Securities Division, 3rd Floor<br>150 Israel Road, Southwest<br>Tumwater, Washington 98501<br>(360) 902-8760                                                                                        | <b><u>WISCONSIN</u></b><br>Division of Securities<br>4822 Madison Yards Way, North Tower<br>Madison, Wisconsin 53705<br>(608) 266-2139                                                                                               |



## List of Agents for Service of Process

| <b>LIST OF STATE AGENT FOR SERVICE OF PROCESS</b>                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><u>CALIFORNIA</u></b><br>Commissioner<br>Department of Financial Protection and Innovation<br>320 West 4 <sup>th</sup> Street, Suite 750<br>Los Angeles, California 90013-2344<br>(213) 576-7500<br>Toll Free (866) 275-2677                                 | <b><u>CONNECTICUT</u></b><br>Banking Commissioner<br>Department of Banking<br>Securities & Business Investments Division<br>260 Constitution Plaza<br>Hartford, Connecticut 06103-1800<br>(860) 240-8230                                                             |
| <b><u>HAWAII</u></b><br>Commissioner of Securities of the State of Hawaii<br>Department of Commerce and Consumer Affairs<br>Business Registration Division – Securities Compliance<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722 | <b><u>ILLINOIS</u></b><br>Illinois Attorney General<br>Office of the Attorney General<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465                                                                                                    |
| <b><u>INDIANA</u></b><br>Indiana Secretary of State - Franchise Section<br>302 West Washington Street, Room E-111<br>Indianapolis, Indiana 46204<br>(317) 232-6681                                                                                              | <b><u>MARYLAND</u></b><br>Maryland Securities Commissioner<br>200 St. Paul Place<br>Baltimore, Maryland 21202-2021<br>(410) 576-6360                                                                                                                                 |
| <b><u>MICHIGAN</u></b><br>Michigan Attorney General's Office<br>Corporate Oversight Division, Franchise Section<br>525 W. Ottawa Street<br>G. Mennen Williams Building, 1 <sup>st</sup> Floor<br>Lansing, Michigan 48933<br>(517) 373-7117                      | <b><u>MINNESOTA</u></b><br>Minnesota Commissioner of Commerce<br>Minnesota Department of Commerce<br>85 7th Place East, Suite 280<br>St. Paul, Minnesota 55101-2198<br>(651) 539-1600                                                                                |
| <b><u>NEW YORK</u></b><br>Secretary of State<br><br>99 Washington Avenue<br>Albany, NY 12231<br>(518) 472-2492                                                                                                                                                  | <b><u>NORTH DAKOTA</u></b><br>North Dakota Securities Commissioner<br>State Capitol<br>600 East Boulevard Avenue, Fifth Floor<br>Bismarck, North Dakota 58505<br>(701) 328-4712                                                                                      |
| <b><u>OREGON</u></b><br>Secretary of State<br><br>Corporation Division - Process Service<br><br>255 Capitol Street NE, Suite 151<br>Salem, OR 97310-1327<br>(503) 986-2200                                                                                      | <b><u>RHODE ISLAND</u></b><br>Director of Department of Business Regulation<br>Department of Business Regulation<br>Securities Division, Building 69, First Floor<br>John O. Pastore Center<br>1511 Pontiac Avenue<br>Cranston, Rhode Island 02920<br>(401) 462-9527 |
| <b><u>SOUTH DAKOTA</u></b><br>Division of Insurance<br>Securities Regulation<br>124 S. Euclid, Suite 104<br>Pierre, South Dakota 57501<br>(605) 773-3563                                                                                                        | <b><u>VIRGINIA</u></b><br>Clerk of the State Corporation Commission<br>1300 East Main Street, 1 <sup>st</sup> Floor<br>Richmond, Virginia 23219<br>(804) 371-9733                                                                                                    |
| <b><u>WASHINGTON</u></b><br>Director, Department of Financial Institutions<br>Securities Division<br>PO Box 41200<br>Olympia, WA 98504-1200<br><br>(360) 902-8760                                                                                               | <b><u>WISCONSIN</u></b><br>Administrator, Division of Securities<br>4822 Madison Yards Way, North Tower<br><br>Madison, Wisconsin 53705<br>(608) 266-2139                                                                                                            |



**EXHIBIT B**

**FRANCHISE AGREEMENT & EXHIBITS**





**SHRUNK 3D, INC.**

**FRANCHISE AGREEMENT**

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## **Attachments**

|           |                                 |
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| Exhibit A | Franchisee Data Sheet           |
| Exhibit B | Franchisee Ownership            |
| Exhibit C | Protected Territory Map         |
| Exhibit D | Direct Debit Authorization Form |
| Exhibit E | Confidentiality Agreement       |
| Exhibit F | Covenant Agreement              |
| Exhibit G | Software License Agreement      |

**SHRUNK 3D, INC.  
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (this “Agreement”) is made and entered into at Charleston, South Carolina on the effective date written above (“**Effective Date**”), by and between SHRUNK 3D, INC., a South Carolina corporation (hereinafter referred to as “**we/us**” and “**Franchisor**”), and \_\_\_\_\_ (hereinafter referred to as “**you**” and “**Franchisee**”), whose principal business address is \_\_\_\_\_.

**RECITALS**

- A. Franchisor has developed, and owns, a distinctive system (the “System”) for the design, décor, operation and image of businesses that utilize Franchisor’s scanning and 3D printing process that produces three-dimensional images the Proprietary Marks (as that phrase is defined below) utilizing certain Trade Secrets.
- B. Franchisee desires to establish and operate a Shrunk 3D franchised business (“**Franchised Business**”) under the System and wishes to obtain a franchise license from Franchisor for that purpose.
- C. Franchisee recognizes the benefits to be derived from being identified with and franchised to use the System and Franchisee understands and acknowledges the importance of operating the business franchised hereunder in strict conformity with Franchisor’s standards and specifications in order to enhance public acceptance of, and demand for, all System Businesses.
- D. Franchisor is relying upon the business skill, financial capacity, and character of Franchisee and its principals, and the guarantee of Franchisee’s obligations by its principals, if applicable, as attached to this Agreement.

**NOW, THEREFORE**, in consideration of the foregoing and of the promises contained herein, the parties agree as follows:

**Article 1. Acknowledgments and Representations.**

1.1 Franchisee acknowledges and represents to Franchisor, in order to induce Franchisor to enter this Agreement, as follows:

- A. Franchisee has read this Agreement and understands and accepts the terms, conditions, and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor’s standards of quality and service and the uniformity of those standards at each System Businesses in order to protect and preserve the goodwill of the Proprietary Marks.
- B. Franchisee recognizes that the nature of the business conducted by Franchisor may evolve and change over time; that an investment in a Shrunk 3D™ System Business involves business risks which have been considered by Franchisee; and that the success of the venture depends primarily upon Franchisee’s business ability and efforts.
- C. Franchisee has not received or relied upon any guarantee, expressed or implied, about the revenues, profits, or success of the business venture contemplated by this Agreement.
- D. No representations have been made by Franchisor, its affiliates, or by their respective members, managers, officers, employees, directors, and/or agents, and Franchisee has not relied on any representations that are contrary to or not contained in the terms contained in this Agreement.

E. In all of their dealings with Franchisee, the members, managers, officers, employees, directors, and/or agents of Franchisor act only in a representative capacity, not in an individual capacity, and that this Agreement and all business dealings between Franchisee and such individuals as a result of this Agreement are solely between Franchisee and Franchisor.

F. All information contained in the application made by Franchisee to Franchisor is true, correct, and complete. Franchisee has made no incorrect statement in the application or failed to make any statement that would be necessary to make the statements in the application not misleading.

1.2 The definitions applicable throughout this Agreement are set forth below:

A. **“Affiliate”** means with respect to a person (including any legal person), (i) a person (including any legal person) that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such person; and (ii) any parent, spouse, lineal descendant or adopted child of such person, any spouse or adopted child of any such descendant or any child of such spouse, the executors, administrators, conservators or personal representatives of any such person or any person referred to in this clause (ii) and any person which, directly or indirectly, is owned or controlled by one or more of the persons referred to in this clause (ii).

B. **“Agreement”** has the meaning set forth in the introductory paragraph hereof.

C. **“Booth”** means the Shrunk 3D™ booth operated by Franchisee under this Agreement. The Booth comprises all structures, facilities, appurtenances, fixtures and equipment, that are part of, the Booth.

D. **“Brand Development Fee”** means the contribution to the Brand Development Fund referenced and set forth in Article 4.1.D.

E. **“Brand Development Fund”** means the Brand Development Fund provided for in Article 9.4.

F. **“Change in Control”** means (i) the acquisition, directly or indirectly, in one transaction or a series of related transactions, by any person or affiliated group of the beneficial ownership of ownership interest in Franchisee representing 50% or more of the equity interest in the Franchisee, (ii) any merger or consolidation of Franchisee other than a merger or consolidation where fifty one percent (51%) or more of the total combined voting power of all outstanding ownership interest of the surviving entity or the acquiring entity, as the case may be, shall be received by and/or held immediately after the consummation of such transaction by one or more holders of the outstanding ownership interest of Franchisee, immediately prior to such transaction, or (iii) the sale, transfer, license or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of Franchisee to which this Agreement relates.

G. **“Competing Business”** means any business offering 3D scanning services and/or 3D printing services, or that is otherwise similar to a Franchised Business.

H. **“Controlling Interest”** means more than 50% of the voting interest in an entity, or such other ownership or voting interest that allows the holder thereof to control significant decisions in such entity.

I. **“Dispute”** or **“Disputes”** has the meaning set forth in Article 19.1.

J. **“Franchised Business”** means the Shrunk 3D™ business franchised to, developed, and operated by Franchisee pursuant to the terms and conditions of this Agreement.

K. **“Franchised Interests”** has the meaning set forth in Article 13.2.

L. **“Franchisee”** has the meaning set forth in the introductory paragraph of this Agreement.

- M. **“Franchisor”** means Shrunk 3D, Inc., a South Carolina corporation.
- N. **“Gross Revenues”** means revenues attributable to or derived from the operation of the Franchised Business, including, but not limited to, from the sale of all products, merchandise, and services related to the Franchised Business, (regardless of whether such products are delivered at the Booth or elsewhere), and all other income of every kind and nature related to the Franchised Business including, without limitation, income from gift and loyalty programs, and the proceeds of business interruption insurance, whether for cash, credit, barter, or otherwise, and regardless of collection in the case of credit, less any sales taxes or other taxes collected from your customers for transmittal to the appropriate taxing authority, refunds and authorized discounts. Income from the sale of gift cards is excluded from Gross Revenues, but the redemption of gift cards is included. Gross Revenues shall be accounted for in accordance with the accounting procedures set forth in the Manual from time to time.
- O. **“Incapacitated” or “Incapacity”** means, in the reasonable opinion of Franchisor, the inability of Franchisee, or its majority owner if an entity, to operate the Franchised Business in the ordinary course of business for 30 days or more in any consecutive 90-day period.
- P. **“Indemnitees”** means collectively Franchisor and its members, its affiliated companies, and each of their respective owners, shareholders, managers, agents, representatives, officers, directors, employees, partners, and other Affiliates.
- Q. **“Initial Franchise Fee”** means the fee due upon execution and delivery of this Agreement as provided in Article 4.
- R. **“IP Owner”** means Shrunk 3D, Inc., or any Affiliate to which Shrunk 3D, Inc. assigns any of the intellectual property licensed through this Agreement.
- S. **“Manual”** means, collectively, the Operations Manual and other System standards, manuals, and directions (whether in written, machine readable, electronic, or any other form), as they may be modified, amended or supplemented by Franchisor in its sole discretion, setting out the standards, methods, procedures, techniques and specifications of the System.
- T. **“Non-Traditional Venue”** means any businesses of any sort within which a System Business is established and operated, including, for example, hotels and resorts (where the System Business is enclosed within the confines of a hotel or resort structure); airports and other travel facilities; federal, state, or local government facilities (including military bases); theme and amusement parks; recreational facilities; colleges and other academic facilities; shopping malls; theaters; train stations; toll roads; hospitals; casinos; department stores; supermarkets; gasoline convenience stores; and sporting event arenas and centers.
- U. **“Online Presence”** means the Website, other websites, social media accounts, mobile applications, or other media or online presence (in any form and in any medium now existing or later developed) including any individual franchisee online presence as permitted or required by Franchisor. Franchisor will determine the content and use of its Online Presence including establishing any rules and guidelines under which the Franchisee will participate in such Online Presence, which may be modified by Franchisor from time to time.
- V. **“Opening”** means the date on which the Franchised Business first opens for business.
- W. **“Operating Principal”** means the Owner of Franchisee designated as such on **Exhibit A** hereto. The Operating Principal must, directly or indirectly, own at least 10% of the equity in Franchisee.
- X. **“Operations Data”** has the meaning set forth in Article 10.6.

Y. **“Owner” or “Owners”** are references to the individuals that own Franchisee, if any, the entities that own Franchisee, if any, and if any entities own Franchisee, then individuals who are the owners of the entities that own Franchisee.

Z. **“Payment” or “Payments”** has the meaning set forth in Article 4.2.

AA. **“Products” or “Product”** means any product authorized to be offered and sold through your Franchised Business.

BB. **“Proprietary Marks”** means the name “Shrunk 3D” and such names and any other trade names, service marks, trademarks, logos, emblems, or other indication of origin as are now or hereafter designated by Franchisor as part of the System.

CC. **“Proprietary Software”** means the software hereby licensed to Franchisee by Franchisor through this Agreement and the Software License Agreement attached hereto as Exhibit G.

DD. **“Protected Territory(ies)”** means the specific territory or territories franchised to the Franchisee.

EE. **“Royalty Fee”** means the continuing royalty fee set forth in Article 4.1.C.

FF. **“System”** means the method of operating a Shrunk 3D™ scanning and 3D printing business, including, but not limited to, its distinctive products, equipment, supplies, and software; design, décor, color scheme, and furnishings; the Proprietary Marks designated to be part of the System; standards, specifications, programs and procedures for operations; programs and procedures for scanning and printing; and advertising, direct sales, and promotional programs developed by Franchisor for the operation of a Shrunk 3D™ Franchised Business under the Proprietary Marks utilizing the Trade Secrets. Franchisor may add, change, modify, withdraw, or otherwise revise any element of the System in its sole discretion.

GG. **“System Businesses”** means all Shrunk 3D™ businesses.

HH. **“Systems Operations Data”** has the meaning set forth in Article 10.6.

II. **“Technology Fee”** means the continuing fee for technology services set forth in Article 4.1. F.

JJ. **“Trade Secrets”** means confidential information, including, without limitation, (i) methods of service and operations at System Businesses, (ii) knowledge of sales and profit performance at any one or more System Businesses, (iii) knowledge of test programs, concepts, or results relating to operating, new advertising and promotional programs, (iv) sources of suppliers of products, and equipment, (v) knowledge of all Proprietary Software, and the Booth, (vi) customer lists and related information, (vii) vendor lists, (viii) pricing lists (ix) advertising, promotion, and marketing techniques, (x) methods and information regarding the selection and training of managers and other employees for System Businesses; and (xi) the Manual.

KK. **“Transfer by Franchisee”** means the voluntary, involuntary, direct or indirect assignment, sale, gift, or other transfer of any Franchised Interest, including, without limitation, the following events: (i) the transfer of ownership of the stock or partnership or limited liability company ownership interest of Franchisee; (ii) any merger, reorganization, consolidation, or issuance of additional securities representing a direct or indirect ownership interest in Franchisee, the Booth or the Franchised Business; (iii) any sale of a Controlling Interest in Franchisee in a single transaction or a related series of transactions; (iv) transfer of a Franchised Interest by declaration, division, or otherwise in a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; (v) transfer of a Franchised Interest in the event of Franchisee’s death or the death of one of its owners with a Controlling Interest, by will, declaration of or transfer in trust, or under the laws of intestate succession; (vi) any change in ownership or control of any

or all of the Franchised Interest by sale, gift, assignment, or otherwise; (vii) if Franchisee or any owner with a Controlling Interest is a trust, any change in the trustees or the beneficial owners of the trust; or (viii) a pledge, hypothecation, or encumbrance of any Franchised Interest intended as security for an obligation.

LL. **“Website”** means the Franchisor home pages and any other internet and web pages or sites established by Franchisor, including any individual franchisee webpages on such Website permitted or required by Franchisor, and any Online Presence established by Franchisor or its Affiliates for the sale of Products.

## Article 2. **Grant of Franchise License**

**2.1 Grant.** Subject to the terms and conditions of this Agreement, and to the continuous compliance by Franchisee with the terms and conditions of this Agreement, Franchisor hereby grants to Franchisee the nonexclusive right, and Franchisee undertakes the obligation, to operate a Shrunk 3D™ Franchised Business in accordance with Franchisor’s standards and specifications, including the operational standards, procedures and techniques as prescribed in the Manual, and to use the System (as it may be changed, improved, and further developed by Franchisor) and the Proprietary Marks in connection therewith.

**2.2 Protected Territory.** During the term of this Agreement, Franchisor will not, without Franchisee’s consent, and provided Franchisee is in full compliance with the terms and conditions of this Agreement, including the obligations set out in Article 7.3 below, operate itself or through an Affiliate or grant a license or franchise to, or otherwise authorize, any other person or entity to establish a System Business using the System within Franchisee’s Protected Territory as set forth in **Exhibit C**, attached hereto. The Protected Territory excludes Non-Traditional Venues, regardless of the impact thereof on your Franchised Business. If Franchisee is not in compliance with the terms and conditions of this Agreement, Franchisor shall be free to operate, directly or indirectly, or to authorize or license another person or entity to operate additional Booths within the Protected Territory. You must oversee and manage your Franchised Business from an office location (which may be within your primary residence) located inside your Protected Territory, or within a reasonable driving distance near your Protected Territory unless we consent otherwise in writing. If you enter into a Development Rights Rider and undertake the obligation to operate multiple Booths in different Protected Territories, you may oversee all of the operations of your Franchised Business(es) from one location that meets the criteria described above in this section.

**2.3 Product Sales.** Franchisee may offer and sell Products only: (a) from the Booth; (b) in accordance with the requirements of this Agreement and the procedures set forth in the Manual; (c) to retail customers residing in, or doing business in, the Protected Territory, or to retail customers outside the Protected Territory as permitted by the terms of this Agreement; and (d) in a manner that does not infringe upon Franchisor’s Reserved Rights as stated in the Article below. Franchisee agrees not to offer or sell Products through any means other than those provided above, for example, Franchisee agrees not to offer or sell Products by use of catalogs, from any Online Presence, or through any other digital format or print media, without Franchisor’s prior written approval. Franchisee agrees not to sell Products to retail establishments for re-sale, without Franchisor’s prior written consent. Franchisee may not operate or offer and sell Products or any services in a territory belonging to another Shrunk 3D™ franchisee without Franchisor’s prior express written approval. Franchisee may not operate or offer and sell Products or any services outside of the state boundaries in which the Protected Territory is located without Franchisor’s prior express written approval. If Franchisee violates the provisions of this Article, in addition to the rights otherwise granted to it in this Agreement, Franchisor may intervene to stop orders placed in violation of this Article from being completed.

**2.4 Franchisor’s Reserved Rights.** Except as otherwise expressly provided in this Agreement, Franchisor and all of its Affiliates (and its and their respective successors and assigns, by purchase, merger, consolidation or otherwise) retain all of its and their rights with respect to the Proprietary Marks and the System anywhere in the world, and the right to engage in any business whatsoever, including the right to:

- A. operate, and grant to others the right to operate Franchised Businesses outside your Protected Territory at such locations and on such terms and conditions as we deem appropriate;
- B. operate, and grant to others the right to operate other businesses, including scanning and/or 3D printing businesses, under different trademarks and service marks than the Proprietary Marks;
- C. develop, merchandise, offer, sell, and license others to sell products or services under the Proprietary Marks through other channels and methods of distribution including wholesale, retail stores, delivery services, online, directly to national accounts customers, print catalogues, direct marketing media and any other outlets, and Franchisor may promote and sell products bearing the Marks at special events, athletic contests, through temporary locations and mobile units; and
- D. acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not with System Businesses) located anywhere or business conducted anywhere. These transactions may include arrangements involving Competing Businesses or outlets and dual branding or brand conversions.

**2.5 National Accounts.** We may establish National Accounts programs. What constitutes a National Account is reasonably determined by Franchisor from time to time, such as a customer that has multiple properties or events across multiple territories and/or states, partnerships, sponsorships, or endorsements that extend to multiple territories, or a large institutions with operations or market that extends to multiple territories. You may not negotiate any contract terms with a prospective National Account. We will have sole discretion to negotiate terms with the National Account. We anticipate that you will participate in the National Accounts program, if the National Account has a property, or properties, in or near your Protected Territory. This will require you to provide products and services to the National Account according to the agreement we have negotiated with them. We do not charge you any additional amount of royalty or other fees to service National Accounts, however the terms of our agreement with a National Account may require you to pay for space for your Booth, agree to sell your figurines at minimum or maximum pricing amounts, pay a portion of your revenue to the National Account venue, or otherwise comply with the terms of our agreement with the National Account. To service National Accounts, you may be required to obtain and maintain additional insurance coverage or policies and you may be required to meet certain eligibility requirements or qualifications such as background or credit checks or revenue sharing or royalty programs. The specific requirements for servicing a National Account may vary and will be made available to you as soon as practicable in advance.

You are not required to participate in events generated by National Accounts, but if you choose not to participate in the National Account program, or if you are unable or unwilling to provide products and services to the National Account as requested, we, our affiliate or a third party (which may be another franchisee) may enter your Designated Territory and service the National Account without needing to obtain your permission, and you are not entitled to any portion of the revenue in these circumstances. We also reserve the right to terminate your participation in the National Account program if you are not providing products and services according to the terms we have negotiated or if your participation is not otherwise in compliance

**2.6 No Claims for Changes.** With regard to any of the above transactions identified in Article 2.4, Franchisee and its owners expressly and specifically waive any claims, demands or damages arising from or related to the loss of Franchisor's name, the Proprietary Marks (or any variation thereof), the System and/or the loss of being identified as a franchisee under this Agreement. If Franchisor assigns its rights in this Agreement, nothing will be deemed to require Franchisor to remain in the 3D scanning or printing business or to offer or sell any products or services to Franchisee.

**2.7 Expansion Territory.** If Franchisee is in full compliance with this Agreement and the Manual, Franchisee may request to acquire additional adjacent territory that has not been assigned to another franchisee. Franchisor will grant or deny the request in its sole discretion. If the request is granted, and at Franchisor's option

Franchisee shall: (i) enter into an amendment to this agreement setting forth the additional expansion territory to be made a part of the Protected Territory under this agreement and pay to Franchisor the current price for expansion territory as set forth in Franchisor's then current form of Franchise Disclosure Document; or (ii) if Franchisor determines that the requested expansion territory in fact constitutes an entire additional franchise territory, sign Franchisor's then-current franchise agreement for the expansion territory to be operated as a second Franchised Business under that agreement and pay, w Franchisor's then-current Initial Franchise Fee, which will be due and owing upon Franchisee's execution of the new franchise agreement. Franchisor, in its sole discretion shall determine the boundaries of Franchisee's new territory, and may impose reasonable conditions upon its approval of Franchisee's request, including, but not limited to, requiring Franchisee to purchase an additional Booth.

**2.8 Replacement of Booth.** If the Booth is destroyed or materially damaged by an automotive collision, fire, flood, or any other catastrophe such that it cannot be operated (a "Booth Loss Event") and Franchisee is not in default of this Agreement, Franchisee must order, and pay for, a new Booth from Franchisor, or, if Franchisor designates, an Affiliate of Franchisor, or another supplier, within thirty (30) days, or this Agreement will terminate. If a Booth Loss Event occurs, and Franchisee is in default of this Agreement, Franchisor, in its sole discretion, may choose to terminate this Agreement rather than sell a new Booth to Franchisee. The new Booth must be open for business within one hundred eighty (180) days of the casualty.

### Article 3. **Term**

**3.1 Initial Term.** Unless sooner terminated or modified as hereinafter provided, the term of this Agreement shall be ten (10) years from the Effective Date and this Agreement will expire without notice on such date.

**3.2 Successor Agreement.** Franchisee may be granted successor franchise rights for up to two (2) "Successor Terms" of 5-years each if, at the end of the Initial Term or any Successor Term, as applicable, each of the following conditions has been satisfied:

- A. Franchisee has notified Franchisor of its intent to renew the franchise at least twelve (12) months (but no more than twenty-four (24) months) before the then-current term expires;
- B. Franchisee is not in default of any material provision of this Agreement, and Franchisee has complied with the material terms and conditions of this Agreement throughout the term;
- C. all amounts owed to Franchisor and/or its Affiliates and third party suppliers have been paid;
- D. all equipment in the Booth is functioning, and the Booth reflects Franchisor's then-current standards related to its appearance, function and equipment;
- E. if the Booth is located at a fixed location, Franchisee has the right to locate the Booth at the location, or has secured substitute location that Franchisor has approved, or has indicated to Franchisor that Franchisee intends to no longer operate the Booth from a fixed location;
- F. Franchisee executes Franchisor's then-current form of franchise agreement for successor franchises;
- G. Franchisee pays a successor agreement fee equal to fifteen percent (15%) of the then current initial franchise fee for incoming franchisees or \$5,000, whichever is greater; and
- H. Franchisee and each person who has guaranteed Franchisee's obligations under this Agreement signs a general release in a form Franchisor prescribes.

**3.3 Hold-Over.** If Franchisee continues to operate the Franchised Business with Franchisor's express or implied consent following the expiration of the term of this Agreement, the continuation will be deemed to be a month-to-month extension of this Agreement, unless otherwise set forth in writing. All provisions of this Agreement will apply while Franchisee continues to operate the Franchised business. This Agreement will then be terminable by either party on 30 days' written notice to the other party, or such longer notice period as required by applicable law. For the avoidance of doubt, this provision does not apply in the case of your continued operation of the Franchised Business after the Agreement has been terminated.

#### Article 4. **Fees and Royalties.**

4.1 In consideration of the rights and license granted herein, Franchisee shall pay to Franchisor each of the following:

A. **Initial Fee.** Upon the execution and delivery of this Agreement by Franchisee, Franchisee shall pay Franchisor an Initial Franchise Fee as set forth on Exhibit A to this Agreement. By signing this Agreement and issuing payment for the Initial Franchise Fee, Franchisee acknowledges and agrees that such Initial Franchise Fee has been fully earned and is nonrefundable in consideration of expenses incurred, rights granted, services rendered, and other valuable consideration, the receipt and sufficiency of which is acknowledged by Franchisee, unless: Franchisor does not deliver a working Booth to Franchisee within 12 months, and Franchisee chooses to terminate this Agreement, in which case Franchisee will be entitled to a full refund of all fees paid; or Franchisor determines that Franchisee has failed to successfully complete the initial training in which case Franchisee will be entitled to a partial refund of all fees paid that will be equal to the amount of the fees paid, less any costs incurred by Franchisor related to Franchisee's application to be a Franchisee and to train Franchisee and individuals associated with Franchisee's Franchised Business.

If Franchisee requests, and Franchisor agrees to grant to Franchisee a territory that includes a household count that exceeds 70,000 households with annual income of at least \$100,000, in addition to the Initial Franchise Fee, Franchisee must pay to Franchisor an amount equal to \$0.71 per additional household (based on the household count of the territory as determined by Franchisor as of the date Franchisee signs this Agreement).

B. **Booth Purchase Price and Start-Up Welcome Kit.** Franchisor estimates that the price of the Booth will be the amount set forth on Exhibit A to this Agreement. (the "**Estimated Booth Purchase Price.**") Upon the execution and delivery of this Agreement by Franchisee or upon invoice within 30 days of the day the Effective Date, Franchisee shall pay Franchisor 75% of the Estimated Booth Purchase Price (the "**Initial Booth Purchase Payment**"). Franchisee shall pay the difference between the actual price of the Booth, which shall be sent to Franchisee by Franchisor prior to delivery, and the Initial Booth Purchase Payment, at or before the time the Booth is delivered to Franchisee. The Booth includes Franchisor's 'Start-up Welcome Kit that includes tent, table cloth, hats, shirts, brochures, and business cards for the franchise.

C. **Royalty Fee.** A continuing Royalty Fee equal to the greater of 8% of: (i) Franchisee's Gross Revenues during the term of this Agreement; and (ii) the "Minimum Royalty" which is equal to \$500 per month per Booth beginning in the 4<sup>th</sup> month after the Franchised Business commences operations,.

D. **Brand Development Fee.** A contribution to the Brand Development Fund of an amount equal to 2% of Franchisee's Gross Revenues ("**Brand Development Fee**"). In lieu of charging Franchisee a Brand Development Fee, and independent of whether a Brand Development Fund has been established, Franchisor may, at its option, charge Franchisee a fee on a project basis for marketing and advertising materials and projects prepared or undertaken for use by the System.

E. **Production Fee.** A Production Fee is a flat fee owed for each figurine or other 3D printed item Franchisee sells. The amount of the Production Fee will vary depending upon the size and complexity of

the person, people or object(s) to be printed. The specific amount of the Production Fee charged for each type and size of figurine is stated in our confidential and proprietary Partner Pricing Sheet, which is included in the Operations Manual. The amount of the Production Fee for any custom 3D printing orders will be set by Franchisor and will be based on the size and complexity of the object to be printed. The prices you charge to retail customers of your Franchised Business will not alter the amount of the Production Fee for a given figurine(s).

F. **Annual Convention Fee.** Franchisee is required to attend Franchisor's annual or period convention or conference. Franchisor may charge its then current "Annual Convention Fee" if Franchisee does not attend. The Annual Convention Fee is due upon demand. As of the Effective Date, the Annual Convention Fee is **\$500**; Franchisor may adjust this fee from time to time in its sole discretion.

4.2 **Technology Fee.** The Technology Fee is a fee for various technology services that we will provide or arrange for third parties provide, which services are subject to change over time ("Technology Fee"). Currently, the Technology Fee is \$250 per month per Booth from the date that you begin receiving the technology services. We reserved the right to increase the fee by providing you with written notice of any change at least 30 days prior to the implementation of the new fee amount. The Technology Fee currently includes fees related to your access to and usage of our intranet, any mobile applications we develop, email accounts we create for you and your employees, and the Shrunk 3D website. We may add, delete, or otherwise modify the products and services that are included in the Technology Fee. In addition to the Technology Fee you pay to us, you must pay \$45 per month to an approved supplier for access to the Point of Sale ("POS") system used in the operation of your Booth. The POS access fee may be subject to increase in the future.

A. **Other Fees.** Such other fees that are set forth in other articles of this Agreement or otherwise imposed. Such fees shall be due as set forth in Article 4.2 of this Agreement, unless different payment terms are expressly stated for such fees at the time they are imposed or thereafter.

4.3 **Payment of Fees.** Unless payments terms to the contrary are expressly stated in this Agreement or are otherwise established by Franchisor, all payments required by Article 4, and all other payments due to Franchisor on a continuing basis ("Payments"), shall be retained by Franchisor on Sunday of each week (the "Payment Date") from amounts paid by Franchisee's customers to Franchisor for purchases made from Franchisee during the week starting on the prior Sunday and ending on the Saturday before the Payment Date. The remainder of the amounts paid by Franchisee's customers during that week are paid by Franchisor to Franchisee on or before the Thursday following the Payment Date. Franchisor may, upon notice to Franchisee, collect such payments at a different frequency than weekly. If the amounts paid by Franchisee's customers during a particular week are less than the amount of Payments due on the Payment Date, Franchisor will have the right to retain all of the amounts paid by Franchisee's customers; and Franchisor will provide Franchisee with notice of the amount of Payments owed. The amount owed shall be due by the Thursday following the Payment Date. All Payments shall be made by electronic funds transfer (EFT), wire transfer, or such other payment method as Franchisor may indicate from time to time. In its sole discretion, Franchisor may collect Payments required by Article 4 by direct debit withdrawal by Franchisor from a designated bank account of Franchisee or by using such other payment technology as is or may become available during the Term. Franchisee will cooperate with Franchisor to set up payment through such methods and channels as may be determined by Franchisor from time to time. If payment is made by direct debit withdrawal, Franchisee must have adequate funds in its account to pay the Payments due. If there are insufficient funds to make Payments for which checks have been submitted to Franchisor, or for EFT payments (including direct debit), Franchisor will charge Franchisee a fee of \$100 per such occurrence to compensate for the additional administrative work required by Franchisor. Franchisee will comply with the procedures specified in the Manual or otherwise communicated by Franchisor for any Payment and will perform the acts and sign the documents, including authorization forms that Franchisor, its bank and Franchisee's bank may require to accomplish such Payments, including authorizations for Franchisor to initiate debit entries and/or credit correction entries to a designated checking or savings account. In addition, Franchisee will pay all costs associated with utilizing the payment

methods designated by Franchisor. Franchisee acknowledges that nothing contained in this Article 4 shall constitute an agreement by Franchisor to accept such payments after the same are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of, the Franchised Business. If any payment due Franchisor under this Agreement is overdue, Franchisee shall pay to Franchisor immediately upon demand the overdue amount together with a late charge on such amount from the date it was due until paid, at the rate of 1.5% per month, or the maximum rate permitted by law, whichever is less. Franchisee acknowledges that Franchisee's failure to pay all such amounts when due shall constitute grounds for termination of this Agreement, as provided in Article 14 of this Agreement, notwithstanding the provisions of this Article. Such late charges shall be in addition to any other remedies Franchisor may have.

#### Article 5. **Site Approval and Lease Review if using a Fixed Location.**

**5.1 Site Approval for a Fixed Location.** If Franchisee intends to operate the Booth at various events and locations, Articles 5.1 and 5.2 do not apply. If Franchisee intends to locate the Booth at a fixed location, Franchisee must submit such information as Franchisor may require regarding the location. Franchisee may not enter into a lease, or make any other contractual commitment regarding the site until Franchisor has approved of the proposed site in writing. Franchisor has twenty (20) days after all required information is received from Franchisee to approve or disapprove any proposed site. Franchisor may approve or disapprove any fixed site in its sole discretion. Franchisee acknowledges that neither Franchisor's review of the proposed site for the location nor any assistance that may be provided by Franchisor in the selection or development of the site constitutes a representation, warranty or guaranty by Franchisor regarding the potential financial success of the location operated at that site, and Franchisee assumes all business and economic risks associated with the site. If Franchisee intends to have its Booth remain at a fixed location for 25 days or more per calendar month then Franchisor may require Franchisee to purchase an additional Booth to service customers throughout the Protected Territory.

**5.2 Lease Review.** If Franchisee is obtaining the site for the fixed location by lease, Franchisee shall submit to Franchisor with a request for approval, prior to execution by Franchisee, a copy of the lease for the proposed site or must not contain any provision that is inconsistent with or interferes with the performance of any provision of this Agreement and which lease must include provisions (i) authorizing Franchisor to enter the premises and make any modifications necessary to protect the Proprietary Marks, (ii) granting to Franchisor the right (but not the duty) to assume the lease if Franchisee is in default under its terms and provisions and/or if this Agreement expires or is terminated, and (iii) requiring concurrent notice from lessor to Franchisor of any default or termination, and (iv) shall not thereafter be materially modified without the prior written consent of Franchisor. Under no circumstances shall Franchisor have any obligation or liability under such lease. Any review of the lease by Franchisor is solely for the purpose of determining its compliance with this Agreement and is no promise or warranty as to the appropriateness of the lease or any of its terms.

#### Article 6. **Duties of Franchisor.**

6.1 In addition to the other obligations and duties set forth in this Agreement, Franchisor agrees as follows:

A. **Booth Construction.** Franchisor shall build, equip and sell to Franchisee the Booth in exchange the Booth Purchase Price. Franchisor shall provide reasonable assistance to Franchisee in the transfer of any warranties applicable to the Booth or its component parts that are capable of transfer per the terms of the manufacturer's warranty terms and conditions.

B. **Consultation.** After the Franchised Business' first month, Franchisor shall provide Franchisee with support, consultation, and advice each month via telephone, video conference, or email, as Franchisor sees fit in its discretion regarding the operation of the Booth and the business at no charge. During the first month of the Franchised Business' operation, the amount of consultation provided at no charge will not be limited.

C. **Proprietary Software.** Franchisor shall license to you, through the Software License Agreement attached hereto as Exhibit G, the Proprietary Software for your use consistent with the terms of the Software License Agreement and this Agreement.

D. **Access to Manual.** Franchisor shall provide Franchisee access to the Manual in a format determined by Franchisor, such as via the intranet, loan one hard copy of the Manual, or in any such other way as Franchisor determines to be most appropriate, for the term of the Agreement setting forth standards of operation for the System and standards of quality, appearance, and service for the Franchised Business. Franchisor shall have the right to add to and otherwise modify the Manual to reflect changes in the business, authorized Products or services (or specifications therefor), equipment requirements, quality standards, and operating procedures of the Booth and the Franchised Business as determined by Franchisor as appropriate in its business judgment to maintain a high standard of quality for the System, and promote, protect and enhance the public image and reputation of the System. Such additions or modifications may be made through various communications by Franchisor, including policy statements, memoranda, bulletins, directives, instructions, intranet, electronic communications, or other material prepared by or on behalf of Franchisor. The Manual and any additions or modifications may be provided in printed, machine readable, electronic, or any other form chosen by Franchisor.

E. **Training.** Franchisor shall make available to Franchisee, Franchisee's owners, and Franchisee's managers, if any, such required and optional training courses, programs, conferences, seminars, and materials, as Franchisor deems appropriate. All training shall be conducted at such physical or virtual locations and at such times as Franchisor may designate and shall be subject to the terms and conditions set forth in this Agreement. Franchisor shall also make available to Franchisee training materials Franchisee must use to train its employees and to train the Certified Shrunk 3D, Inc.<sup>TM</sup> 3D Scanning and Printing Services Specialists ("SPSS") to operate the Booth.

F. **Provide Information Regarding Potential Locations.** If Franchisor has in its possession any information regarding potential locations, or events in the Protected Territory that it believes may be appropriate for placement of the Booth, it will share that information with Franchisee. Franchisor may, or may not, have such information in its possession regarding the Protected Territory. If Franchisor provides Franchisee with information regarding potential locations or events, Franchisee is free to determine whether or not to utilize that information. If Franchisor provides Franchisee with information regarding potential locations or events Franchisee makes no warranty, or representation, regarding the performance of the Booth if it is operated at the locations or events.

G. **Inspections.** Franchisor shall endeavor to maintain high standards of quality, appearance and service for the System, and to that end shall conduct inspections of the Booth, evaluations of the services rendered, and interviews of employees, agents, and customers of System Businesses, all as Franchisor deems advisable and appropriate.

H. **Mystery Shoppers.** Franchisor has the right to have "secret shoppers" or "mystery shoppers" inspect the Booths from time to time in order to help determine compliance with the terms of this Agreement, and the System Standards, and charge Franchisee a reasonable fee intended to off-set Franchisor's expenses.

I. **Location Directory.** Franchisor will make available in electronic and/or printed format to all System Businesses a Shrunk 3D<sup>TM</sup> Location Directory subject to the terms and conditions of Article 9 of this Agreement.

**6.2 Obligations to Franchisee Only.** All of the obligations of Franchisor under this Agreement are to Franchisee only, and no other party is entitled to rely on, enforce, or obtain relief for breach of such obligations either directly or by subrogation.

**6.3 Franchisor's Designees.** Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by a designee, employee, or agent of Franchisor, as Franchisor may direct. Franchisor has the right to delegate the performance of any portion or all of its obligations under this Agreement to third parties, and exercise any of its rights under this Agreement through third parties, whether those third-parties are our agents or independent contractors with whom we have contracted to perform these obligations. If Franchisor does so, such third parties will be obligated to perform all functions for Franchisee in compliance with this Agreement.

## Article 7. **General Duties of Franchisee.**

In addition to the other obligations and duties set forth in this Agreement, Franchisee agrees as follows:

**7.1 Initial Training.** Franchisee, or if Franchisee is an entity, Franchisee's Owners, and manager, if any, shall complete the new franchisee training prior to Opening to Franchisor's satisfaction. Training may include in-person and online or remote training. Up to three individuals can attend new franchisee training on behalf of Franchisee. If more than three individuals attend on Franchisee's behalf, Franchisor may require Franchisee to pay its current training fee of \$199 per person per day of training. Franchisee shall employ or retain qualified personnel as prescribed in the Manual. Notwithstanding Franchisor's assistance in training Franchisee's manager, if any, Franchisee is exclusively responsible for the terms of employment, compensation, scheduling, benefits, disciplining and all other personnel decisions respecting the Franchised Business' employees without any influence or advice from Franchisor.

**7.2 Day-to-Day Management.** Franchisee, or one of Franchisee's owners if Franchisee is an entity, shall be responsible for the day-to-day operations and management of the Franchised Business unless Franchisor approves of Franchisee delegating those responsibilities to a manager. If Franchisee wishes to delegate day-to-day operations of the Franchised Business to a manager that is not an owner of Franchisee, Franchisee must request Franchisor's approval in writing. Until the delegate has been approved, Franchisee will continue to be responsible for the day-to-day operation and management of the Franchised Business. Franchisor may approve or deny the request in its sole discretion. If Franchisee approves of Franchisee delegating day-to-day management of the Franchised Business to a manager, Franchisee shall still be responsible for ensuring that the Franchised Business is operated in strict compliance with the System and the System standards.

**7.3 Minimum Sales Requirement.** In order to maintain the territorial protections set forth in Article 2.2, and to receive certain services from Franchisor at no cost, Franchisee must sell at least 25 orders in each calendar month occurring during the Term. If Franchisee fails to sell the minimum number of orders in two consecutive months, Franchisor will issue Franchisee a warning. If Franchisee is issued a warning, Franchisee will be required to meet with designated representatives of Franchisor for a review of Franchisee's operations, and to help Franchisee plan for increasing sales. Franchisee will lose the territorial protections set forth in Article 2.2, and may be required to pay for the costs incurred by Franchisor for providing Franchisee with a Shrunk3D email account, website hosting and use of the point-of-sale system (if Franchisor is, at the time, covering those costs for Franchisee) if:

- A. Franchisee is issued two (2) warnings during the Term; or
- B. Franchisee fails to sell the minimum number of orders in three (3) consecutive months.

**7.4 Ongoing Training and Assistance.** Franchisor may periodically make available to Franchisee other required or optional training materials for Franchisee to use to train Franchisee's personnel. Franchisor may periodically prepare other programs, conferences, seminars, and materials, and Franchisee shall ensure that its owners and/or personnel, as Franchisor may direct, satisfactorily complete any required training within the time specified. Franchisor may also offer Franchisee optional additional support and assistance in the operation of the Franchised Business. All training, including the Initial Training referenced in Article 7.1 above, shall be

provided at such locations as Franchisor may designate, including virtual locations, and Franchisee shall be responsible for Franchisee's and Franchisee's employees' travel expenses and room, board, and wages during such training. Except for the Initial Training, Franchisee will be charged reasonable training fees for training of Franchisee, Franchisee's owners and/or Franchisee's personnel and such training fees shall be payable per the terms of the invoice therefor or may be retained by Franchisor from amounts paid by Franchisee's customers to Franchisor for purchases made from Franchisee in the same way that the Royalty Fee and Brand Development Fee is collected. As of the Effective Date, Franchisor charges \$199 per day per person being trained for ongoing training, plus travel and accommodation expenses for such trainer, provided that the Franchisor reserves the right to adjust such fees throughout the term of this Agreement. Franchisor reserves the right to require, as a condition of providing training, that personnel employed or retained by Franchisee execute confidentiality agreements prepared by Franchisor. Franchisor reserves the right to limit the availability of any optional training programs.

**7.5 Adherence to System Requirements.** Franchisee expressly acknowledges that adherence to each and every provision of the System is reasonable, necessary, and essential to maintain the uniform image and favorable reputation of each Franchised Business and the System and the success of Franchisor's franchise program. Accordingly, Franchisee expressly agrees to comply with each and every requirement of the System during the term hereof, as the same may be modified or supplemented by Franchisor in its sole discretion. Such modifications and supplementations may relate to, without limitation, changes in the business, authorized Products and services, equipment requirements, quality standards, operating procedures, compliance with any requirements computer systems or technology programs, and to pay any fees or charges associated with any such System modifications or supplementations and any other changes reflected in the Manual.

**7.6 Quality of Service.** Franchisee shall provide efficient, courteous, and high-quality service to the public and shall operate the Booth and the Franchised Business pursuant to the mandatory terms and provisions outlined in the Manual, except as otherwise permitted by Franchisor in writing. Franchisee shall cause the Franchised Business to honor all credit cards specified by Franchisor and enter into such credit card arrangements with the issuers of such cards as may be necessary to do so. Franchisee must keep the Booth clean, in working order and provide prompt and courteous service to customers. Franchisee agrees to, and will take all steps as are necessary to, ensure that all its employees treat each customer fairly and provide services in an honest, ethical and non-discriminatory manner. Franchisee agrees to upload all scans taken with the Booth within 24 hours of completion of sale, or such other timeframe established by Franchisor in the Manual, and that if scans are not timely uploaded, Franchisee will pay Franchisor the current Late Upload Fee stated in the Manual.

**7.7 Staffing.** Franchisee will maintain a competent, conscientious and trained staff. Franchisee will be solely responsible for all employment decisions and functions of the Franchised Business, including those related to hiring, firing, training, wage and hour requirements, record-keeping, supervision and discipline of employees. All personnel employed by Franchisee shall maintain such standards of appearance and cleanliness as set forth in the Manual or specified in writing by Franchisor from time to time. None of Franchisee's employees will be considered to be Franchisor's employees and Franchisee will never contend otherwise. Franchisee expressly agrees, and will never contend otherwise, that Franchisor does not have the direct or indirect power to hire, fire or control any of Franchisee's employees. Neither Franchisee nor any of its employees whose compensation Franchisee pays may in any way, directly or indirectly, expressly or by implication, be construed to be Franchisor's employees for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. Franchisee expressly agrees, and will never contend otherwise, that Franchisor's authority under this Agreement does not directly or indirectly vest in Franchisor the power to hire, fire or control any of Franchisee's employees.

**7.8 Authorized Products and Services.** Franchisee must offer and sell all Products, and offer all services, that Franchisor requires, and only those Products that Franchisor has approved. Franchisor may add, eliminate and change authorized products, or services, in its sole discretion, and Franchisee must comply with all

directives (which may require purchasing and installing additional equipment). Franchisee shall ensure that Franchisee, Franchisee's owners or Franchisee's trained and certified SPSS' operate the Booth in accordance with Franchisor's processes, standards and procedures as communicated to Franchisee from time to time via the Manual or other written directives. If Franchisee offers any products or services that are not approved by Franchisor for Franchisee's Franchised Business, Franchisee will pay Franchisor a fee of \$250/day that such unauthorized products or services are offered for sale through the Franchised Business, or using the Booth. That fee is due on the date stated in any invoice sent therefor, or may be retained by Franchisor from amounts paid by Franchisee's customers to Franchisor for purchases made from Franchisee in the same way that the Royalty Fee and Brand Development Fee is collected. Franchisee shall participate in all market research programs that Franchisor requires, which include test-marketing new products, or services, purchasing a reasonable quantity of new products for test-marketing, and/or promoting the sale of the new products. Franchisee shall provide Franchisor with timely reports and test results for all such programs.

**7.9 Gift Cards and Loyalty Programs.** Franchisor may require that Franchisee, if permitted by applicable law, participate in a gift card or other customer loyalty program in accordance with the provisions either set forth in the Manual or otherwise disclosed to Franchisee. In order to participate, Franchisee may be required to purchase additional equipment and pay any fees applicable to the use of that equipment. If Franchisor establishes a gift card or loyalty program, it has the right to determine how the amount of the gift cards or loyalty cards will be divided or otherwise accounted for, and Franchisor reserves the right to retain the amount of any unredeemed gift cards.

**7.10 Use of Booth.** Franchisee shall use the Booth solely for the operation of the Franchised Business and shall not use or allow the use of the Booth for any other purpose or activity (including, without limitation, the promotion of any Competing Business) at any time without the prior written consent of Franchisor, which may be granted or withheld in Franchisor's sole discretion. Franchisee shall not sacrifice Gross Revenue to further any other business activity.

**7.11 Booth Use, Upkeep and Maintenance.** The Booth and everything located on the Booth shall be maintained by Franchisee in a clean, safe, orderly, fully functioning and first-class condition in accordance with the standards specified in the Manual, and consistent with the image of a clean, sanitary, attractive, and efficiently operated attraction. The Booth shall be maintained, and operated, in compliance with all applicable fire, safety, land use, health, and sanitation laws, ordinances, and regulations, and Franchisee shall maintain high moral and ethical standards when the Booth is present in the public. Franchisee shall perform such maintenance of the Booth as is required by Franchisor to maintain the condition, appearance, and efficient operation of the Booth, including, without limitation, (a) continuous and thorough cleaning and sanitation of the interior and exterior of the Booth, (b) interior and exterior repair of the Booth, (c) maintenance of equipment at peak performance, and (d) replacement of worn out or obsolete improvements, fixtures, furnishings, equipment, computer systems, software and signs. At Franchisor's request, Franchisee shall upgrade the Booth, or its equipment, within the time specified by Franchisor at Franchisee's expense to conform to the appearance and presentation of the Proprietary Marks and trade dress consistent with Franchisor's then-current public image, including, without limitation, such structural changes, equipment changes and upgrades, and redecoration and such modifications to existing equipment as may be deemed necessary by Franchisor, as long as those same upgrading requirements apply to a majority of System Businesses operated by franchisees or by Franchisor or its Affiliates, or are necessary to bring the Booth into compliance with requirements already adopted or being adopted by a majority of System Businesses. Except as described above, Franchisee shall make no additions, alterations, or replacements to the Booth or anything located on the Booth without the prior written consent of Franchisor.

**7.12 Compliance with Law.** Franchisee shall, at Franchisee's expense, comply with all federal, state, and local laws, rules, ordinances, and regulations, and shall timely obtain, and keep in force as required throughout the term of this Agreement, any and all permits, certificates, licenses, and approvals necessary for the full and proper conduct of the Franchised Business.

7.13 **Notification of Legal Action.** Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any inquiry, subpoena, order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, arising out of, concerning, or which may affect the operation or financial condition of the Franchised Business, including, without limitation, any criminal action or proceeding brought by Franchisee against employees, customers, or other persons.

7.14 **Payment of Taxes.** Franchisee shall pay when due all taxes levied or assessed in connection with the possession, ownership, or operation of the Booth and the Franchised Business and all taxes payable on royalties and other payments made to Franchisor or to any of its Affiliates (excluding income taxes payable by Franchisor or any of its Affiliates). In the event of any bona fide dispute respecting any tax assessed against Franchisee, the Franchised Business, the Booth, any personal property located therein, or any payments due to Franchisor or any of its Affiliates, Franchisee may contest the validity or amount of the tax in accordance with procedures of the taxing authority; provided, however, that Franchisee shall act with all due diligence and shall in no event permit a tax sale or seizure against the Booth or any equipment, goods, or property located therein, or any impoundment of payments due to Franchisor. Franchisee must pay to Franchisor the amount of any state or local sales, use, gross receipts, or similar tax that Franchisor may be required to pay on payments which Franchisee make to Franchisor under this Agreement, regardless of whether the state or local tax is imposed directly on Franchisor, is required to be withheld by Franchisee from amounts due to Franchisor under this Agreement, or is otherwise required to be collected by Franchisee from Franchisor. Such payments may be retained by Franchisor from amounts paid by Franchisee's customers to Franchisor for purchases made from Franchisee in the same way that the Royalty Fee and Brand Development Fee is collected. Franchisee's obligations under this Article shall not be reduced or offset by any type of claim, credit or deduction of any kind. This provision does not apply to income taxes or comparable taxes measured by income to which Franchisor may be subject.

7.15 **Timely Payments.** Franchisee recognizes that Franchisee's failure or repeated delays in making prompt payment in accordance with the terms of any agreements, leases, invoices, or statements for purchase or lease of property, equipment, supplies, or other goods and services will be detrimental to the reputation of Franchisee, Franchisor, and other System Businesses. Franchisee shall timely pay when due all amounts owed by Franchisee in connection with the operation of the Franchised Business. In its sole discretion, Franchisor may collect all payments and amounts due or payable under this Article 7 by retaining such payments and amounts due from amounts paid by Franchisee's customers to Franchisor for purchases made from Franchisee in the same way that the Royalty Fee and Brand Development Fee is collected, or by direct debit withdrawal from a bank account designated by Franchisee.

7.16 **Access to Data.** Franchisor will be given direct, administrative access to the management systems software used by Franchisee for the purpose of determining compliance with this Agreement and to allow for audits and inspections of Franchisee's financial statements, reports and all other data pertaining to the Franchised Business, whether maintained by Franchisee or by third parties.

7.17 **Authority of Franchisee Representatives.** If Franchisee is at any time a corporation, limited liability company, partnership or other business entity, Franchisee agrees and represents that:

- A. Franchisee has the authority to execute and deliver this Agreement and to perform its obligations thereunder and is duly organized or formed and validly existing in good standing under the laws of the state of its formation or organization.
- B. Franchisee's organizational documents or partnership agreement will at all times state that the issuance and transfer of the ownership interests of Franchisee are restricted by the terms and conditions of this Agreement, and all certificates and other documents representing an ownership interest in Franchisee

will bear a legend referring to the restrictions of this Agreement in form and language satisfactory to Franchisor.

C. **Exhibit B** to this Agreement will at all times completely and accurately describe all of the owners of Franchisee and their beneficial ownership interests in Franchisee.

D. Franchisee and its owners will sign and deliver to Franchisor such revised Exhibit B as may be necessary to reflect any permitted changes in the information contained therein within five (5) days following the occurrence thereof and to furnish such other information about Franchisee's organization or formation as Franchisor may request.

E. Franchisee shall furnish Franchisor with its articles or certificate of incorporation, bylaws, and partnership or limited liability documentation or similar organization documents, and any other documents Franchisor may reasonably request, and any amendments thereto or restatements thereof.

7.18 **Condemnation of Booth.** If the Booth (or any of the premises at which the Booth is located) is damaged by casualty, Franchisee agrees as follows:

A. If the Booth is damaged or destroyed by fire, collision, storm or other casualty, Franchisee shall repair the damage without delay. If the casualty requires the Franchised Business to suspend operations, Franchisee shall (i) immediately notify Franchisor, (ii) commence repair or replacement as soon as practicable, but in any event if the Booth can be repaired within ninety (90) days after the casualty, (iii) repair the Booth in accordance with the then-current System standards and specifications, and (iv) reopen the Booth for continuous operations under the System as soon as practicable within ninety (90) days after the casualty. If the Booth must be replaced, Franchisee shall request a new Booth from Franchisor, and pay 75% of the estimated price of the new Booth to Franchisor, within thirty (30) days of the casualty, or of determining that the Booth cannot be repaired, whichever is earlier. Franchisee would not be required to pay the remainder of the cost of the Booth until Franchisor delivered the completed Booth to Franchisee.

B. The closing of the Franchised Business due to casualty shall not extend the term of this Agreement.

7.19 **Use and Ownership of Customer Data.** Franchisee acknowledges and agrees that, in addition to the rights granted Franchisor under Article 10.6 hereof, Franchisor may use the names, images, likeness, and 3D scan data of customers of the Franchised Business for any purpose, and agrees that Franchisor may have access to Franchisee's sales and customer data base for that purpose. In addition, any intellectual property rights which may arise from Franchisee's operation of the Franchised Business shall inure to the benefit of Franchisor as the sole beneficial owner and holder of such rights. Franchisee agrees to execute any documents required by Franchisor to evidence Franchisor's rights in and to such intellectual property.

7.20 **Website and Online Presence.** Franchisor has established internet Websites that provide information about the System. Franchisor will have sole discretion and control over the Website and any other Online Presence (including timing, design, contents and continuation). Franchisor may use part of the Brand Development Fees collected under Article 4.1.D. to pay or reimburse the costs associated with the development, maintenance and update of their Online Presence and Websites. Franchisor shall own and control the only Shrunk 3D™ Website, or Websites. Franchisee may not have any individual website other than that created by Franchisee for use solely with the Franchised Business. Franchisor may require Franchisee to prepare all or a portion of such individual pages, at Franchisee's expense, using a template that Franchisor provides. All such information will be subject to Franchisor's prior written approval prior to posting. Franchisee may not maintain any Online Presence or other website in connection with Franchisee's ownership or operation of the Franchised Business, except as is expressly permitted or required by Franchisor in prior writing. If Franchisee is permitted or required to have an individual Online Presence, Franchisee must provide Franchisor with administrator-level access credentials, usernames, passwords, tokens and all other information and items required for complete

access to, and control over, any Online Presence or social networking activities. If Franchisee fails to comply with the requirements set for Online Presence, Franchisor, or its designees may use the access credentials to access Franchisee's accounts and resources to correct them to comply with Franchisor's requirements, without being guilty of trespass, conversion, infringement, or any similar tort. Franchisee will pay Franchisor, upon demand, all charges Franchisor incurs by taking such corrective action, or such charges may be retained by Franchisor from amounts paid by Franchisee's customers to Franchisor for purchases made from Franchisee in the same way that the Royalty Fee and Brand Development Fee is collected.

**7.21 Inappropriate Online Presence Content.** Franchisor reserves the right to require Franchisee to remove any content in its individual Online Presence, including videos, advertising or other material or content posted that Franchisor, in its sole discretion, deems inappropriate. Franchisor reserves the right to develop additional profiles or accounts in its Online Presence on websites designated for social networking, social media sites, or on websites otherwise commonly used by attractions, or by the franchise industry in general. Franchisor may, in its sole discretion, require Franchisee to participate in its Online Presence in Franchisee's individual capacity by preparing and maintaining all or a portion of a profile or account for the Franchisee, at Franchisee's expense.

**7.22 Intranet.** Franchisor has developed a secure website through which the Manual, confidential brand standards and other materials may be posted and where Franchisor and its Franchisees can communicate by e-mail, instant messaging, or similar electronic means. Franchisee agrees to use the facilities of the secure website, or any other website, intranet or other online communication method designated by Franchisor for such communications, in strict compliance with the standards, protocols and restrictions that Franchisor includes in the Manual (including, without limitation, standards, protocols and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements).

**7.23 Additional Administrative Services.** If Franchisee requests, Franchisor or its Affiliates may provide additional administrative services to Franchisee, including, but not limited to: assistance with closings of financing transactions or other transactions relating to the Franchised Business and other instruments, documents and agreements with Franchisee's lenders or prospective lenders, lender's counsel, Franchisee's counsel, any other Franchisee representative, or third party; conducting research related to potential events or locations for operation of the Booth; preparation of documents, instruments or agreements; and other project-based tasks. If any of these administrative services are provided, Franchisee agrees to pay to Franchisor a reasonable fee, as determined by Franchisor, for such services and to reimburse Franchisor and its Affiliates for any costs (including attorney's fees) incurred in connection with the provision of such services. Such fee will be due on the date stated in any invoice sent therefor, or it may be retained by Franchisor from amounts paid by Franchisee's customers to Franchisor for purchases made from Franchisee in the same way that the Royalty Fee and Brand Development Fee is collected.

**7.24 Reimbursements.** Franchisee shall reimburse Franchisor for all costs and expenses (including attorneys' fees), incurred by Franchisor in connection with any legal action (including actions for injunctive relief, arbitration and mediation) in which Franchisee, its Affiliates, or their respective owners, directors, officers or managers is a named party, including but not limited to, reimbursement for costs and expenses incurred in connection with Franchisor's counsel entering an appearance, responding to discovery requests in such matters, and preparation by Franchisor and its counsel therefor.

**7.25 Co-branding.** Franchisor may determine from time to time to incorporate in the System programs, products or services which Franchisor either develops or otherwise obtains rights to, which are offered and sold under names, trademarks and/or service marks other than the Proprietary Marks and which the Franchised Business, along with other businesses, will be required to offer and sell. This activity, referred to as "co-branding", may involve changes to the Proprietary Marks and may require Franchisee to make modifications to fixtures, equipment, signs, and trade dress of, in, on, or associated with the Booth. Franchisee

agrees to promptly implement such programs at the Franchised Business at the earliest commercially reasonable time and to execute any and all instruments required to do so.

**7.26 Privacy and Data Protection.** Franchisee must: (i) comply with all applicable international, national, federal, provincial, state, or local laws, codes or regulations that regulate the processing of information that can be used (alone or when used in combination with other information Franchisee controls) to identify, locate or contact an individual or pertains in any way to an identified or identifiable individual (“Personal Information”) in any way, including, but not limited to, national data protection laws, laws regulating marketing communications and/or electronic communications, information security regulations and security breach notification rules (“Privacy Laws”); (ii) comply with all standards, specifications, requirements, criteria, and policies that have been and are in the future developed and compiled by us that relate to Privacy Laws and the privacy and security of Personal Information; (iii) refrain from any action or inaction that could cause us to breach any Privacy Laws; (iv) do and execute, or arrange to be done and executed, each act, document and thing Franchisor deems necessary in our business judgment to keep Franchisee in compliance with the Privacy Laws; and (v) immediately report to us the theft or loss of Personal Information (other than the Personal Information of Franchisee’s own officers, directors, owners, employees or service providers). Franchisee must also comply with payment card industry (“PCI”) standards, norms, requirements and protocols, including PCD Data Security Standards.

## **Article 8. Quality Control and Supervision.**

**8.1 System Conformity.** Franchisee agrees that substantial uniformity of quality at all System Businesses is necessary and desirable for purposes of establishing and protecting the shared identity, reputation, and goodwill associated with the System and the Proprietary Marks. In order to better accomplish these objectives, Franchisee agrees that:

A. The Franchised Business shall be operated in strict conformity with such mandatory standards, specifications, methods, and techniques as Franchisor may prescribe in the Manual (as opposed to best practices and suggestions), and Franchisee shall refrain from deviating therefrom and from otherwise operating in any manner which adversely reflects on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor’s rights therein. Franchisee is responsible for the day-to-day operation of the Franchised Business. While Franchisor intends to impose the System, and any changes and modifications thereto generally uniformly among all System Businesses, complete and detailed uniformity under many varying conditions may not be possible or practical, and Franchisor specifically reserve the right and privilege, in its sole discretion and as it may deem to be in the best interests of the System in any specific instance, to vary standards for any particular franchisee or region based upon the peculiarities of a particular territory, density of population, business potential, business practice, or other condition important to the successful operation of a particular Shrunk 3D™ business. Franchisor may grant variations from standard specifications and practices as Franchisor determines in its discretion, and Franchisor will have no obligation to grant Franchisee or any other franchisee like or similar variations and Franchisor’s failure to require a change from any particular franchisee will not affect your obligations under this paragraph.

B. Franchisee shall, at Franchisee’s expense, purchase or lease and install in or on the Booth all fixtures, equipment, software systems, including point of sale systems, and other systems and technology programs specified by Franchisor. Without regard to the actual capabilities of any computer hardware or software that Franchisee installs and that Franchisor has access to directly or indirectly, Franchisor does not have the right to use such technology or tools to direct or assert control over Franchisee’s employees’ working conditions, except to the extent the control relates to Franchisor’s legitimate interest in protecting the quality of the Shrunk 3D™ System (brand) or the Products or services offered by the Franchised Business. Franchisee shall refrain from installing in or on the Booth, or permitting to be installed, without Franchisor’s prior written consent, any fixtures, equipment or any other items or services not previously approved by Franchisor. The size, form, color scheme, content (except for prices or charges which are

subject to Article 8.6 below), and location of all signs, advertisements and graphic materials displayed on or near the Booth shall be as prescribed in the Manual or otherwise approved in writing by Franchisor. Notwithstanding the foregoing, Franchisor does not have the right to direct or assert control over Franchisee's employees' working conditions, except to the extent the control relates to Franchisor's legitimate interest in protecting the quality of the Shrunk 3D™ System (brand) or the Products or services offered by the Franchised Business.

C. Franchisee is required to purchase products, services, supplies, fixtures and equipment items, and materials required for the operation of the Booth and the Franchised Business, as specified in the Manual, from manufacturers, suppliers or distributors designated by Franchisor, or from other suppliers Franchisor approves who meet Franchisor's specifications or subject to Franchisor's specifications. In some cases, Franchisor or Franchisor's Affiliates may be the only approved supplier. As of the Effective Date, Franchisor is the only approved supplier of the Booth, and of most of the equipment incorporated into the Booth. Specification of a supplier may be conditioned on various requirements, including, but not limited to, those relating to quality and consistency of Products and services, frequency of delivery, standards of services, prompt attention to complaints, payments, contributions, or other consideration paid to Franchisor, Franchisor's Affiliates or the Brand Development Fund, and may be temporary. Franchisor may, from time to time withhold, condition and/or revoke Franchisor's approval of particular items or suppliers in Franchisor's reasonable discretion, and Franchisor's approvals may be temporary. Franchisor or Franchisor's Affiliates may receive rebates, commissions, and other benefits from suppliers in relation to items purchased by Franchisee and other franchisees. Franchisor has the right to condition or revoke Franchisee's right to participate in any supplier programs if Franchisee is in default under this Agreement.

D. Franchisee may propose alternative manufacturers, suppliers or distributors of approved Products, services, supplies, materials, fixtures and equipment items used in the operation of the Booth and Franchised Business, as well as alternative Products, services, supplies, materials, fixtures and equipment items to those previously approved by Franchisor. If Franchisee would like to use alternate manufacturers, suppliers, or distributors, or alternative products, services, supplies, materials, fixtures and equipment items to those required by Franchisor, Franchisee must first request in writing that Franchisor approve the alternate. Franchisee must submit whatever information, specifications, or samples Franchisor requires and must pay to Franchisor a fee of \$500 per product or service when the request is submitted. If the costs to Franchisor for the review and testing of the products, services, supplies, materials, fixtures and equipment items, or reviewing the manufacturer, supplier, or distributor exceed \$500, the Franchisee must reimburse Franchisor for such additional cost per the terms of the invoice sent therefor. If, based on the review, Franchisor decides to approve the reviewed product, service, supplies, materials, fixtures and equipment item, manufacturer, supplier, or distributor for all franchisees in the System, the Franchisor will reimburse Franchisee for the testing fee. Franchisor reserves the right to approve or disapprove proposed alternative products or services in its sole discretion. Franchisor will notify Franchisee within a reasonable time of its approval or rejection of the alternate product or service. Franchisor may revoke an approval previously given at any time in its discretion, upon notice to the Franchisee. Notice will be given in a manner that Franchisor deems appropriate. Franchisor may require Franchisee's proposed manufacturer, supplier, or distributor to sign a confidentiality agreement acceptable to Franchisor, and Franchisor may require that samples of or from these proposed alternatives be delivered to Franchisor for testing prior to approval and use. Further, all proposed manufacturers, suppliers or distributors must agree to permit Franchisor's agents or representatives to inspect their facilities regularly, both initially and from time to time as may reasonably be required by us to assure Franchisor of the proper production, processing, and transportation of the products, services, supplies, materials, fixtures and equipment items to be purchased by Franchisee, and with respect to alternative products, services, supplies, materials, fixtures and equipment items, that they comply with Franchisor's standards and requirements. The foregoing will not be construed as an attempt to unreasonably limit the sources from which Franchisee may procure products, services, supplies and materials. Rather, it is Franchisor's intention that such items conform to Franchisor's strict standards and strict specifications as to consistent quality, uniformity and reliability. Further, Franchisor

will not be required to approve an inordinate number of alternative suppliers of a given item which in Franchisor's reasonable judgment would prevent Franchisor's effective supervision of suppliers. Notwithstanding the foregoing, Franchisor may designate certain products, services, supplies, materials, fixtures and equipment items as proprietary, and not permit alternative manufacturers, suppliers, or distributors, or alternative products, services, supplies, materials, fixtures and equipment items for such items. Nothing in this Article requires Franchisors to disclose any Trade Secrets to any third party.

E. FRANCHSOR AND ITS AFFILIATES MAKE NO WARRANTY WITH RESPECT TO ANY PRODUCTS, SERVICES, FIXTURES, EQUIPMENT, SUPPLIES OR OTHER ITEMS WE APPROVE AND WE EXPRESSLY DISCLAIM ALL WARRANTIES, EXPRESS AND IMPLIED, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO ANY SUCH PRODUCTS, EQUIPMENT (INCLUDING, WITHOUT LIMITATION, ANY REQUIRED COMPUTER SYSTEMS), SUPPLIES, OR OTHER APPROVED ITEMS.

F. Third-Party Warranties. If Franchisee purchases from Shrunk 3D or its affiliate any items not produced or manufactured by Shrunk 3D or its affiliate, and if Shrunk 3D or its affiliate obtained for those items a transferable warranty, then Shrunk 3D or its affiliate shall transfer that warranty to Franchisee upon Franchisee's purchase. Shrunk 3D or its affiliate otherwise makes no warranty to Franchisee or to Franchisee's customers for such items. Except as subsequently agreed in writing, Shrunk 3D or its affiliate shall not be responsible for providing warranty service to Franchisee or to any Franchisee customer for any items. SHRUNK 3D AND ITS AFFILIATES PROVIDES NO WARRANTY TO FRANCHISEE OR FRANCHISEE'S CUSTOMERS WITH RESPECT TO ITEMS NOT PRODUCED OR MANUFACTURED BY SHRUNK 3D OR ITS AFFILIATES. THE WARRANTIES, IF ANY, OF THE THIRD-PARTY MANUFACTURER OR SUPPLIER OF SUCH ITEMS, ARE IN LIEU OF ANY AND ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY, QUALITY, PERFORMANCE, OR FITNESS FOR A PARTICULAR PURPOSE.

**8.2 Compliance with Manual.** The Franchised Business shall be conducted in accordance with the mandatory provisions contained in the Manual, as updated, supplemented, and modified. Franchisee further acknowledges that establishing, maintaining, and protecting the goodwill, reputation, and uniformity of the System requires strict adherence to this Agreement and the Manual in all respects, it being agreed that every detail is significant and material. Franchisee shall at all times ensure that Franchisee's copy of the Manual is kept current and up-to-date, and in the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor at Franchisor's home office shall be controlling. Franchisee shall maintain the Manual in a safe and secure location (including with appropriate password protection, if the Manual is kept electronically) and shall report the theft or loss of the Manual, or any portion thereof, immediately to Franchisor.

**8.3 Inspections.** Franchisee hereby grants to Franchisor and its agents the right to enter upon the premises of the Franchised Business, including remote access to the Franchised Businesses records, files and data, at any reasonable time for the purpose of conducting inspections. Franchisee shall cooperate fully with Franchisor's agents during the inspections, and take such steps as may be reasonably necessary to correct any deficiencies detected during such an inspection, upon the written request of Franchisor or its agents, within such reasonable time as may be specified therein. Franchisee shall provide all information requested by Franchisor for the purpose of Franchisor's conducting customer satisfaction audits and surveys. If Franchisor determines that any condition of the Booth presents a threat to customers or public health and safety, Franchisor may take whatever measures it deems necessary, including requiring Franchisee to immediately stop using the Booth until the situation is remedied to Franchisor's satisfaction. Franchisor will charge Franchisee for the actual expense of the audit, which expenses may include the hiring of a third party to perform the audit ("Quality Audit Fee"). Franchisee shall pay such Quality Audit Fee within fifteen (15) days of receipt of an invoice therefor, or the amount of the Quality Audit Fee may be retained by Franchisor from amounts paid by Franchisee's customers

to Franchisor for purchases made from Franchisee in the same way that the Royalty Fee and Brand Development Fee is collected. Franchisor may also, in its sole discretion, collect any payments or amounts due or payable under this Article by direct debit withdrawal from a bank account designated by Franchisee.

**8.4 Franchisee Inventions.** If Franchisee or its Affiliates, owners, or employees, develop any products, services, procedures, or inventions, or improvements on products, services, or procedures already part of the System, and whether or not protectable intellectual property (“Inventions”), such Inventions must be promptly disclosed to Franchisor, and if deemed by Franchisor to be appropriate for use in the Franchised Business and other System Businesses, such Inventions will be deemed to be Franchisor’s sole and exclusive property, part of the System and works made-for-hire for Franchisor. To the extent any such Invention does not qualify as work-made-for hire, it must be assigned to Franchisor. Franchisee agrees to take, or direct its Affiliates, owners, or employees, to take all necessary steps and action such assignment may require.

**8.5 Integrity in Promotion and Business.** All marketing and promotion by Franchisee shall be factual, ethical, and in good taste in the judgment of Franchisor and shall be subject to Franchisor’s approval as provided in Article 9.1 of this Agreement. Franchisee shall in all dealings with its customers, suppliers, Franchisor, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. Franchisee agrees to refrain from any business or advertising practice which, in the subjective opinion of Franchisor, may be injurious to the business of Franchisor and the goodwill associated with the Proprietary Marks and other System Businesses.

**8.6 Product Pricing and Discounts.** Franchisor and Franchisee recognize the value of pricing and marketing programs that facilitate the marketing of the System, the good will, reputation, and uniformity of the System and consumer acceptance and recognition of System Businesses. Franchisee and Franchisor agree that, in order to better accomplish these objectives, Franchisor may from time to time in its sole judgment (a) require figurines prices to start at levels no higher than those determined by Franchisor and (b) otherwise establish rates and prices to the extent permitted by applicable law. Unless expressly permitted by Franchisor in prior writing, Franchisee will not offer coupons, discounts, gift cards, gift certificates, loyalty programs, or similar promotions.

## Article 9. **Advertising.**

Franchisee and Franchisor recognize the value of advertising and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System. In order to better accomplish these objectives, the parties agree as follows:

**9.1 Conformance with System Standards.** All advertising, marketing, and sales materials used by Franchisee in any medium shall be conducted in such manner, and shall conform to such standards and requirements, as Franchisor may specify from time to time. Franchisee must submit to Franchisor for its prior written approval samples of all advertising, marketing, and sales plans and materials and all other materials displaying the Proprietary Marks that Franchisee desires to use which have not been prepared or previously approved by Franchisor. Any advertising, marketing and sales materials not disapproved by Franchisor within 15 days of submission by Franchisee shall be deemed approved.

**9.2 Grand Opening Advertising.** Starting thirty (30) days before the Franchised Business opens, and continuing for sixty (60) days thereafter, Franchisee shall spend a minimum of \$3,000 on advertising and marketing to promote the existence of the Franchised Business in the Protected Territory. Upon request, Franchisee must submit its grand opening marketing plan to Franchisor for review and approval.

**9.3 Local Advertising.** Franchisee may advertise the Franchised Business in the Protected Territory, and any place outside the Protected Territory as long as: Franchisee does not advertise the Franchised Business in the Protected Territory of another System Business; Franchisee is will to operate the Booth in all areas in which

the advertisement appears; and Franchisee is not restricted from advertising outside the Protected Territory by a Regional Marketing Cooperative established by Franchisor. You must spend a minimum of \$2,900 in marketing and promotions between 30 days prior and 60 days after opening the Franchise Business as part of your grand opening and \$500 per month on local advertising and promotional activities (the “**Local Marketing Spending Requirement**”). Your Marketing Spending Requirement is in addition to your Brand Development Fund contributions. We have the right to designate in the Manuals the types of expenditures that will or will not count toward the Local Marketing Spending Requirement. At our request, you must submit appropriate documentation to verify compliance with the Local Marketing Spending Requirement. If you fail to spend (or prove that you spent) the Local Marketing Spending Requirement in any month, then we may, in addition to and without limiting our other rights and remedies, require you to pay us the shortfall as an additional Brand Development Fund Contributions or to pay us the shortfall for us to spend on local marketing for your Booth.

**9.4 Brand Development Fund.** Franchisor has established a Brand Development Fund (“**Brand Development Fund**”). The Brand Development Fund will be administered by Franchisor, provided that Franchisor may, in its sole discretion, consult with a Advisory Franchisee Council, if one has been established, on matters relating to the Brand Development Fund. The Brand Development Fund may be used to meet any and all costs of researching, developing and preparing national, regional, point of sale, and local direct sales, advertising and marketing strategy materials for use within the System, including, without limitation, costs associated with developing, preparing, directing, administering, maintaining, and disseminating advertising, marketing, promotional, and public relations materials; conducting marketing research and new product development; in-store promotions, point-of-sale advertising, menu boards and other sales aids; maintaining a national sales and marketing staff and related expenses or hiring outside agencies; development, maintenance and updates to the Online Presence; joint promotional programs for all Franchisor brands; and preparing, producing, broadcasting, and disseminating advertising and promotions, including, without limitation, radio, television, newspaper, magazine and Internet advertising, market surveys, public relations activities, and employment of advertising agencies. Franchisor shall choose and determine the nature, theme, and timing of advertising and the kind and quality of advertising materials to be provided to franchisees through the Brand Development Fund. All payments, plus income earned therefrom, shall be used exclusively for the above-stated purposes, shall be maintained in an account separate from Franchisor funds, and shall not be used to defray any of Franchisor’s general operating expenses, except for reasonable salaries, administrative costs, travel expenses, overhead, and similar expenses Franchisor may incur in activities related to the administration of the Brand Development Fund and all costs of development and preparing national, regional, point of sale, and local advertising materials for use within the System. Franchisor shall, for each of its company-owned System Business, if any, make contributions to the Brand Development Fund at the same percentage of Gross Revenues required of Franchisees within the System. Franchisor, or its designee, shall direct all advertising, marketing, and direct sales promotional programs and activities, with sole discretion over the concepts, materials, and media used in such programs and activities and the placement and allocation thereof. Franchisee acknowledges that the intent of the Brand Development Fund shall be to maximize general public recognition, direct sales programs, and acceptance of the Proprietary Marks for the benefit of the System, and Franchisor shall have no obligation in administering the Brand Development Fund, to make expenditures for Franchisee which are equivalent or proportionate to any payments by Franchisee, or to ensure that any particular Franchisee or any particular System Business benefits directly or pro rata from advertising or promotion conducted under the Brand Development Fund. The Brand Development Fund is not a trust or escrow account, and Franchisor has no fiduciary obligation to franchisees with respect to the Brand Development Fund; provided, however, that Franchisor will make a good faith effort to expend such fees in a manner that Franchisor determines is in the general best interests of the System. Franchisor has the right to advance monies to the Brand Development Fund and subsequently obtain reimbursement of such advances out of Brand Development Fund fees collected. Franchisor may carry over fees from one year to future years if all funds collected from one year are not spent that year.

**9.5 Advisory Franchisee Committee.** If and when established by Franchisor, Franchisee may, for as long as this Agreement remains effective, with some or all franchisees of the System shall be a member of the Advisory

Franchisee Committee or such successor franchise advisory council as may be sanctioned by Franchisor to serve as an advisory council to Franchisor with respect to advertising, marketing and other matters relating to System Businesses. Franchisor, in its discretion may require all franchisees of the System to be members of the Advisory Franchisee Committee, or may establish a system for determining a subset of franchisees that will be members of the Advisory Franchisee Committee. Franchisee shall pay to the Advisory Franchisee Committee all dues, assessments, and conference fees authorized by the Advisory Franchisee Committee and shall otherwise maintain its membership in the Advisory Franchisee Committee in good standing (“good standing” means the Advisory Franchisee Committee dues and assessments are current and Franchisee has not been given a notice of its default under this Agreement, or any other franchise agreement with Franchisor or its Affiliates). Such fees may be retained by Franchisor from amounts paid by Franchisee’s customers to Franchisor for purchases made from Franchisee in the same way that the Royalty Fee and Brand Development Fee is collected. Such fees shall be consistently applied to all franchisees in the System and all System Businesses owned by Franchisor or its Affiliates. As of the date of this Agreement, no Advisory Franchisee Committee has been established.

**9.6 Location Directory.** Franchisee agrees to list the Franchised Business in the Shrunk 3D™ Location Directory and to furnish to Franchisor such information as Franchisor or its designee may request for that purpose. Franchisee understands and acknowledges that the success and utility of the Shrunk 3D™ Location Directory may require that it contain information concerning prices and special offers; that Franchisee shall have sole discretion in determining any prices and special offers for the Franchised Business which appears in each Shrunk 3D™ Location Directory; and that Franchisor assumes no liability for, nor shall Franchisor be deemed liable by reason of, any failure by Franchisee or Franchisor’s other franchisees to honor any Shrunk 3D™ Location Directory prices for the period during which each Shrunk 3D™ Location Directory is in effect.

**9.7 Advertising Cooperative.** Franchisor has the right to establish and maintain local and regional advertising cooperatives for geographic areas (each an “Advertising Cooperative”). Each Advertising Cooperative will use the funds it receives only for the purposes set forth in this Agreement and shall operate pursuant to policies and procedures Franchisor establishes. All System Businesses in the geographic area of the Advertising Cooperative will participate in the Advertising Cooperatives on the same basis. Franchisor will provide Franchisee written notice of the establishment of any Advertising Cooperative for the geographic area that the Franchised Business is located in, if and when an Advertising Cooperative for the geographic area is established. Franchisee may be required to contribute up to two percent (2%) of its Gross Revenue to the Advertising Cooperative. Franchisee will make those contributions either to Franchisor or directly to Franchisee’s Advertising Cooperative, as Franchisor direct from time to time.

## Article 10. **Financial Reporting.**

**10.1 Maintenance of Books and Records.** Franchisee shall, in the manner and form specified by Franchisor in the Manual or otherwise in writing, prepare on a current basis (and preserve for at least five years from the date of preparation) complete and accurate books and records using such charts of accounts as Franchisor may require, and in accordance with generally accepted accounting principles concerning Gross Revenues and all financial, operating, marketing, and other aspects of the Franchised Business, and maintain an accounting system that fully and accurately reflects all financial aspects of the Franchised Business, and Franchisee. Such books and records shall include, but not be limited to, books of account, tax returns, governmental reports, daily and other periodic reports, and complete quarterly and annual financial statements (profit and loss statements, balance sheets, and cash flow statements). Franchisee’s obligation to preserve such books and records shall survive the termination or expiration of this Agreement.

**10.2 Weekly Income Statement.** Unless automatically generated by the Franchisee’s point of sale system, on or before Wednesday of the following calendar week, Franchisee shall submit to Franchisor an income statement prepared in accordance with generally accepted accounting principles (in such form and detail as Franchisor may require) that will support the computation of all amounts then due under Article 4.1 of this

Agreement, provided that, if fees will become due under this Agreement at a different frequency than weekly, upon notice to Franchisee, Franchisor may require reports to be submitted at such frequency as to coincide with the frequency of the payment due dates. The statement shall include information for the preceding week as to Gross Revenues, other revenues, expenses, and such other information as Franchisor may require. Any report required to be submitted hereunder shall be submitted electronically, unless another format for submission is specified by Franchisor.

**10.3 Annual Reports.** At Franchisor's request, Franchisee shall submit to Franchisor as soon as available but not later than ninety (90) days after the end of Franchisee's fiscal year, at Franchisee's expense, a full and complete reviewed financial statement in writing setting forth the Gross Revenues and the computation of all amounts paid by Franchisee under Article 4.1 of this Agreement for such fiscal year. Such statement shall be prepared in such format and according to such standards as specified by Franchisor, which may include being prepared in accordance with generally accepted accounting principles, consistently applied, and being accompanied by a report from an independent certified public accountant that the statement has been examined in accordance with generally accepted auditing standards. In addition, at Franchisor's request, Franchisee shall submit to Franchisor true copies of all state sales tax returns relating to sales made by the Franchised Business at the same time the returns are filed with state authorities, and such other records as Franchisor may reasonably request, including, without limitation, state and federal income tax returns of Franchisee.

**10.4 Audits and Inspections of the Records.** Franchisor or its representatives, at Franchisor's expense, shall at all reasonable times have the right to inspect or audit the books, accounts, records, returns, and statements of Franchisee on the premises of Franchisee, such other location where they are kept, or to have such records sent to a separate location designated by Franchisor. The foregoing records may include, but are not limited to, state and federal income tax returns, credit card or any other third-party charge account statements, and any bank, savings and loan, brokerage, or other financial checking, money market, or savings account used for the Franchised Business. Franchisee shall fully cooperate with Franchisor and its representatives or agents conducting such inspections or audits and, upon request, Franchisee shall submit a written response to any issues raised in connection with said audits. In the event a discrepancy between reported Gross Revenues and actual Gross Revenues is uncovered in any audit conducted pursuant to this Article for any reporting period (monthly, quarterly, or annually), Franchisee shall promptly pay the amount determined to be owing and, if the discrepancy exceeds 3% of reported Gross Revenues, Franchisee shall reimburse Franchisor for all costs of the audit, including travel, lodging, and wages of personnel of Franchisor or third parties required to conduct such audit. Franchisee shall also promptly reimburse Franchisor for the cost of any audit (including salaries, travel, and living expenses) necessitated by Franchisee's failure to file any financial report due hereunder and any deficiency in royalties or Brand Development Fund contributions disclosed by such audit. Regardless of whether the discrepancy is more, or less, than 3%, at Franchisor's option, Franchisee shall also immediately pay to Franchisor interest on the understated amount due from the date such amount was due until paid at the lesser of 1.5% per month or the maximum rate permitted by applicable law. In lieu of Franchisee payment such amounts due, the amounts due may be retained by Franchisor from amounts paid by Franchisee's customers to Franchisor for purchases made from Franchisee in the same way that the Royalty Fee and Brand Development Fee is collected. The foregoing remedies shall be in addition to any other remedies Franchisor may have. Submission by Franchisee of more than 2 written statements of Gross Revenues which under-report Gross Revenues for any reporting period by 2% or more (regardless of any subsequent cure) shall constitute a material breach of this Agreement entitling Franchisor, at its option, the right to terminate this Agreement pursuant to Article 14.1.B. of this Agreement.

**10.5 Authorization of Financial Institutions and of Disclosure.** Franchisee hereby authorizes all banks and/or other financial institutions with which Franchisee does business to disclose to Franchisor any requested financial information in their possession relating to the Franchised Business. Franchisee further authorizes Franchisor to disclose such information to prospective franchisees and state regulatory agencies; provided that such information is not identified as relating to the Franchised Business unless required by law or regulation and then only if Franchisor requests that such identification be held in confidence.

10.6 **Use of Operations Data.** Franchisee agrees that Franchisor or its Affiliates may disclose to third parties data concerning and relating, directly or indirectly, to Franchisee, the operations of Franchisee and the Franchised Business, and Franchisee's customers, including, but not limited to information about Gross Revenues ("**Operations Data**"). Franchisee waives any notice in connection with the disclosure of Operations Data. Franchisor agrees, that it, or its Affiliates, will from time to time disclose to the Franchisee such operations data as it deems appropriate regarding other franchisees of Franchisor (Operations Data jointly with operations data of other franchisees, shall be referred to as "**Systems Operations Data**"). Franchisor may, in its sole discretion, determine when and what System Operations Data will be disclosed, and may, without prior notice to, or consent from Franchisee, change the scope of the Systems Operations Data being disclosed to Franchisee or when it is disclosed. Systems Operations Data disclosed to Franchisee is disclosed solely for Franchisee's internal business purposes and to enable Franchisee to compare its results with those of other franchisees of Franchisor. The disclosed Operations Data and Systems Operations Data remains confidential information of Franchisor. Franchisee may not disclose Systems Operations Data to other franchisees of Franchisor, prospective franchisees of Franchisor, competitors of Franchisor, prospective purchasers of Franchisee or any of the Franchisee's assets, financial institutions, or any other third parties. The Systems Operations Data so disclosed will be based on information provided to Franchisor by its franchisees. Such information will not be verified by Franchisor or any of its Affiliates. Franchisor has no obligation to correct Systems Operations Data disclosed after it learns that it was incorrect or incomplete, or to inform Franchisee thereof.

#### Article 11. **Proprietary Marks and Trade Secrets; Competition.**

11.1 **Ownership of Proprietary Marks and System.** Franchisor is either the owner or the licensee of all Proprietary Marks. Franchisee acknowledges that ownership of all right, title, and interest in the System and all parts thereof, including, without limitation, the Proprietary Marks and the design, decor, and image of all Booths and System Businesses, is and shall remain vested solely in Franchisor and IP Owner. Franchisee expressly disclaims any right, title, or interest therein or in any goodwill derived therefrom.

11.2 **Franchisee's Use of Proprietary Marks and System.** The license granted hereby to use the Proprietary Marks is nonexclusive, and Franchisee agrees that such Proprietary Marks are and shall remain the property of IP Owner and shall not be contested as to ownership or validity by Franchisee. Franchisee understands and agrees that the grant of the license to use the Proprietary Marks is conditioned upon Franchisee's agreement that: (a) the Proprietary Marks shall be used only in connection with the Franchised Business and only in the manner authorized by Franchisor; (b) Franchisee will not use the Proprietary Marks or parts thereof as part of its corporate or other legal name, will identify itself as a Franchisee, and will comply with all fictitious name and other statutes in connection with its use of the Proprietary Marks; (c) Franchisee will cooperate with Franchisor in protecting and defending the Proprietary Marks; and (d) Franchisee will comply with Franchisor's designations of additions, deletions, and changes in the Proprietary Marks. Franchisee's license to use the System, and any part thereof, is personal to Franchisee, and Franchisee shall not license, sublicense, or allow the System, or any part thereof, to be used by any other person, firm, or business association. All uses of the System by Franchisee inure to the benefit of Franchisor and with respect to the Proprietary Marks, to the benefit of IP Owner. Franchisee acknowledges and agrees that for purposes of protecting IP Owner's interest in the Proprietary Marks, IP Owner is a third-party beneficiary to this Agreement.

11.4 **Changes to the Proprietary Marks.** Franchisor reserves the right, in its sole discretion, to designate one or more new, modified or replacement Proprietary Marks for Franchisee's use and to require Franchisee's use of any such new, modified or replacement Proprietary Marks in addition to, or in lieu of any previously designated Proprietary Marks. Franchisee must, at its expense, comply with any such directive within sixty (60) days following its receipt of Franchisor's written notice.

11.5 **Protection of Proprietary Marks and System.** Franchisee shall not, directly or indirectly, at any time during the term of this Agreement or thereafter, do, cause, or suffer to be done any act or thing disputing,

attacking, or in any way impairing or tending to impair the right, title, or interest of Franchisor or IP Owner (to the extent applicable) in the Proprietary Marks or the System. Franchisee shall immediately notify Franchisor in writing of all infringements or imitations of the Proprietary Marks of which Franchisee becomes aware, and Franchisor or IP Owner (to the extent applicable) shall exercise absolute discretion in deciding what action, if any, should be taken. Franchisee shall fully cooperate with Franchisor or IP Owner (to the extent applicable) in the prosecution of any action to prevent the infringement, imitation, or illegal use of the Proprietary Marks and agrees to be named as a party in any such action at Franchisor's request. Franchisor or IP Owner, as the case may be, shall bear any and all legal expenses incident to Franchisee's participation, at Franchisor's request, in any action to prevent the infringement or illegal use of the Proprietary Marks, except for the cost of any legal counsel separately retained by Franchisee. Except as expressly provided in this Article, Franchisor shall not be liable to Franchisee for any damages, costs, expenses, loss of profits or business opportunities, or incidental or consequential damages of any kind or nature whatsoever relating to any action involving the Proprietary Marks.

**11.6 Identification of the Franchised Business.** Franchisee shall use the Proprietary Marks as the sole identification of the Booth and the Franchised Business; provided, however, that in all public records and in its relationship with other persons, on stationery, business forms, checks, or as otherwise required by Franchisor, Franchisee shall indicate Franchisee's independent ownership of the Franchised Business. Franchisee shall identify the Franchised Business as being independently operated, such as "Independently owned and operated by [Franchisee] through a Franchise Agreement with Shrunk 3D, Inc." or "This Shrunk 3D™ Booth is independently owned and operated by [Franchisee] through a Franchise Agreement with Shrunk 3D, Inc.." Franchisee shall file so-called assumed name or doing business certificates with local or state authorities, as required by applicable law, showing its independent ownership of the Franchised Business. In no event shall Franchisee use the Proprietary Marks in connection with the sale of any product or service not authorized for sale by the Franchised Business. Franchisor reserves the right to designate and approve the location or territory name that Franchisee uses to identify the Franchised Business, including the use of any assumed or fictitious business name. Franchisee shall not license, sublicense, or allow the Proprietary Marks to be used by any other person or business entity without Franchisor's prior written approval. In adopting any corporate, proprietorship, or partnership name, Franchisee shall not use the Proprietary Marks or any variation or abbreviation thereof, or any words confusingly similar thereto. Franchisee has no right to register any of the Proprietary Marks and shall not register any Proprietary Mark, or any abbreviation, acronym, or variation of any Proprietary Mark with the U.S. Patent and Trademark Office, the Canadian Intellectual Location Office, or with state, provincial, or other authorities, or to register any URL or other internet address including any Proprietary Mark, or any abbreviation, acronym, or variation of any Proprietary Mark. If it becomes advisable at any time in Franchisor's sole discretion for Franchisor and/or Franchisee to modify or discontinue use of the Proprietary Marks, and/or use one or more additional or substitute trade or service Proprietary Marks, Franchisee agrees to comply therewith within a reasonable time after written notice thereof by Franchisor.

**11.7 Trade Secrets.** Franchisee further acknowledges and agrees as follows:

A. Franchisor possesses certain Trade Secrets, and in general, methods, techniques, formats, specifications, programs, procedures, information systems, and knowledge, used in the operation and franchising of System Businesses and other 3D scanning and/or printing businesses.

B. Franchisor will disclose the Trade Secrets to Franchisee in furnishing Franchisee the Booth, in the Manual and any other materials, by providing training to Franchisee hereunder, and in the performance of Franchisor's other obligations and the exercise of its other rights under this Agreement. Franchisee hereby agrees that all materials lent or otherwise made available to Franchisee by Franchisor and all disclosures made to Franchisee hereunder including, without limitation, the Manual and other confidential commercial information identified as such by Franchisor are Trade Secrets of Franchisor and shall be kept confidential and used by Franchisee only in the operation of the Franchised Business. Franchisee will not, nor permit anyone else to reproduce, copy, access or exhibit any portion of the Manual or any other confidential or proprietary information received from Franchisor. Franchisee shall not divulge any such Trade Secrets to

any person other than Franchisee's employees and then only to the extent necessary for the operation of the Franchised Business.

C. Franchisee shall acquire no interest in the Trade Secrets, other than the right to utilize them in the operation of the Franchised Business during the term of this Agreement. The use or duplication of the Trade Secrets in any other business capacity will constitute an unfair method of competition. The Trade Secrets are proprietary and are disclosed to Franchisee in confidence and solely on the condition that Franchisee agrees, and Franchisee hereby agrees, that Franchisee (i) will not use the Trade Secrets in any other business or capacity; (ii) will maintain the absolute confidentiality of the Trade Secrets during and after the term of this Agreement; (iii) will not make unauthorized copies of any portions of the Trade Secrets disclosed in written form, including, without limitation, any plans, the Manual, bulletins or supplements, and additions thereto; and (iv) will operate and implement all reasonable procedures prescribed by Franchisor to prevent the unauthorized use and disclosure of the Trade Secrets. Franchisee shall immediately notify Franchisor of any unauthorized use or disclosure of the Manual or any of the Trade Secrets or if the Manual or any other materials containing any Trade Secrets are lost or stolen.

D. The foregoing restrictions on Franchisee's disclosure and use of Trade Secrets shall not apply to information, processes, or techniques that are or become generally known and used by other similar concepts, other than through disclosure (whether deliberate or inadvertent) by Franchisee, and disclosure of Trade Secrets in judicial or administrative proceedings to the extent that Franchisee is legally compelled to disclose such information, provided, Franchisee shall have used Franchisee's best efforts, and shall have afforded Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be so disclosed.

**11.8 Owners and Others Covered by Article 11.** Unless the context otherwise requires, the term "Franchisee" as used in this Article 11 shall include, individually and collectively, all partners, officers, directors, and managers of Franchisee, and owners or holders, directly or indirectly (and any partners, officers, directors, and managers of any such holder), of 5% or more of the beneficial interest in Franchisee.

**11.9 Confidentiality Agreements.** At Franchisor's request, Franchisee shall require and obtain execution of a Confidentiality Agreement in a form acceptable to Franchisor, (including a Confidentiality Agreement applicable upon the termination of a person's relationship with Franchisee) from any or all of the following persons: (a) all officers, directors, and holders of a beneficial interest of 5% or more of the securities of (i) Franchisee and (ii) any corporation directly or indirectly controlling Franchisee, if Franchisee is a corporation; (b) the general partners and any limited partners (including any corporation or other entity, and the officers, directors, and holders of a beneficial interest of 5% or more of the securities of such corporation or other entity which controls, directly or indirectly, any general or limited partner), if Franchisee is a partnership; (c) the managers and members (including any corporation or other entity, and the officers, directors, and holders of a beneficial interest of 5% or more of the securities of any corporation or other entity which controls, directly or indirectly, any member or manager), if Franchisee is a limited liability company; and (d) all of Franchisee's manager(s), SPSS' and other employees. Failure by Franchisee to obtain execution of the Confidentiality Agreement required by this Article, or to deliver such Confidentiality Agreement to Franchisor, shall constitute a material breach of this Agreement.

**11.10 Proprietary Marks in Electronic Commerce.** All use of the Proprietary Marks in electronic commerce, which includes all forms of electronic or computer communication, including all Online Presence, must comply with the requirements and limitations set forth in this Agreement and in the Manual. Franchisor may require that various types of marketing or advertising utilize a specific template or format. Franchisee must provide Franchisor with copies of all proposed applications for registrations of any of the Proprietary Marks or any variation thereof for use in and for electronic commerce, including Franchisee's website address, domain name and any other individual franchisee Online Presence. Franchisee must obtain Franchisor's prior written approval to file any such application, which Franchisor may withhold in its sole discretion. Upon

expiration or termination of this Agreement, Franchisee agrees to transfer its website addresses and domain names, if any, to Franchisor upon Franchisor's written request. Franchisee will not receive any compensation for such transfer.

11.11 **Revisions of Article 11 and Injunctive Relief.** In the event any provision of this Article is deemed by a court of competent jurisdiction to be more restrictive than permissible at law or equity, then Franchisee agrees that the provisions hereof may be reformed and modified and enforced by such court to the maximum extent permissible under applicable law and principles of equity. Franchisee agrees that specific performance and injunctive relief are necessary and appropriate remedies for violations of this Article and agrees to the enforcement of such remedies, but without prejudice to the right of Franchisor to recover money damages, which are in no event a full and adequate remedy for such violations.

11.12 **Covenant Not to Compete.** Franchisee acknowledges the uniqueness of the System and that Franchisor is making its knowledge, know-how, and expertise available to Franchisee for the purpose of operating the Franchised Business only in the geographic areas permitted by this Agreement during the Term. Franchisee agrees that it would be an unfair method of competition for Franchisee to duplicate, or to allow others to use or duplicate, any of the knowledge, know-how, or expertise for any reason other than the operation of the Franchised Business under this Agreement. Franchisee further recognizes the importance of devoting substantial time and energy to the Franchised Business. Therefore, Franchisee Agrees that:

A. During the term of this Agreement Franchisee shall not compete with Franchisor and/or the System by being associated directly or indirectly as an owner, shareholder, officer, director, employee, consultant, manager, or otherwise, in any Competing Business (except another System Business); provided, passive ownership of less than 5% of the outstanding voting securities of a publicly held corporation (which for purposes of this Agreement means a corporation registered under the Securities Exchange Act of 1934) shall not be deemed a violation of this Article.

B. For a period of two (2) years following a Transfer (by Franchisee or by an owner signing an Owner's Acknowledgement to this Agreement), or the expiration or termination of this Agreement for any reason, Franchisee shall not compete with Franchisor and/or the System by being associated directly or indirectly as an owner, shareholder, officer, director, employee, consultant, manager or otherwise, in any Competing Business (except another System Business) anywhere in the Franchise's Protected Territory or the Protected Territory of any other System Business; provided, passive ownership of less than 5% of the outstanding voting securities of a publicly held corporation (which for purposes of this Agreement means a corporation registered under the Securities Exchange Act of 1934) shall not be deemed a violation of this Article. If Franchisee is in breach of this **Article** following a Transfer, or the expiration or termination of this Agreement (including by continuing to operate the Franchised Business after the Agreement has expired or terminated), the period of duration for the obligation set forth herein will be tolled until the resolution of any enforcement action taken by Franchisor against Franchisee to enforce this Article.

## Article 12. **Insurance and Indemnity.**

12.1 **Insurance.** During the term of this Agreement, Franchisee shall comply with all insurance requirements of Franchisor as set forth in the Manual or as otherwise communicated by Franchisor from time to time and the insurance requirements of any lease or other agreement that Franchisee enters into for locating the Booth at a fixed location, or otherwise storing or parking the Booth. All insurance shall be procured at the earliest possible time that Franchisee has an insurable interest with respect thereto, but in no event later than when the Franchised Business begins operating, and shall be written by insurance companies with an A.M. Best rating of A or greater. As of the Effective Date, at a minimum, Franchisee shall maintain the following types of coverage, with coverage limits consistent with the requirements set forth in the Manual:

- A. commercial general liability insurance, including product liability coverage and broad form commercial liability coverage written on an ‘occurrence’ policy form in an amount of not less than \$1,000,000 per occurrence and \$2,000,000 aggregate limit;
- B. all risk property insurance, including fire and extended coverage, vandalism and malicious mischief insurance, for the replacement value of your SHRUNK 3D Booth, its contents;
- C. business auto liability insurance covering owned, leased, nonowned, and hired automobile coverage in an amount of not less than \$1,000,000;
- D. workers’ compensation and/or employer’s liability insurance as required by state law of the state in which the Franchised Business is located; and
- E. such other insurance policies, such as business interruption insurance and unemployment insurance, as set forth in the Manual.

**12.2 Waiver of Subrogation and Additional Insureds.** All policies of insurance specified herein shall contain a provision or endorsement whereby the insurers waive any rights of subrogation against the Indemnitees. The insurance policies required by the subparts of Article 12.1, shall name the Indemnitees as additional insureds and such policies shall apply on a primary and non-contributory basis to any insurance maintained by the Indemnitees. Franchisee’s insurance policies must stipulate that Franchisor receives 30 days prior written notice. Upon execution of this Agreement, Franchisee shall deliver Certificates of Insurance to Franchisor evidencing Franchisee’s compliance with the insurance requirements herein. An updated Certificate of Insurance shall be provided any time a policy required herein is renewed or a carrier is changed. Franchisee shall provide Franchisor with notice of cancellation of any insurance policy required herein promptly after receiving such notice from its respective insurance carrier(s). Franchisor shall have the option, at any time during the term of this Agreement, to request and examine complete policies of insurance from Franchisee.

**12.3 Sufficiency of Insurance Not Guaranteed.** Franchisee acknowledges and understands that Franchisor makes no representation or warranty with respect to the adequacy or sufficiency of the insurance required under this Article, and that Franchisee shall have the sole responsibility to determine whether additional insurance or higher limits are appropriate. Franchisee should consult with its own insurance agents, brokers, attorneys or other insurance advisors to determine the level of insurance protection it needs and desires, in addition to the coverage and limits required herein. Some venues and events may require Franchisee to have more coverage with higher limits or additional types of coverage than the minimum insurance that Franchisor requires. Franchisor’s review and verification of certain elements of the franchisee’s insurance does not in any way reduce or eliminate Franchisee’s obligations to fully comply with all insurance requirements. It is Franchisee’s sole obligation to fully comply with these insurance requirements and it is Franchisee’s sole obligation to confirm with its insurance providers that its policies are in compliance.

**12.4 Franchisor’s Right to Obtain Insurance.** If Franchisee does not obtain and maintain the insurance coverage required by this Agreement, as revised by the Manual, or otherwise in writing, Franchisor may, but shall not be obligated to, procure such insurance, and the cost or expense thereof, together with a reasonable fee for Franchisor’s expenses in so acting, shall be payable by Franchisee immediately upon demand.

**12.5 Indemnity.** Franchisee shall release, defend, indemnify, and hold the Indemnitees harmless from and against any and all fines, damages, legal fees, costs, expenses, and other liabilities suffered or incurred by the Indemnitees by reason of any actual or threatened claim, demand, lawsuit, tax, penalty, investigation, or other proceeding (“Claim”) (even where Indemnitee’s negligence or other wrongful conduct is alleged) arising directly or indirectly from, as a result of, or in connection with (a) any application submitted to Franchisor, (b) the development, operation, condition, use, or sale of the Franchised Business, (c) any occurrence at or around the Booth or any other place where the Franchised Business is operated, permanently or temporarily, (d) any

breach of any terms or provisions of this Agreement by Franchisee, and/or (e) any offering of securities, units, or other ownership interests of Franchisee, including, without limitation, the violation of any federal and/or state securities laws. Notwithstanding the foregoing, Franchisor shall have the right, through counsel of its choice, to control the defense of any matter to the extent Franchisor reasonably determines that such matter may have a significantly adverse effect on any of the Indemnitees. Franchisee's indemnity obligations under this Agreement shall survive the expiration or other termination of this Agreement and shall be in addition to all other rights and remedies of Franchisor. Franchisee's obligations to indemnify Franchisor under this Article shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of its obligation to maintain insurance relieve Franchisee of liability under this indemnity provision or be construed to be a limitation on the amount of Franchisee's indemnity obligations. The right of the Indemnitees to indemnity under this Agreement shall arise notwithstanding that joint or concurrent liability may be imposed on the Indemnitees by statute, ordinance, regulation, or other law; provided, however, that Franchisee shall not be required to indemnify the Indemnitees from any Claim to the extent proven or agreed between the parties to have been caused by the sole or gross negligence or willful misconduct of the Indemnitees.

#### Article 13. **Transfer of Interest or Management.**

13.1 **Transfer by Franchisor.** Franchisor shall have the right to transfer or assign all or any part of this Agreement, or all or any of its rights or obligations herein to any person or legal entity and any assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment.

13.2 **Transfer by Franchisee.** This Agreement is not transferable by Franchisee except as permitted herein. The rights and duties set forth in this Agreement are personal to Franchisee and are granted in reliance on the individual and collective business skill, financial capacity, and personal character of Franchisee and, if applicable, its owners. Accordingly, neither this Agreement or the license granted hereunder, any part or all of any owner's direct or indirect ownership interest in Franchisee, the Franchised Business, the Both, or a substantial portion of the Franchised Business' assets (collectively, the "Franchised Interests"), may be transferred by Franchisee without Franchisor's prior written approval, and then only in accordance with the provisions of this Agreement. Any purported Transfer by Franchisee, by operation of law or otherwise, which is not permitted hereunder, shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may then terminate in accordance with Article 14.1.B. without opportunity to cure.

13.3 **Grant of Security Interest.** Franchisee shall grant no security interest, lien, mortgage, or deed of trust on the Booth or any or all of the fixtures or equipment associated with the Booth without the prior written consent of Franchisor.

13.4 **Transfer from Individual Franchisee to Entity.** In the event that Franchisee is an individual and proposes, subsequent to the execution of this Agreement, to transfer this Agreement to a corporation, partnership, or limited liability company formed by Franchisee, Franchisor's consent to such transfer shall be conditioned upon satisfaction of and compliance with Article 7.17 of this Agreement and to the following additional requirements:

A. Franchisee shall be the owner of all of the voting stock, interests, or units of the corporation, partnership, or limited liability company; and, if Franchisee is more than one individual, each individual shall have the same proportionate ownership interest in the corporation, partnership, or limited liability company as he or she had in Franchisee prior to the transfer.

B. All transferors shall execute a release of claims and a written agreement personally guaranteeing the full payment and performance of Franchisee's obligations to Franchisor from the date of transfer and agreeing to be bound by all the terms and conditions of this Agreement.

**13.5 Right of First Refusal.** Any transfer of any or all ownership interest, control, or voting rights in Franchisee or of any or all of the assets of Franchisee, which assets include this Agreement, except for a transfer made under Article 13.4, shall be subject to Franchisor's right of first refusal to such interest or assets (each a "Right of First Refusal Transfer"). Except in the event of a transfer pursuant to Article 13.4, if Franchisee or any of its owners receive, or make, a bona fide offer for the sale of any or all ownership interest in Franchisee or of any or all of the assets of Franchisee, which assets include this Agreement, they shall notify Franchisor of the offer. If the transfer is a Right of First Refusal Transfer Franchisor shall have the right for a period of thirty (30) days after the notice is submitted together with all other information requested by Franchisor to exercise a right of first refusal and substitute itself for the proposed transferee in the transaction. If Franchisor declines to do so and there is any change in the terms and conditions of the proposed transaction or the proposed transferee, Franchisee shall promptly notify Franchisor, and Franchisor shall have the further right to exercise its right of first refusal over the revised transaction for a period of thirty (30) days. Should Franchisor exercise its right of first refusal, Franchisor shall have not less than an additional sixty (60) days to close the transaction, and Franchisor shall have the right to substitute cash for any alternative form of consideration contemplated by the proposed transaction, if such substitution does not materially and adversely affect the tax impact of such proposed transaction on the owners of the Franchisee. If Franchisor does not exercise its right of first refusal, Franchisee or the transferring owners may make a transfer on the terms and conditions of the offer considered by Franchisor, if Franchisee and its owners have complied with all of the provisions of this Article. If the parties disagree on whether the offered purchase price for the transferred interest or assets is below fair market value, the parties shall choose an appraiser to determine the fair market value. If the parties cannot agree on one appraiser each party shall choose one appraiser and the two appraisers so chosen shall choose a third appraiser whose appraisal of the fair market value shall be determinative.

**13.6 Death or Incapacity.** Upon Franchisee's death or Incapacity, or, if Franchisee is a corporation, partnership, or limited liability company, upon the death of an Owner, or upon the determination by Franchisor that an owner is Incapacitated, Franchisee's or such owner's executor, administrator, conservator, guardian, or other legally appointed personal representative must transfer Franchisee's interest in this Agreement or the owner's interest in Franchisee to a third party. Such disposition of this Agreement or the interest in Franchisee of an owner of a Controlling Interest (including, without limitation, transfer by bequest or inheritance) must be completed within a reasonable time, not to exceed six (6) months from the date of death or Incapacity, and will be subject to all of the terms and conditions applicable to transfers contained in this Article 13. A failure to transfer Franchisee's interest in this Agreement or the interest of an owner of a Controlling Interest in Franchisee within this period of time constitutes a breach of this Agreement. Franchisee's interest in this Agreement or any owner's interest in Franchisee which is an entity may, with Franchisor's consent, which will not be unreasonably withheld, be transferred to the decedent's spouse, parent, sibling, or direct descendant or to spouse's direct descendant. Adequate provision must be made, in the sole discretion of Franchisor, for management of the Franchised Business during such period. Franchisee hereby authorizes Franchisor or its agents and Affiliates to operate the Franchised Business for so long as Franchisor deems necessary during such period, to avoid disruption in the operation of the Franchised Business. All income from the operation of the business will be kept in a separate account, and the expenses of the business, including reasonable compensation and expenses of Franchisor and its agents, in an amount equal to ten percent (10%) of Franchisee's Gross Revenue, will be charged to this separate account. Nothing in this Article is intended to require Franchisor to operate the business in the event of Franchisee's inability.

**13.7 Public and Private Offerings.** Securities, units, or other ownership interests in Franchisee may be offered by public or private offering, or otherwise, only with the prior written consent of Franchisor (whether or not Franchisor's consent is required under Article 13.2 of this Agreement). If Franchisee requests consent for a public offering Franchisor may grant or withhold its consent in its sole discretion based solely upon what Franchisor deems to be in its best interests. If Franchisee requests consent for a private offering, Franchisor will not unreasonably withhold its consent. All materials required for such offerings by federal or state law shall be submitted to Franchisor for review prior to their being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for review prior to their use. No

Franchisee offering shall imply (by use of the Proprietary Marks or otherwise) that Franchisor is participating in an underwriting, issuance, or offering of Franchisee or Franchisor securities, and Franchisor's review of any offering shall be limited solely to the subject of the relationship between Franchisee and Franchisor. Franchisee and the other participants in the offering must fully indemnify Franchisor in connection with the offering. For each proposed public offering, Franchisee shall pay to Franchisor a fee of \$5,000, or such higher amount that covers Franchisor's reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. Franchisor at its discretion may refund any unused portion of such fee. For each private offering of securities, Franchisee shall pay to Franchisor a fee of \$2,500 or such higher amount that covers Franchisor's reasonable costs and expenses associated with reviewing the proposed private offering, including, without limitation, legal and accounting fees. Franchisee shall give Franchisor written notice at least ninety (90) days prior to the date of commencement of any public offering and at least thirty (30) business days prior to the date of commencement of any private offering or other transaction covered by this Article.

**13.8 Conditions to Transfer.** Franchisor shall not unreasonably withhold any consent required under this Article 13; provided, that Franchisor shall have the right to require any or all of the following as conditions of its approval of a Transfer:

- A. except for a Transfer pursuant to Articles 13.3, 13.4 or 13.5, that each proposed transferee shall be required to submit an application for a new franchise. Franchisor will process such application in accordance with Franchisor's then-current procedures, criteria, and requirements regarding fees, upgrading of the Booth, credit, operational abilities and capabilities, prior business dealings, and other factors Franchisor deems reasonable;
- B. that each transferor shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its Affiliates, successors, and assigns, including, without limitation, claims arising under this Agreement, and any other agreement between Franchisee and Franchisor or its Affiliates;
- C. that the transferee or its owners shall guarantee, in a form satisfactory to Franchisor, the performance of all obligations of the Franchisee from the date of Transfer;
- D. if the proposed Transfer would result in a Change in Control of Franchisee, that the transferee shall execute the then-current form of Franchise Agreement being offered to new Franchisees for the full term. The transferee shall execute such other ancillary agreements required by Franchisor for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a higher royalty and/or advertising fee;
- E. payment of Franchisor's then-current transfer fee as stated in the Manual. The current transfer fee is: (i) \$5,000 for any Change in Control Transfer; and (ii) \$2,500 for any other transfer. Prior to engaging in any transfer, and in addition to any other obligations set forth in this Agreement, Franchisee must deposit \$1,000 upon delivery of notice of Franchisee's proposed intent to transfer. Any balance owed to Franchisor after determination as to the type of transfer proposal being submitted will be paid to Franchisor on or before the closing the transfer transaction(s). The determination as to the type of transfer being proposed shall be made by Franchisor in its sole discretion and Franchisor's determination shall be binding;
- F. if a proposed Transfer would result in a Change in Control of Franchisee, that Franchisee or transferee at its expense upgrades the Booth to conform to the then current System standards and specifications, and completes the upgrading and other requirements within the time specified by Franchisor;

G. that all monetary obligations of Franchisee hereunder shall be paid in full on a current basis, and Franchisee must not be otherwise in default of any of its obligations hereunder including, without limitation, its reporting obligations;

H. that the transferor shall continue to be bound by, and remain liable for all of the obligations to Franchisor in connection with the Franchised Business that arose prior to the effective date of the Transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability; and

I. if a proposed Transfer would result in a Change in Control of Franchisee, at Franchisee's expense, the transferee, or, if the transferee is a business entity, one of its owners, shall complete to Franchisor's satisfaction all training programs required by Franchisor upon such terms and conditions as Franchisor may reasonably require, including the payment of a fee for attendance at such training programs (The transferee shall be responsible for the salary and all expenses of the person who attends training);

If the proposed Transfer is not approved by Franchisor and Franchisee proceeds to transfer the Franchised Business, or securities, units, or other ownership interests in Franchisee to any proposed new owner, then this Agreement shall terminate pursuant to Article 14 hereof and Franchisor will be entitled to all of its remedies. Neither the Agreement, nor any rights hereunder shall be transferable in the event that the Franchisee is in default under the Agreement.

13.9 **No Waiver of Claims.** Franchisor's consent to a Transfer by Franchisee of any interest in the Franchised Business or the franchise granted herein shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

#### Article 14. **Default and Termination.**

14.1 **Events of Default.** This Agreement may not be terminated prior to the expiration of its term except as provided in this Article. Termination of this Agreement shall not relieve Franchisee of any unfulfilled obligations to Franchisor created hereunder unless it is so agreed by Franchisor in writing. This Agreement may be terminated as follows:

A. Upon the mutual agreement of the parties in writing to a termination, or upon the parties entering into a new Franchise Agreement intended to replace this Franchise Agreement, or act as a renewal of this Franchise Agreement.

B. At Franchisor's option, effective immediately upon the giving of written notice to Franchisee, if Franchisee: (i) ceases to operate the Franchised Business or otherwise abandons the business, or forfeits the legal right to do business in the jurisdiction where the Protected Territory is located; (ii) is convicted of a felony or other crime involving moral turpitude, consumer fraud, or crime or offense Franchisor believes is likely to have an adverse effect on Franchisee's ability to carry out the duties imposed by this Agreement or to have an adverse effect on the System and the goodwill associated therewith; (iii) transfers (including transfers following death or Incapacity) of any rights or obligations in violation of the terms of Article 13 of this Agreement; (iv) misuses or discloses confidential information in violation of Article 11 of this Agreement; (v) knowingly makes any false statements in any report or document submitted to Franchisor; (vi) submits more than two written statements of Gross Revenues which under-report Gross Revenues for any reporting period by 3% or more; (vii) suffers a final judgment to remain unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed), or has execution levied against Franchisee's business or property, or any suit is filed to foreclose any lien or mortgage against the Booth or equipment and not dismissed within thirty (30) days; (viii) becomes insolvent or has a receiver appointed to take possession of Franchisee's business or property or any part thereof or makes a general assignment for

benefit of creditors; (ix) fails to comply with the provisions of Article 2.3; (x) engages in public conduct that reflects materially and unfavorably upon the operation of the System, the reputation of the System, or the goodwill associated with the Proprietary Marks; provided that engaging in legitimate political activity (including testifying, lobbying, or otherwise attempting to influence legislation) shall not be grounds for termination; (xi) is in default under any other franchise agreement or other agreement with Franchisor or any of its Affiliates which is not curable, or, if such default is curable, has not cured such default within the applicable cure period; or (xii) or any Affiliate defaults under any franchise agreement or other agreement with Franchisor or any of its Affiliates which is not curable, or if such default is curable, has not cured such default within the applicable cure period.

C. At Franchisor's option, without notice, in the event Franchisee shall become bankrupt or become subject to a proceeding under any chapter of the United States Bankruptcy Code, unless Franchisee shall: (i) timely undertake to reaffirm the obligations under the Agreement, (ii) timely comply with all conditions as legally may be imposed by Franchisor upon such an undertaking to reaffirm the Agreement, and (iii) timely comply with such other conditions and provide such assurance as may be legally required in or under relevant provisions of the United States Bankruptcy Code; provided, however, that the parties acknowledge that this Agreement constitutes a personal services contract made in reliance on the qualifications and personal characteristics of Franchisee and its directors, officers, managers, shareholders, members, or partners, as the case may be, and in the expectation of a material degree of personal involvement in the management and operation of the Franchised Business, and consequently, the parties agree that any attempt by any other party, including a trustee in bankruptcy or any other third party, to assume or accept a transfer or assignment of this Agreement shall be void, and that in no event shall this Agreement or any rights or duties of Franchisee hereunder, be transferred to any individual or entity who does not comply with all requirements for transfer specified in this Agreement.

D. At the election of Franchisor, effective upon the expiration of thirty (30) days after giving of written notice, (or ten (10) days in the case of non-payment of any Payment or other financial obligation), in the event Franchisee defaults, and does not cure to Franchisor's reasonable satisfaction within the thirty (30) day (or ten (10) day) notice period, in the performance of any other covenant or provision of this Agreement, including without limitation, the obligation to pay when due any financial obligation to Franchisor, the obligation to make reports and provide information when due hereunder, or failure to maintain any of the standards or procedures prescribed for the Franchised Business in this Agreement, the Manual, or otherwise; provided, however, that Franchisee shall be entitled to notice and opportunity to cure any such default only once in any 6-month period, and any subsequent occurrence of the same or substantially similar default within such 6-month period shall entitle Franchisor, at its option, to terminate this Agreement effective immediately upon the giving of notice and without opportunity to cure.

14.2 **Forbearance is Not Waiver.** No forbearance of Franchisor from asserting any default or giving any permitted notice of termination shall constitute a waiver of such default or right to terminate or an estoppel against such right as to any continuing default or subsequent occurrence of a default, whether similar or dissimilar in nature to the prior default. The rights of Franchisor to terminate this Agreement are in addition to, and not in lieu of, other remedies available at law or equity for defaults by Franchisee in the payment and performance of its obligations hereunder.

14.3 **Purchase Option.** Upon termination or expiration of this Agreement for any reason, Franchisor will have the option, exercisable by giving written notice to Franchisee within thirty (30) days from the effective date of termination or expiration, to purchase the Franchised Business and assume any or all of Franchisee's agreements relating to the Franchised Business. Assets of the Franchised Business will include without limitation, event agreements, leasehold improvements, equipment, fixtures, furniture, furnishings, signs, inventory and assignable licenses. Franchisor will have the right to assign this option. Franchisor or its assignee will be entitled to all customary warranties, representations and pro rata in connection with its asset purchase. Franchisee shall cooperate with Franchisor in obtaining any necessary lessor or other consents.

A. Once Franchisor gives notice that it will purchase the assets of the Franchised Business, it shall have the right immediately to take over the operation of the Franchised Business. From the date Franchisor takes over the Franchised Business to the date of closing the purchase of such assets, Franchisor shall be entitled to use revenues of the Franchised Business to operate the Franchised Business and to retain as its management fee 10% of the balance of Gross Revenues received during that time.

B. The purchase price for the assets of the Franchised Business shall be determined by an appraiser appointed by Franchisor. At Franchisee's option and expense, Franchisee may appoint a separate appraiser to also determine the purchase price. If the higher of the two prices does not exceed the lower by more than 10% of the lower price, the purchase price shall be 105% of the lower purchase price. If the higher of the two prices exceeds the lower by more than 10% of the lower price, the two appraisers shall select a third appraiser, to be paid for by Franchisee, who shall determine the purchase price. Each appraiser shall determine the purchase price within thirty (30) days of his or her appointment. All the appraisers must be members of the Appraisal Institute. If the purchase price is not acceptable to Franchisor, it may withdraw its offer to purchase by written notice to the Franchisee. Franchisor shall have ten (10) days from the determination of the final purchase price, to determine whether to purchase the Franchised Business assets.

C. The purchase price shall be paid in cash at the closing of the purchase, by means of check, wire transfer or electronic funds transfer, which shall take place no later than ninety (90) days after Franchisee's receipt of notice of Franchisor's exercise of the option to purchase, at which time Franchisee must deliver instruments transferring to Franchisor or its assignee: (1) good and marketable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Franchisor or its assignee), with all sales and other transfer taxes paid by Franchisee; and (2) all licenses to the Booth, Franchised Business and/or permits which may be assigned or transferred. If Franchisee cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale shall be accomplished through an escrow. Franchisor will have the right to set off against and reduce the purchase price by any and all amounts owed by Franchisee to Franchisor, the amount of any encumbrances or liens against the assets, and any liability of Franchisee assumed or paid for by Franchisor.

**14.4 Temporary Removal from Marketing and Sales Channels.** If Franchisee's default is such that, in Franchisor's sole judgment, the Franchised Business does not fairly represent the quality and standards of the System, Franchisor may, temporarily in lieu of termination, remove the Franchised Business from marketing and registration channels generally available to all Shrunk 3D™ System Businesses such as the Location Directory and other marketing and advertising programs and sales channels then in use. Because fees charged by Franchisor for the Brand Development Fund are generally set to cover the cost of the channels, Franchisee shall continue to pay such fees, so that Franchisee's default does not negatively impact System Businesses operated by other franchisees. Franchisor's removal of the Franchised Business from generally available marketing and sales channels will not constitute a waiver of Franchisor's right to terminate this Agreement due to the underlying default.

**14.5 Temporary Management by Franchisor.** In the event of any default under this Agreement, in order to prevent any interruption of the Franchise Business, which Franchisee agrees would cause harm to the Franchised Business and the System, Franchisee authorizes Franchisor or its agents and Affiliates to operate the Franchised Business for so long as Franchisor deems necessary and practical in its sole discretion. All income from the operation of the business will be kept in a separate account, and the expenses of the business, including reasonable compensation and expenses of Franchisor and its agents, in an amount equal to ten percent (10%) of Franchisee's Gross Revenue, will be charged to this separate account. Nothing in this Article is intended to require Franchisor to operate the business in the event of Franchisee's inability, and the rights described in this Article may be exercised or not exercised in Franchisor's sole and absolute discretion.

## **Article 15. Obligations Upon Termination.**

**15.1 Upon expiration or termination of this Agreement for any reason:**

- A. All rights granted hereunder to Franchisee shall terminate;
- B. Franchisee shall immediately and permanently cease to operate the Franchised Business, and shall not thereafter, directly or indirectly, represent itself to the public or hold itself out as a Franchisee of Franchisor;
- C. Franchisee shall immediately and permanently discontinue the use of all Proprietary Marks, all similar names and marks, or any other designation or mark indicating or tending to indicate that Franchisee is or was a Franchisee of Franchisor. Franchisee shall promptly amend or terminate any filings or registrations with any governmental authorities containing or pertaining to the use of Franchisor's name and Proprietary Marks. Franchisee shall not promote or advertise the fact that it was formerly a Franchisee of Franchisor;
- D. Franchisee shall surrender and transfer to Franchisor or its designee any and all rights to use the telephone numbers, other business listings, and social media accounts and all other accounts and pages in any form of Online Presence used by Franchisee for the Franchised Business. Franchisee agrees to cooperate and execute any and all documents required to affect transfer of the telephone numbers and other business listings from Franchisee to Franchisor or its designee;
- E. Franchisee shall immediately turn over to Franchisor all materials, including, without limitation, the Manual (in whatever form Franchisee may have) and all other manuals, all customer and supplier lists, marketing materials, software lent to Franchisee by Franchisor, instructions, any Online Presence references and brochures, and any and all other materials relating to the operation of the Franchised Business in Franchisee's possession, custody, or control, and all copies thereof (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record of the foregoing, excepting only Franchisee's copy of this Agreement and of any correspondence between the parties, and any other documents which Franchisee reasonably needs for compliance with any provision of law;
- F. Franchisee shall immediately and permanently discontinue all advertising as a Franchisee of Franchisor, including but not limited to removal of all signs and other identifying marks and colors, and shall destroy or surrender to Franchisor any letterheads, forms, printed matter, and advertising containing Franchisor's Proprietary Marks and any similar or related names marks or designations tending to indicate that Franchisee is or was an authorized Franchisee of Franchisor;
- G. Franchisee shall, at its expense, immediately make such modifications or alterations as may be necessary to distinguish the Booth so clearly from its former appearance and from other System Businesses as to prevent any possibility of confusion therewith by the public, and to prevent the operation of any business using the Booth by Franchisee or others in derogation of this Article (including, without limitation, removal of all distinctive physical and structural features identifying the Booth in the System including, without limitation, removal of all signs and emblems, and changing of telephone numbers and other directory listings). Franchisee shall, at Franchisee's expense, immediately make such specific additional changes as Franchisor may reasonably request for this purpose. Franchisee agrees that for ninety (90) days following termination or expiration, Franchisor or its designated agents may enter the Booth and adjacent areas, and hereby grants Franchisor an irrevocable license and permit to go upon the property where the Booth is located for such purposes, at any time, to make such alterations, at Franchisee's sole risk and expense, without responsibility for any actual or consequential damages to the property of Franchisee or others. Franchisee acknowledges that such actions by Franchisor are authorized and permitted and shall not be deemed a violation of any civil or criminal law or any basis for an action under such laws by Franchisee or others. Franchisee expressly acknowledges that its failure to make such alterations will cause irreparable injury to Franchisor, and the System, and consents to entry, at Franchisee's expense, of an ex

parte order by any court of competent jurisdiction authorizing Franchisor or its agents to take such action, if Franchisor seeks such an order;

H. Franchisee shall immediately and permanently cease using Franchisor's System, including, but not limited to the Manual, any other operating or training manuals or aids, intranet, advertising and promotional materials, Online Presence, and all confidential material delivered to Franchisee pursuant to this Agreement;

I. Within ten (10) days following termination or expiration, Franchisee shall provide Franchisor with an inventory of all items in the Booth, or used in the operation of the Franchised Business. Franchisor shall have the right, at its sole option, for a period of sixty (60) days following receipt of such inventory list, to purchase at fair market value all usable materials owned by Franchisee bearing the Proprietary Marks, including the Booth, and/or to purchase Franchisee's supplies, fixtures, equipment and signage used in the Franchised Business or with the Booth at their fair market value. Franchisee shall not during such sixty (60) day period remove from the Booth, transfer, assign, hypothecate, pledge, or otherwise encumber the Booth, or any supplies, fixtures, equipment, or moveable signs;

J. Franchisee shall within ten (10) days from termination or expiration pay all sums owing to Franchisor and its Affiliates. In the event of termination for any default of Franchisee, such sums shall include payment of 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 the personal property (including, without limitation, signage, equipment, furnishings, furniture, and supplies) owned and used by Franchisee in connection with the Franchised Business at the time of default;

K. Franchisee shall pay to Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

L. In order to prevent any interruption of the Franchise Business, which Franchisee agrees would cause harm to the Franchise Business and the System, if Franchisee is unable to operate the business for any reason whatsoever, Franchisee authorizes Franchisor or its agents and Affiliates to operate the Franchise Business for so long as Franchisor deems necessary and practical in its sole discretion. All income from the operation of the business will be kept in a separate account, and the expenses of the business, including reasonable compensation and expenses of Franchisor and its agents, in an amount equal to ten percent (10%) of Franchisee's Gross Revenue, will be charged to this separate account. Nothing in this Article is intended to require Franchisor to operate the business in the event of Franchisee's inability, and the rights described in this Article may be exercised or not exercised in Franchisor's sole and absolute discretion.

15.2 **Obligations to Preserve Records.** Termination of this Agreement shall not relieve Franchisee of the obligations under Article 10 hereof to maintain and preserve financial and other records and to make them available for inspection and audit by Franchisor.

15.3 **Survival of Certain Provisions.** All covenants, obligations, and agreements of Franchisee which by their terms or by reasonable implication are to be performed, in whole or in part, after the termination or expiration of the term of this Agreement, including, without limitation, those set forth in Articles 14 and 15 of this Agreement shall survive such termination or expiration.

## Article 16. **Additional Covenants.**

16.1 **Responsibility for Operation of Franchised Business.** Franchisee agrees and acknowledges that, prior to executing this Agreement, Franchisee has made such investigation of Franchisor and the System as Franchisee deems necessary, that Franchisee understands that the results of operations of the Franchised Business are dependent upon the efforts and management of Franchisee, and Franchisee hereby assumes full responsibility for such operations.

16.2 **No Fiduciary Relationship.** It is understood and agreed by all parties hereto that this Agreement does not create a fiduciary relationship between them; that Franchisee shall be an independent contractor; and, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of the other for any purpose whatsoever. 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 or on Franchisor's behalf, and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action, or by reason of any act or omission of Franchisee in its conduct of the Franchised Business, or any claim or judgment arising therefrom against Franchisor. Franchisee agrees that Franchisor is not in a position to, and does not undertake to, exercise control over the employment, supervision, or discharge of the Franchised Business' employees and except as is necessary to protect the quality of the System (brand) and of the Products and services rendered at the Franchised Business has no right to do so; Booth maintenance; customer safety and health; or other matters arising out of or affecting Franchised Business operations, which are within the responsibility of Franchisee as a qualified independent business operator. Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a license from Franchisor. Franchisee agrees to take such affirmative action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place on the premises of the Franchised Business, and, as directed by Franchisor, in Franchisee's advertising and on Franchisee's agreements, forms, stationery, and promotional materials.

16.3 **Method and Application of Payments.** All payments made to Franchisor by Franchisee, or its designees, hereunder shall be made payable to Shrunk 3D, Inc. and, except as provided in the next sentence, shall be tendered to Franchisor in person at the address set forth in Article 18 below, by making such Payment by mail, postage prepaid, to that address, by wire transfer, electronic funds transfer, or such other payment method as directed by Franchisor, in each case as specified by Franchisor, and to an account or accounts specified by Franchisor. In lieu of using the methods of payment described in this Article, amounts owed by Franchisee to Franchisor may instead be retained by Franchisor from amounts paid by Franchisee's customers to Franchisor for purchases made from Franchisee in the same way that the Royalty Fee and Brand Development Fee is collected. All Payments received by, or retained by, Franchisor from Franchisee shall be applied to the oldest obligation, regardless of any contrary designation by Franchisee. Franchisee agrees that Franchisee will not, on grounds of the alleged non-performance by Franchisor of any of its obligations hereunder, withhold payment of any royalties, marketing and advertising contributions, amounts due to Franchisor for purchases by Franchisee, or any other amounts due Franchisor.

16.4 **Economic Sanctions and Anti-Terrorism Laws.** Franchisee and its owners understand the requirements of, and will abide by, all United States government economic sanctions requirements. Franchisee represents and warrants that neither it nor any of its direct or indirect owners, directors, officers, employees or agents is a person subject to trade restrictions under United States law, including (without limitation) the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., or any Executive Orders or regulations promulgated thereunder (including Executive Order 13224 of September 24, 2001 Blocking Location and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, and the Specially Designated Nationals and Blocked Persons List) ("Anti-Terrorism Laws"). Franchisee and its owners may not engage in any activity that would expose us to a risk of criminal or civil penalties under applicable United States law. Any violation of the Anti-Terrorism Laws by Franchisee or its owners, or any blocking of Franchisee's or its owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

Article 17.     **Approvals and Waivers.**

17.1         **Requests for Approval.** Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent shall be obtained in writing. Except as otherwise expressly provided herein, Franchisor may withhold any consent or approval herein at its discretion.

17.2         **Franchisor's Discretion.** Franchisor shall have no liability for withholding any consent or approval or for any delay or inaction in connection therewith, and the granting of any approval or consent shall not imply or constitute any representation, warranty, guaranty, or endorsement of the matter approved or consented to or an assumption of any liability in connection therewith.

17.3         **No Waiver.** No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Franchisee, or any other Franchisee, of any of the terms, provisions, covenants, or conditions hereof shall constitute a waiver by Franchisor to enforce any such right, option, duty, or power as against Franchisee, or as to subsequent breach or default by Franchisee. Subsequent acceptance by Franchisor of any obligations due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, provisions, covenants, or conditions of this Agreement.

Article 18.     **Notices.**

Unless otherwise specifically stated elsewhere in this Agreement, any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, mailed by certified or registered mail, postage prepaid, return receipt requested, or sent via a nationally recognized overnight delivery service, to the respective parties at the following addresses or facsimile unless and until a different address or facsimile number has been designated by written notice to the other party:

|                           |                                                                                            |
|---------------------------|--------------------------------------------------------------------------------------------|
| NOTICES TO<br>Franchisor: | Shrunk 3D, Inc.<br>2019 Cherry Hill Ln<br>North Charleston, SC 29405<br>ATTN: Zak Petersen |
|---------------------------|--------------------------------------------------------------------------------------------|

|                           |                                                           |
|---------------------------|-----------------------------------------------------------|
| NOTICES TO<br>FRANCHISEE: | The principal business address<br>set forth on Exhibit A. |
|---------------------------|-----------------------------------------------------------|

Any notice shall be deemed to have been given at the earlier of actual receipt or three business days after mailing by certified or registered mail, or one business day after sending by facsimile or overnight delivery service.

Article 19.     **Dispute Resolution.**

19.1         **Mediation.** In the event of any unsettled claims, disputes, or controversies between Franchisor and Franchisee, and other matters arising between them relating to this Agreement, the dealings or relationship between them, or Franchisee's development or operation of the Franchised Business ("Dispute"), either party has the option of initiating a mediation procedure by submitting a written request for mediation to the American Arbitration Association in accordance with the Commercial Mediation Rules.

A.         The mediation process shall begin promptly, but in no event later than thirty (30) days after cessation of negotiations between the parties, and shall be concluded within thirty (30) days of the day the request for mediation is made, unless the parties mutually agree otherwise.

B. Mediation shall be private, voluntary, and nonbinding. Any party may withdraw from the mediation at any time before signing a settlement agreement upon written notice to each other party and to the mediator. The mediator shall be neutral and impartial. The mediator's fees shall be shared equally by the parties. The mediator shall be disqualified as a witness, consultant, expert, or counsel for either party with respect to the matters in Dispute and any related matters.

C. Unless the parties agree otherwise, the entire mediation process shall be confidential and without prejudice. The parties and the mediator shall not disclose any information, documents, statements, positions, or terms of settlement. Nothing said or done or provided by the parties in the course of mediation shall be reported or recorded or, except as ordered by a court of competent jurisdiction, placed in any legal proceeding or construed for any purpose as an admission against interest. Nevertheless, evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in mediation.

D. All mediation proceedings shall take place in the city where Franchisor maintains its principal place of business at the time of the mediation.

E. The commencement of any mediation shall not act to prevent either party from instituting or proceeding with any action which may be the subject of the Dispute.

**19.2 Temporary Restraining Orders and Injunctive Relief.** Notwithstanding anything to the contrary contained in this Article, Franchisee and Franchisor each have the right in a proper case to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction. Franchisee acknowledges that a proper case to obtain temporary restraining orders and temporary or permanent injunctive relief from a court of competent jurisdiction shall include, but not be limited to, the following:

A. Any Dispute involving actual or threatened disclosure or misuse of the contents of the Manual or any other confidential information or Trade Secrets of Franchisor;

B. Any Dispute involving the ownership, validity, use of, or right to use or license the Proprietary Marks;

C. Any action by Franchisor to enforce the covenants set forth in Article 11 and Article 13 of this Agreement; and

D. Any action by Franchisor to stop or prevent any threat or danger to public health or safety resulting from the construction, maintenance, or operation of the Booth. The provisions of this Article are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

**19.3 Litigation.** The parties hereby agree that in view of the fact that the books, records, and business personnel of Franchisor are located, for the most part, in Charleston, South Carolina, and in order to minimize disruption or interference with operation of the franchise system as a whole, the parties agree as follows:

A. Any and all court proceedings arising from or relating in any manner to any Dispute between Franchisor and Franchisee arising out of, relating to or referencing this Franchise Agreement or its breach in any way, shall be brought in, and only in, any state court of general jurisdiction sitting in the county and state, or in the United States District Court for the district, in which Franchisor has its principal place of business at the time any such action is instituted, and Franchisee irrevocably submit to the jurisdiction of such courts and waive any objection Franchisee may have to either the jurisdiction or venue of such court. No individual shall be joined as a party to such proceedings if such joinder has the effect of destroying federal court jurisdiction unless that individual or entity is a necessary party to the proceeding as a matter of law.

B. THE PARTIES AGREE THAT ALL DISPUTES ADMITTED TO THE COURT PURSUANT TO THIS PROVISION SHALL BE TRIED TO THE COURT SITTING WITHOUT A JURY, NOTWITHSTANDING ANY STATE OR FEDERAL CONSTITUTIONAL OR STATUTORY RIGHTS OR PROVISIONS.

C. NO PUNITIVE OR EXEMPLARY DAMAGES SHALL BE AWARDED AGAINST EITHER FRANCHISOR OR FRANCHISEE OR ANY AFFILIATES OF EITHER OF THEM, IN ANY PROCEEDING, AND ALL CLAIMS TO SUCH DAMAGES ARE HEREBY WAIVED.

19.4 **Statute of Limitations.** Franchisor and Franchisee agree that no form of action or proceeding permitted hereby will be maintained by any party to enforce any liability or obligation of the other party, whether arising from this Agreement or otherwise, unless the proceeding is brought before the expiration of the earlier of (i) one year after the date of discovery of the facts resulting in such alleged liability or obligation; or (ii) two years after the date of the first act or omission giving rise to such alleged liability or obligation. Notwithstanding the foregoing, where state or federal law mandates or makes possible by notice or otherwise a shorter period, such shorter period shall apply in all cases, in lieu of the time specified in (i) or (ii) above.

19.5 **Franchisor's Business Judgment.** The parties hereto recognize, and any mediator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of Franchisor to take (or refrain from taking) certain actions in the exercise of its discretion based on its assessment of the overall best interest of the network and/or franchise program. Where such discretion has been exercised, and is supported by the business judgment of Franchisor, neither a mediator nor a judge shall substitute his or her judgment for the judgment so exercised by Franchisor.

19.6 **Legal Fees.** In the event Franchisor incurs legal fees or costs or other expenses to enforce any obligation of Franchisee hereunder, or to defend against any claim, demand, action or proceeding by reason of Franchisee's failure to perform or observe any obligation imposed upon Franchisee by this Agreement, then Franchisor shall be entitled to recover from Franchisee the amount of all legal fees, costs and expenses, including reasonable attorneys' fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action, or proceeding to enforce any obligation of Franchisee hereunder or thereafter or otherwise.

19.7 **No Class Actions.** Any disagreement between Franchisee and Franchisor (and Franchisor's Affiliates) will be considered unique as to its facts and must not be brought as a class action, and Franchisee waives any right to proceed against Franchisor (and Franchisor's Affiliates, stockholders, officers, directors, employees, agents, successors and assigns) by way of class action, or by way of a multi-plaintiff, consolidated or collective action.

## Article 20. **Construction and Modification.**

20.1 **Entire Agreement and Amendment.** Franchisor and Franchisee each acknowledge and warrant to each other that they wish to have all terms of their business relationship defined in this written Agreement. Neither Franchisor nor Franchisee wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, Franchisor and Franchisee agree that this Agreement, together with any other documents or agreement executed by the parties contemporaneously hereto, supersede and cancel any prior and/or contemporaneous discussions (whether described as presentations, inducements, promises, agreements, or any other term), between Franchisor or anyone acting on its behalf and Franchisee or anyone acting on his or her behalf, which might be taken to constitute agreements, representations, inducements, promises, or understandings (or any equivalent to such terms) with respect to the relationship between the parties, and Franchisor and Franchisee each agree that they have placed, and will place, no reliance on any such discussions, provided, however, that nothing in this

Agreement or any related document is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document furnished to Franchisee. This Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto, constitutes the entire agreement between the parties and contains all of the terms, conditions, rights, and obligations of the parties with respect to any aspect of the relationship between the parties. No future franchise license rights or offer of franchise license rights have been promised to Franchisee and no such franchise license rights or offer of franchise license rights shall come into existence, except by means of a separate writing, executed by an officer of Franchisor or such other entity granting the Franchise Agreement and specifically identified as a modification of this Agreement. No change, modification amendment or waiver of any of the provisions hereof, including by custom or usage of trade or course of dealing or performance, shall be effective and binding upon either party unless it is in writing, specifically identified as an amendment hereto, and signed by the party to be charged.

20.2 **Governing Law.** This Agreement is governed by and shall be interpreted and construed in accordance with the substantive laws of the State of South Carolina, without giving effect to its conflicts of law provisions.

20.3 **Survival.** Should any one or more parts of this Agreement be declared invalid for any reason by a court of competent jurisdiction, such decision shall not affect the validity of any remaining portions of the Agreement, which shall remain in full force and effect as if the Agreement had been executed without such invalid parts, except to the extent the absence of the provisions invalidated would frustrate or make it impossible to achieve the purposes for which the Agreement was made. Should the requirements of any applicable law or regulation change or modify the terms of this Agreement or conflict with its provisions, such change or modification shall not be applicable to this Agreement unless such change is lawfully mandated by the authority making the same, in which case only the provisions affected by such law or regulation shall be affected, and the Agreement shall otherwise remain in full force and effect, as modified to be consistent with such law or regulation.

20.4 **Third Party Beneficiaries.** This Agreement is made solely for the benefit of the parties hereto and their respective successors and permitted assigns, and except as otherwise nothing herein shall create any right to rely upon the terms hereof in favor of any third party nor confer any right or remedy upon any third party, except as specifically provided in Article 11.2 of this Agreement.

20.5 **Captions.** All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provisions hereof.

20.6 **Gender.** All terms and words used in this Agreement, regardless of numbers and genders in which they are used, shall be deemed to include singular or plural and all genders as the context or sense of this Agreement or any paragraph or clause herein may require.

20.7 **Joint and Several.** All acknowledgments, promises, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all those executing this Agreement on behalf of Franchisee.

20.8 **Time is of the Essence.** Time is of the essence of this Agreement and all provisions hereof shall be so interpreted. Any provision of this Agreement which imposes an obligation after termination or expiration of this Agreement shall survive such termination or expiration.

20.9 **Remedies not Exclusive.** No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

## Article 21. **Execution of Agreement.**

21.1 **Multiple Counterparts.** This Agreement may be executed in counterparts, which together shall constitute one agreement of the parties. Delivery of an electronic signature or an executed signature page by electronic transmission is as effective as delivery of an original signed counterpart.

**[Remainder of page intentionally left blank. Signature page follows]**

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

**“Franchisor”**

**SHRUNK 3D, INC.,**

A South Carolina corporation

\_\_\_\_\_

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

**“Franchisee”**

**[FRANCHISEE],**

A \_\_\_\_\_

\_\_\_\_\_

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

## FRANCHISEE GUARANTY

In consideration of, and as an inducement to SHRUNK 3D, INC. ("Franchisor"), to enter into the foregoing Franchise Agreement with \_\_\_\_\_ ("Franchisee") dated \_\_\_\_\_, 20\_\_ ("Franchise Agreement"), the undersigned individually and, if more than one Guarantor, jointly and severally, guarantee the punctual payment and performance of all obligations of the Franchisee under the Franchise Agreement. This shall be an unconditional, irrevocable, and continuing guaranty for the entire term of this Guaranty and the Franchise Agreement, and any holdover term, extension of the term, renewal term.

The undersigned agree that they are willing to remain fully bound by this Guaranty notwithstanding any action or inaction of Franchisor and Franchisee in connection with the Franchise Agreement, and that their obligation shall not be modified, waived, or released by any modification, amendment, or departure from the terms of the Franchise Agreement, or by any forbearance, extension of time, waiver, or release granted by Franchisor to Franchisee or any Guarantor or with respect to any security held by Franchisor. The undersigned expressly waive any notice of all such matters (including, without limitation, notice of amendment or modification of the Franchise Agreement, notice of demand for payment or performance by Franchisee, notice of default or termination, and any other notices required by the Franchise Agreement) and agree to pay and perform the obligations of Franchisee without notice or demand from Franchisor and without any requirement that Franchisor first proceed against Franchisee or any other Guarantor.

This Agreement is governed by and shall be interpreted and construed in accordance with the substantive laws of the State of South Carolina, without giving effect to its conflicts of law provisions.

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty as of the date of the Franchise Agreement.

### GUARANTOR(S)

|                             |                             |                             |
|-----------------------------|-----------------------------|-----------------------------|
| _____<br>Signature          | _____<br>Signature          | _____<br>Signature          |
| _____<br>Print or Type Name | _____<br>Print or Type Name | _____<br>Print or Type Name |
| _____<br>Date               | _____<br>Date               | _____<br>Date               |
| _____<br>Signature          | _____<br>Signature          | _____<br>Signature          |
| _____<br>Print or Type Name | _____<br>Print or Type Name | _____<br>Print or Type Name |
| _____<br>Date               | _____<br>Date               | _____<br>Date               |

## OWNERS' ACKNOWLEDGEMENT

Each following party is an owner of Franchisee. Each following party is signing this Acknowledgment, not as a party, but only to the extent necessary to indicate its, his or her acceptance of, and agreement to be bound by, the specific rights and duties of an owner of Franchisee mentioned in this Agreement, including rights and obligations relating to confidentiality, competition, and transfers.

*sign here if the owner is an entity*

\_\_\_\_\_

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

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

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

Percentage Ownership:\_\_\_\_\_

*sign here if the owner is an individual*

\_\_\_\_\_

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

Percentage Ownership:\_\_\_\_\_

*sign here if the owner is an entity*

\_\_\_\_\_

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

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

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

Percentage Ownership:\_\_\_\_\_

*sign here if the owner is an individual*

\_\_\_\_\_

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

Percentage Ownership:\_\_\_\_\_

*sign here if the owner is an entity*

\_\_\_\_\_

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

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

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

Percentage Ownership:\_\_\_\_\_

*sign here if the owner is an individual*

\_\_\_\_\_

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

Percentage Ownership:\_\_\_\_\_

**Exhibit A**  
**SHRUNK 3D, INC.**  
**FRANCHISE AGREEMENT**  
**Franchise Data Sheet**

Franchise Agreement No.: \_\_\_\_\_ Effective Date: \_\_\_\_\_

1. **Franchisee(s):** \_\_\_\_\_
2. **Approved Entity:** \_\_\_\_\_
3. **Franchisee's State of Organization (if applicable):** \_\_\_\_\_
4. **Franchise Fee:** \_\_\_\_\_
5. **Estimated Booth Purchase Price: \$**\_\_\_\_\_
6. **Initial Booth Purchase Payment (75% of Estimated Booth Purchase Price) \$**\_\_\_\_\_
7. **Operating Principal:** \_\_\_\_\_
8. **Key Manager:** \_\_\_\_\_
9. **Franchisee's Address and Telephone:** \_\_\_\_\_  
\_\_\_\_\_
10. **Additional Terms: (if any):** \_\_\_\_\_  
\_\_\_\_\_

**Exhibit B**

**SHRUNK 3D, INC.**

**FRANCHISE AGREEMENT**

**Owners of Franchisee**

|                             | <b>VOTING</b>            | <b>BENEFICIAL</b>        |
|-----------------------------|--------------------------|--------------------------|
|                             | <b>RIGHTS IN</b>         | <b>INTEREST IN</b>       |
| <b><u>NAME OF OWNER</u></b> | <b><u>FRANCHISEE</u></b> | <b><u>FRANCHISEE</u></b> |
| <hr/>                       | <hr/>                    | <hr/>                    |
| <hr/>                       | <hr/>                    | <hr/>                    |
| <hr/>                       | <hr/>                    | <hr/>                    |
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| <hr/>                       | <hr/>                    | <hr/>                    |
| <hr/>                       | <hr/>                    | <hr/>                    |
| <hr/>                       | <hr/>                    | <hr/>                    |
| <b><u>TOTAL</u></b>         | <b><u>100%</u></b>       | <b><u>100%</u></b>       |

**Exhibit C**

**SHRUNK 3D, INC.  
FRANCHISE AGREEMENT  
Protected Territory Map**

**[Insert Map Here]**

**Exhibit D**

**SHRUNK 3D, INC.**

**DIRECT DEBIT AUTHORIZATION AGREEMENT**

\_\_\_\_\_(Name of Person or Legal Entity)  
\_\_\_\_\_(ID Number)

The undersigned depositor (“**Depositor**”) (“**Franchisee**”) hereby authorizes SHRUNK 3D, INC. (“**Franchisor**”) or any of its affiliates to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“**Depository**”) (“**Bank**”) to debit or credit such account(s) pursuant to Franchisor’s instructions.

|                                  |                         |                   |
|----------------------------------|-------------------------|-------------------|
| _____<br>Depository              | _____<br>Branch         |                   |
| _____<br>City                    | _____<br>State          | _____<br>Zip Code |
| _____<br>Bank Transit/ABA Number | _____<br>Account Number |                   |

This authority is to remain in full and force and effect until sixty (60) days after Franchisor has received written notification from Franchisee of its termination.

|                    |                     |
|--------------------|---------------------|
| _____<br>Depositor | _____<br>Depository |
| By: _____          | By: _____           |
| Name: _____        | Name: _____         |
| Title: _____       | Title: _____        |
| Date: _____        | Date: _____         |

## EXHIBIT E

### SHRUNK 3D, INC.

#### CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT ("Agreement"), dated \_\_\_\_\_, 20\_\_\_\_, is made by and between SHRUNK 3D, INC., a South Carolina corporation, with its principal office at 2019 Cherry Hill Ln, North Charleston, SC 29405 ("**Franchisor**"), and \_\_\_\_\_, located at \_\_\_\_\_ ("**Recipient**").

#### Recitals

On \_\_\_\_\_, 20\_\_\_\_, Franchisor and \_\_\_\_\_ ("**Franchisee**") entered into a Franchise Agreement to operate a Shrink 3D Booth (the "**Franchised Business**") at \_\_\_\_\_ ("**Franchise Agreement**"). Recipient is either an owner of Franchisee (each, an "**Owner**"), or one of Franchisee's owners, shareholders, partners, members, officers, directors, managers, employees, or agents.

Under the Franchise Agreement, Franchisor has agreed to provide Confidential Information, as that term is defined below, to Franchisee solely on the condition that Franchisee and the Owners of Franchise agree that Franchisee (if an individual), its Owners (if Franchisee is an entity), officers, directors, members, partners, managers, employees and agents who have access to such Confidential Information sign a Confidentiality Agreement. Recipient agrees that the Confidential Information is being disclosed to him or her under the terms and conditions of this Agreement.

The Franchise Agreement also requires each of Franchisee's shareholders, partners, members, officers, directors, managers, employees and agents to sign a covenant not to compete.

#### Terms and Conditions

NOW, THEREFORE, in consideration of the covenants and the promises herein contained, the parties agree as follows:

1. Recipient acknowledges and agrees that all Confidential Information he or she receives from Franchisor is confidential and proprietary information and trade secrets in which Franchisor has a proprietary interest. "Confidential Information" means confidential information, including, without limitation, (i) proprietary products, proprietary software, customer and supplier lists, product specifications, (ii) methods of service and operations at System Businesses, (iii) knowledge of sales and profit performance at any one or more System Businesses, (iv) knowledge of test programs, concepts, or results relating to operating, new advertising and promotional programs, (v) sources of suppliers of products and equipment, (vi) advertising, promotion, and marketing techniques, (vii) methods and information regarding the selection and training of managers and other employees for System Businesses; and (viii) the Manual. Recipient will not acquire any interest in the Confidential Information learned by Recipient other than the right for Recipient to utilize the same in connection with ownership and/or operation of the its Franchised Business during term of the Franchise Agreement, including any renewal term or the term of any subsequent Franchise Agreement entered into between Franchisor and Franchisee, and the use or duplication of the Confidential Information in any other business or capacity will constitute an unfair method of competition with Franchisor, its affiliates, and Franchisor's other franchisees.

2. Franchisor is disclosing the Confidential Information to Recipient solely on the condition that Recipient agrees, and Recipient hereby agrees, that any Confidential Information received from Franchisor

(a) shall only be used by Recipient for purposes of performing the Franchise Agreement, (b) will not be used by Recipient in any other business, manner or capacity, (c) will have its absolute confidentiality maintained by Recipient both during and after the term of the Franchise Agreement, including any renewal term, (d) will not be copied by Recipient without written authorization, and (e) will not be disclosed by Recipient to any third party without the prior written consent of Franchisor. Recipient agrees to use reasonable care to prevent the disclosure of the Confidential Information to any third party, and further agrees to limit the dissemination of the Confidential Information within its own organization to individuals whose duties justify the need to know such Confidential Information, and then only provided that there is a clear understanding by such individuals of their obligation to maintain the confidential status of the Confidential Information and to restrict its use solely to the purposes specified herein. Each other person receiving the Confidential Information must also sign a copy of this Agreement.

3. Recipient acknowledges that no other right or license to use the Confidential Information is granted by this Agreement, and agrees that the amount of the Confidential Information to be disclosed to Recipient is completely within the discretion of Franchisor.

4. Recipient hereby agrees that any addition, modification, adaptation, improvement, refinement, discovery, invention or innovation of the System or any Proprietary Mark (collectively, a “Business Improvement”) made by Franchisee or its employees or Owners shall be the sole and exclusive property of Franchisor, regardless of Franchisee’s, its employee’s or the Owners’ participation or sole participation in its development, and shall be deemed assigned to Franchisor. Upon Franchisor’s request, Recipient shall, and shall cause his/her employees and all owners to, execute any instruments and documents that Franchisor requests and shall assist Franchisor to perfect or protect all intellectual property rights in such Business Improvement. Recipient shall not be entitled to any compensation for the use or licensing of any Business Improvement.

5. Upon termination or expiration of the Franchise Agreement, or earlier if requested by Franchisor, Recipient will return all Confidential Information and the Manual (including any copies thereof that Franchisor may have permitted Recipient to make) to Franchisor.

6. Recipient shall be under no obligation under this Agreement with respect to any information (a) which is, at the time of the disclosure, available to the general public; (b) which becomes at a later date available to the general public through no fault of the Recipient and then only after said date; or (c) which Recipient can demonstrate was in its possession before receipt.

7. Recipient acknowledges and agrees that Franchisor will suffer irreparable injury not capable of precise measurement in monetary damages if Recipient discloses or misuses any Confidential Information. Accordingly, in the event of a breach of this Agreement by Recipient, Recipient consents to entry of interim relief, including, without limitation, the entry of a temporary restraining order, preliminary injunction, permanent injunction, writ of attachment, appointment of a receiver, and any other equitable relief which the court deems necessary in order to prevent irreparable injury, all without the requirement that bond be posted. Recipient agrees that the award of equitable remedies to Franchisor in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Franchisor.

8. Recipient hereby agrees to indemnify, hold harmless and, upon request, defend Franchisor and its affiliates, and their respective members, owners, shareholders, directors, officers, managers, employees and agents (the “Indemnified Parties”), from and against all suits, proceedings, assessments, losses, claims, demands or actions of any nature or kind whatsoever (“Claims”), directly or indirectly arising out of, or in any manner whatsoever associated or connected with the failure of Recipient to observe and perform his or her duties and obligations under this Agreement, and against any and all damages, costs, expenses and fees (including, without limitation, reasonable legal expenses and fees), losses, fines or penalties incurred by or on behalf of any of the Indemnified Parties in the investigation or defense of any and all Claims.

9. All terms not otherwise defined in this Agreement shall have the same meanings as the defined terms in the Franchise Agreement.

10. This Agreement shall be governed, construed and interpreted in accordance with the substantive laws of the State of South Carolina, without giving effect to its conflicts of law principles.

11. This Agreement together with the Franchise Agreement constitutes the entire agreement and understanding among the parties hereto with respect to the disclosure of Confidential Information to Recipient and Recipient's non-competition obligations, and shall not be amended except under a written agreement executed by each of the parties hereto. This Agreement shall be binding upon the parties hereto and their respective heirs, administrators, successors and assigns.

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

SHRUNK 3D, INC.

FRANCHISEE:

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

## EXHIBIT F

### COVENANT AGREEMENT

THIS COVENANT AGREEMENT (this "Agreement") is entered into as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and among SHRUNK 3D, INC. ("Franchisor") and \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ (whether one or more "Covenantors").

#### WITNESSETH:

WHEREAS, Covenantors have agreed to enter into this Agreement to induce Franchisor to enter into that certain Franchise Agreement ("Franchise Agreement") dated \_\_\_\_\_, 20\_\_, between Franchisor and \_\_\_\_\_ ("Franchisee"); and

WHEREAS, Covenantors and its Affiliates have entered into, or may in the future enter into other franchise agreements with Franchisor ("Other Agreements");

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the Covenantors covenant and agree as follows:

1. Capitalized terms used herein and not otherwise defined shall have the same meaning as defined in the Franchise Agreement.
2. The Covenantors shall not, either directly or indirectly, individually, or through, or on behalf of, or in conjunction with any person, persons, or entity:
  - a. During the term of the Franchise Agreement, the Other Agreements and thereafter, except as otherwise approved in writing by Franchisor, copy or disclose to any person other than Franchisee's employees (and then only to employees who have a need to know) (i) any Trade Secrets, (ii) any knowledge, information or know-how concerning the System, or (iii) all or any portion of the Manual or any other confidential materials, including without limitation, the design or operation of the Booth, any information regarding the Software, methods of operation and service at System Businesses, intranet, knowledge of sales and profit performance at any one or more System Businesses, and advertising and promotional programs, advertising, promotion and marketing techniques, the selection and training of System Business' managers and, in general, methods, techniques, formulas, formats, specifications, procedures, information systems and knowledge, in the operation and licensing of System Businesses, or other materials deemed confidential by Franchisor. Covenantors shall at all times treat the Trade Secrets and Manual and the information contained therein as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential and shall use the same only in the operation of the Franchised Business. The Trade Secrets and Manual shall at all times remain the sole property of Franchisor, and shall be returned to Franchisor immediately upon expiration or termination of this Agreement. Any and all information, knowledge, know-how, and other data, that Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Covenantors can demonstrate came to their attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Covenantors, had become a part of the public domain, through publication or communication by others.
  - b. During the term of the Franchise Agreement or any Other Agreement, compete, or be associated, directly or indirectly as an owner, officer, director, employee, consultant, or otherwise, in any Competitive Business, and, for a period of two (2) years after any Transfer, expiration or termination of any Franchise Agreement, interest in Franchisee or any Other Agreement for any

reason, Covenantors shall not compete, or be associated, directly or indirectly as an owner, officer, director, employee, consultant, or otherwise, in any Competitive Business that is located within the continental United States. For purpose of this Section 2, the term “Competitive Business” means any business providing object scanning services and/or 3D printing services or that is otherwise similar to the business operated under the Franchise Agreement; provided, however, that passive ownership of less than 2% of the outstanding voting securities of a publicly held corporation (which for purposes of this Agreement means a corporation registered under the Securities Exchange Act of 1934) shall not be deemed a violation of this Section.

- c. During the term of the Franchise Agreement or any Other Agreement, employ or seek to employ any person who is or was within the immediate past six (6) months employed in a management capacity by Franchisor, any other System Businesses (except for System Businesses who are Affiliates of any Covenantor), or induce or seek to induce any such person to leave his or her employment. Franchisor shall not employ or seek to employ any person who is or was within the immediate past six (6) months employed by Franchisee or induce or seek to induce any such person to leave his or her employment. Any party violating the provisions of this Section 2.c shall pay to the former employer as liquidated damages (which the parties agree are difficult of ascertainment) an amount equal to two (2) times the annual salary of the employee involved, plus all costs and attorneys’ fees incurred by the former employer in connection with such default. The parties hereto agree that each current and future Franchisee in the System shall be a third party beneficiary of the provisions of this Section 2.c, and shall be entitled to enforce the provisions hereof. Franchisor shall have no obligation to enforce the provisions of this Section 2.c for the benefit of any current or future franchisee in the System.

3. In the event any provision of this Agreement is deemed by a court of competent jurisdiction to be more restrictive than permissible at law or equity, the Covenantors agree that the provisions hereof may be reformed and modified and enforced by such court to the maximum extent permissible under applicable law and principles of equity. Covenantors agree that specific performance and injunctive relief are necessary and appropriate remedies for violations of this Agreement and agrees to enforcement of such remedies, but without prejudice to the right of Franchisor to recover money damages, which are in no event a full and adequate remedy for such violations.

4. The Covenantors agree that the existence of any claim that any of them may have against Franchisor shall not constitute a defense to the enforcement by Franchisor of this Agreement or the covenants contained in Article 11 of the Franchise Agreement. In the event that Covenantors commence any action against Franchisor arising out of or related to this Agreement, or the dealings or relationship of the parties hereunder or otherwise, such action shall be brought only in any state court of general jurisdiction sitting in the county and state, or in the United States District Court for the district, in which Franchisor has its principal place of business at the time any such action is instituted. Covenantors consent to the exercise of jurisdiction by such courts over any claims or counterclaims against Covenantors. In the event Franchisor incurs legal fees or costs or other expenses to enforce any obligation of Covenantors hereunder, or to defend against any claim, demand, action or proceeding by reason of Covenantors’ failure to perform or observe any obligation imposed upon Covenantors by this Agreement, then Franchisor shall be entitled to recover from Covenantors the amount of all legal fees, costs and expenses, including reasonable attorneys’ fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action, or proceeding to enforce any obligation of Covenantors hereunder or thereafter or otherwise.

5. This Agreement and the documents provided for herein contain the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior negotiations, agreements, and understandings with respect thereto, provided, however, that nothing in this Agreement or any related document is intended to disclaim the representations Franchisor made in the Franchise Disclosure

Document furnished to Franchisee. This Agreement may only be amended by a written document duly executed by all parties hereto. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois, without reference to the rules governing conflicts of law. This Agreement shall inure to the benefit of and shall be binding upon the respective successors, heirs, administrators, executors, personal representatives, trustees, and assigns of the parties hereto. This Agreement may be executed in multiple counterparts, each considered an original, but all of which shall constitute but one Agreement. Capitalized used herein but not defined shall have the meaning set forth in the Franchise Agreement between Franchisor and Franchisee.

[Remainder of this page intentionally blank. Signature Page follows.]

IN WITNESS WHEREOF, the undersigned have executed this Agreement.

SHRUNK 3D, INC.

“COVENANTORS” (each in their individual capacity):

\_\_\_\_\_

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

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

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_

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

## EXHIBIT G

### Software License Agreement

This Software License Agreement is a part of the Franchise Agreement between Shrunk 3D, Inc. (“**Shrunk 3D**”, “**we**”, “**us**”) and \_\_\_\_\_ (“**you**”) dated \_\_\_\_\_. Any capitalized terms not otherwise defined below shall have the meanings as defined in the Franchise Agreement.

1. The Software Program Defined. **Shrunk 3D** owns proprietary computer software programs and/or applications for management of your Franchised Business and the Booth, including, without limitation, all modules and parts of the software, represented in past and future versions and releases, updates, revisions, copies of the program, and the user’s manual and documentation, as well as all records and data maintained through use of the program, including scans made using the Booth and operations of your Franchised Business (collectively the “**Software Program**”) that are used in the operation of its System Businesses. The Software Program includes, without limitation, our current software referred to the Shrunk 3D, Inc.<sup>TM</sup> camera operating system and software, the scanner application, and any future software or application that we may develop or obtain, and provide to franchisees.

2. Additional Terms and Conditions. You agree that you and any users that you authorize to access the Software Program shall comply with the restrictions and obligations in Shrunk 3D’s Terms of Use Agreement, Privacy Policy, and Property Policy (all on the Shrunk 3D website) and any other instructions that Shrunk 3D may issue from time to time.

3. Grant of Limited License. Upon your execution of this Software License Agreement, and the Franchise Agreement, we grant to you a limited, nontransferable, nonexclusive license to access and use the Software Program solely in connection with your Franchised Business during the Term and subject to your Franchise Agreement. The rights we grant you are personal to you, and licensed to you, not sold.

- a. Requirement to Host Software Program. Shrunk 3D its discretion may further develop, change, or substitute the Software Program and you must obtain and use the Software Program, module, or other software required by Shrunk 3D for your franchise and league operations. It is your responsibility to maintain and, if necessary, upgrade the computer system provided with the Booth needed to operate the Software Program, to collect and transmit scans, to process customer orders, administer the Franchised Business and perform other functions required by Shrunk 3D now or in the future.
- b. Limited Access for Authorized Users. Shrunk 3D grants you the limited right to designate authorized users who have been trained and certified as Certified SPSS, who will have access to the Software Program as part of your Franchised Business (such as your owners and employees) and who have agreed to instructions or restrictions as Shrunk 3D may issue from time to time (“Authorized Users”). Any such person must agree to the terms of the Shrunk 3D Confidentiality Agreement. This right to access the Software Program is personal, non-transferrable, non-exclusive, and limited to accessing and using the Software Program solely for its intended purpose according to Shrunk 3D’s terms.

4. Responsible for Authorized Users. You are responsible for ensuring that your Authorized Users who you allow to access the Software Program comply with this limited license and other applicable Shrunk 3D policies.

5. Responsible for Operation. You are responsible for the installation, management, and operation of the Software Program.

- a. Support, Upgrades. Only Shrunk 3D or persons authorized by Shrunk 3D, may perform support or maintenance of the Software Program. If Shrunk 3D does not provide the support or maintenance, Shrunk 3D will obtain an authorized vendor to provide such services (an “**Authorized Consultant**”) with respect to the then current version of the Software Program. Shrunk 3D may terminate any maintenance and support arrangement, and substitute or authorize other persons to provide support and maintenance of the Software Program and may terminate the support and/or maintenance completely with respect to then prior versions of the Software Program and discontinued modules. Shrunk 3D is not responsible for and does not warrant any Authorized Consultant’s (or other contractor’s) work and shall not be responsible or liable for any loss or damages resulting from acts or omissions (including negligence) of any Authorized Consultant (or other contractor).

- b. Fees.

- i. License Fee. Subject to Shrunk 3D’s right to charge a license fee for new versions, in consideration for your executing the Franchise Agreement, Shrunk 3D grants this license to use the Software Program to you without any additional fee, and no monetary cost shall be attributed to this license. You acknowledge that, apart from this license, the services and benefits provided by Shrunk 3D to you under the Franchise Agreement exceed and fully earn the Initial Franchise Fee paid by you. The Initial Franchise Fee or any part shall not be subject to refund in the event of any defect, error, or failure of the Software Program, support, or maintenance of the Software Program, or your computer system.
  - ii. Delayed Update Fee. Shrunk 3D has the right to require you to make updates to the Software Program. If you do not make an update by the deadline established by Shrunk 3D, Shrunk 3D reserves the right to charge a fee of \$100.00 for each week, or part of a week, that occur between the deadline and the date that you make the update.
- c. Defects. In the event of a defect in the Software Program that makes the Software Program or a function unusable, Shrunk 3D will modify, temporarily or permanently, its System Standards as Shrunk 3D considers appropriate under the circumstances to authorize any reporting or record keeping function(s) that cannot be performed by the Software Program because of the defect to be performed manually or by another alternative means. This is the only remedy for any defect. In addition to the other disclaimers and limitations of liability, Shrunk 3D shall have no responsibility or liability for any damages to persons or property, loss of profits, wages, or data, costs or expenses from any defect, error, or failure of performance of the Software Program or your computer system, any act or omission (including negligence) in support or maintenance of the Software Program, or any other act or omission (including negligence) of Shrunk 3D or any employee or agent.

6. Shrunk 3D Ownership. You acknowledge and agree that Shrunk 3D owns all rights, title, and interest in the Software Program, its Marks, copyrights, know-how, and its other intellectual property (collectively “**Shrunk 3D IP**”), including any derivative works or derived data from the Franchised Business, customers, or other sources. All goodwill derived from your use of the **Shrunk 3D IP** inures exclusively to Shrunk 3D’s benefit. This License Agreement does not transfer any ownership rights to you.

7. Restrictions. Regarding the Software Program (whether installable or internet-based), the Software Program’s manual or other documentation: you may not (nor allow anyone else) to make any copies, summarize, or create any description, memoranda, or record of all or any portion nor edit, publicly display, perform, transmit electronically (except for authorized support or maintenance by reporting to Shrunk 3D), access (except for authorized purposes), make derivative works, sublicense, resell, distribute, transfer, lease, loan or by any other means make it available for use by others, remove, alter, or otherwise interfere with

any trademark, logo, copyright, patent, or other proprietary notices, legends, or labels, or reverse engineer, decompile, or reverse assemble in any way any aspects of the Software Program, manual, or documentation. Any prior versions of the licensed Software Program, manual, or documentation (or any portion of the same) must be irretrievably deleted from your computer(s) and other hardware, devices or media, and all diskettes, installation disks, copies, backups and related manuals and documentation shall be returned to Shrunk 3D upon our request.

8. Reserved Rights. Shrunk 3D reserves all rights anywhere in the world relating to the Software Program and the Shrunk 3D IP that are not expressly granted in this License Agreement, whether now existing, or which may thereafter come into existence.

9. Follow the Rules. You are required to comply with any Shrunk 3D rules established from time to time that relate to the Software Program, including any updated policies that may appear in the Manual, on the Shrunk 3D website or on other portals, or that are communicated to you in any other way by Shrunk 3D, or its designee.

10. Suspension of Access. Shrunk 3D reserves the right to immediately suspend access to the Software Program by you, and any or all of the Authorized Users that you designate, in order to protect the security and integrity of Shrunk 3D personnel, its System, facilities, and equipment as Shrunk 3D may determine in good faith is necessary. A breach or failure by you, or one of your designated Authorized Users, to comply with the terms of this License Agreement, or any other applicable terms shall be deemed a breach of this License Agreement and you shall be responsible for such breach and/or failure.

11. Confidential Proprietary Information. The Software Program is among Shrunk 3D's confidential and proprietary information, and a Trade Secret. You and your Authorized Users shall not a) use any such Proprietary Information in any way for your own benefit except as authorized by this License Agreement and the Franchise Agreement; b) disclose any proprietary information to any unauthorized person. You shall inform all of your employees or contractors (and any others authorized by Shrunk 3D to have access to the Software Program) that the Software Program is confidential and proprietary information of Shrunk 3D and that they are prohibited from copying or using the Software Program except in the ordinary course of their employment. You shall comply with Shrunk 3D's other requirements (as may be issued from time to time) for protection of Shrunk 3D's rights in the Software Program. **You agree to take all action reasonably necessary to protect the Proprietary Information including keeping credentials and login information secure.**

12. Infringement. Shrunk 3D will defend any third party suit or proceeding brought against you to the extent that it is based on a claim that the Software Program, or any part thereof, used in the manner specified in this Agreement, constitutes an infringement of any patent or copyright of the United States or misappropriation of a trade secret, provided that you promptly notify Shrunk 3D of such claim in writing and give the authority, information, and assistance that in Shrunk 3D's judgment is needed for the defense or resolution of such claim. If a final non-appealable judgment is entered that use of the Software Program, or any part thereof, constitutes an infringement or misappropriation and its use is enjoined, Shrunk 3D will, in its sole discretion and at its own expense: (1) procure for you the right to continue using the Software Program or part thereof; (2) replace the Software Program with a non-infringing product; or (3) modify the Software Program as to become non-infringing.

13. Term and Termination. Unless terminated earlier according to its provisions, this License Agreement shall terminate when the Franchise Agreement terminates for any reason. In addition to the terms in the Franchise Agreement, the following applies. Your breach of this License Agreement is a breach of your Franchise Agreement entitling Shrunk 3D to terminate the Franchise Agreement. Shrunk 3D shall have the right to inhibit, bar, or block access to, and use of, the Software Program by you, and any

Authorized Users in the event you fail to timely pay amounts due Shrunk 3D, or you breach the Franchise Agreement or any other agreement with Shrunk 3D. In the event you breach this License Agreement, you shall pay Shrunk 3D's costs and expenses (including reasonable attorney's, expert witness, and arbitration fees) as they become due associated therewith. You are responsible for any taxes charged as a result of this License Agreement or the loan of the Software Program to you.

- a. Termination Without Notice. In the event that any Shrunk 3D IP is compromised, or you cause some other exigent situation, Shrunk 3D may terminate your rights, and the rights of any Authorized Users, to access the Software Program for any good faith reason, with or without notice, regardless of whether you breached any of your obligations under this License Agreement or other Shrunk 3D terms and conditions or agreements.
- b. Termination with Notice. Shrunk 3D may terminate this License Agreement if you breach its terms in a manner that does not compromise any Shrunk 3D IP or involve some other exigent situation. Shrunk 3D will provide reasonable notice of such a breach and an opportunity to cure.
- c. Effect of Termination. Upon termination or expiration of the Franchise Agreement, or a transfer of your rights thereunder for any reason, you shall cease all use of the Software Program, verifiably and permanently delete (or allow Shrunk 3D full rights and access to permanently delete) the Software Program from all computers, drives, and devices on which it is stored, and return to Shrunk 3D all diskettes, installation disks, copies, backups, manuals and documentation containing or relating to the Software Program, together with all records and data maintained through use of the Software Program, including records of scans, customers, sales, and operations of your Franchised Business.
- d. Survival of Certain Conditions. Those provisions of this License Agreement that by their terms are intended to survive (such as the obligation to maintain Propriety Information in confidence, and to protect the integrity of the Software Program) shall survive the termination of this License Agreement for any reason.

14. Disclaimers – No Warranties. THE SOFTWARE PROGRAM AND ANY SUPPORTING DOCUMENTATION IS PROVIDED “AS IS” “WHERE IS” AND “WITH ALL FAULTS.” SHRUNK 3D MAKES NO, AND DISCLAIMS ALL, WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE (EVEN IF MADE AWARE OF THIS), TITLE, OR NON-INFRINGEMENT OF THIRD PARTIES’ INTELLECTUAL PROPERTY RIGHTS OR OTHER PROPRIETARY RIGHTS. THIS LICENSE DOES NOT EXPRESS OR IMPLY ANY WARRANTY THAT THE OPERATION OF THE SOFTWARE PROGRAM WILL BE UNINTERRUPTED, TIMELY, OR ERROR-FREE. YOU AGREE THAT THESE DISCLAIMERS ARE REASONABLE AND A BASIS FOR US GRANTING YOU THIS LICENSE. Further, while we may specify or recommend that your computer system meet certain criteria (e.g., processor, RAM, hard drive capacity), different computer systems (and hardware and software components) vary in quality and compatibility. We do not warrant performance of your computer system, its compatibility, or successful operation of the Software Program, or that it will meet your needs or our requirements in the future.

15. Limitations on Liability. IN NO EVENT SHALL SHRUNK 3D BE LIABLE FOR ANY LOST PROFITS, REVENUE, OR DATA, OR OTHER INCIDENTAL, SPECIAL, PUNITIVE, EXEMPLARY, INDIRECT, OR CONSEQUENTIAL DAMAGES UNDER THIS LICENSE, INCLUDING WITHOUT LIMITATION, ANY DAMAGES ARISING OUT OF OR RELATED TO THE SOFTWARE PROGRAM OR THE USE THEREOF. IN NO EVENT SHALL SHRUNK 3D'S TOTAL LIABILITY TO YOU, WHETHER IN CONTRACT, TORT, (INCLUDING NEGLIGENCE) OR OTHERWISE, EXCEED ONE

HUNDRED US DOLLARS (\$100.00). THESE LIMITATIONS ON LIABILITY SHALL APPLY EVEN IF SHRUNK 3D HAS BEEN ADVISED OR IS OTHERWISE AWARE OF THE POSSIBILITY OF DAMAGE IN EXCESS OF SUCH LIMITATIONS AND EVEN IF THE SOFTWARE PROGRAM FAILS. YOU AGREE THAT THESE LIMITATIONS ON LIABILITY ARE REASONABLE AND A BASIS FOR US GRANTING YOU THIS LICENSE.

16. Miscellaneous.

- a. Governing Law. This License Agreement is governed and interpreted by the laws of the United States (for federal actions) and the state laws of South Carolina, without reference to its conflict of law rules.
- b. Equitable Relief, Disputes.
  - i. Equitable Relief. The Software Program and Shrunk 3D IP comprises Shrunk 3D's most valuable assets and contains trade secrets. You acknowledge that your breach of this Software License, the Franchise Agreement, the confidentiality restrictions or ownership rights of this Agreement and Shrunk 3D's policies would cause irreparable harm to Shrunk 3D, the extent of which would be impossible to assess. Accordingly, in addition to all other remedies available at law or in equity, Shrunk 3D is entitled to seek temporary or permanent injunctive and other equitable relief in any court of competent jurisdiction without posting a bond in excess of \$1,000.
  - ii. Disputes. Except as provided above, any dispute regarding this License Agreement shall be governed by the dispute resolution terms in the Franchise Agreement.
- c. Construction. If any provision of this License Agreement is determined to be unenforceable, such provision shall be amended to accomplish the objectives of such provision with the understanding that it is the parties' intent to protect Shrunk 3D's intellectual property rights to the fullest extent possible. All other provisions shall continue in full force and effect.
- d. Relationship. This is a License Agreement between a franchisor and a franchisee and shall not be construed to make you an employee and you are not granted any authority to act for, bind, or otherwise create or assume any obligation for or on behalf of Shrunk 3D.
- e. Beneficiaries. There are no third-party beneficiaries of this Agreement; provided however, that the disclaimers and limitations of liability for Shrunk 3D's benefit extend to Shrunk 3D's officers, directors, owners, employees, agents, affiliates, and suppliers.
- f. No Assignment, Amendment, Waiver. You may not assign this License Agreement without Shrunk 3D's prior written consent. Any amendment must be signed by both parties. No waiver is valid unless signed by the party granting the waiver in a writing that clearly identifies the rights being waived. Failure or delay by Shrunk 3D to enforce any provision of this License Agreement will not be deemed a waiver of present or future enforcement of that or any other provision.
- g. Export Laws, Export Control. The Software Program (and any of its components) may not be used or accessed except as authorized by United States and other applicable law. The Software Program may not be exported or re-exported into any US embargoed countries, or to anyone on the US Treasury Department's list of Specialty Designated Nationals or the US Department of Commerce's Denied Person's List or Entity List. You represent and warrant that you are not

located in, under the control of, or a national or resident of any US embargoed country or on such list.

- h. Entire Agreement. This License Agreement and the Franchise Agreement and the Shrunk 3D policies applicable to your use of the Software Program are the entire agreement between you and us regarding the Software Program. Any additional or conflicting terms that you may propose are not binding upon Shrunk 3D, are objected to, and hereby expressly rejected.
- i. Notice. Any required notice or communication between the parties shall be in writing and either personally delivered or emailed with confirmation of receipt or sent via certified or registered US Mail with return receipt acknowledged, or by recognized courier (e.g., UPS, FedEx) prepaid with confirmation of receipt. The parties designate the following addresses for notices, or such other addresses and they may designate from time to time.

Shrunk 3D, INC.  
2019 Cherry Hill Ln  
North Charleston, SC 29405  
[franchise@shrunk3d.com](mailto:franchise@shrunk3d.com)

LICENSEE

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

- j. **ACCEPT:** By signing below, you agree to be bound by the terms of this License Agreement and all of its provisions and referenced policies and terms.

**[REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]**

**THIS LICENSE AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH  
MAY BE ENFORCED BY THE PARTIES.**

SHRUNK 3D, INC.

FRANCHISEE:

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

## Confirmation of Additional Terms and Representations Addendum

**DO NOT SIGN THIS STATEMENT IF YOU ARE A RESIDENT OF, OR INTEND TO OPERATE THE FRANCHISED BUSINESS IN CALIFORNIA, MARYLAND, OR WASHINGTON.**

Shrunk 3D, Inc. (“Franchisor” and “we/us”), through the use of this “Addendum” desires to verify certain information about the sales process and to confirm any additional commitments or terms beyond those contained in the standard Shrunk 3D™ franchise agreement (the “Franchise Agreement”) and contained in our “Franchise Disclosure Document,” including any oral any oral statements, representations, assurances, or promises made during the negotiations for the purchase of a Shrunk 3D™ franchise by any director, officer, employee, agent, or representative of Shrunk 3D (each, a “Representative”). Please review each of the following questions carefully and provide honest responses to each question. For purposes of this addendum **“you”** includes the franchisee and all owners.

### I. FRANCHISE

#### A. Description of Representations.

1. Describe any promises, oral or written agreements, contracts, commitments, representations, understandings, "side deals" or otherwise have been made to or with me with respect to any matter not expressly contained in the Franchise Agreement. This includes, but is not limited to, any representations or promises regarding advertising, marketing, training, site location, operational assistance or other services or write “None.”

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2. Describe any oral, written, visual or other claim or representation, promise, agreement, commitment, understanding, or otherwise which contradicts or is inconsistent with the Franchise Disclosure Document or Franchise Agreement that has been made to you by us or our Representatives or write “None.”

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3. Describe any oral, written, visual, or other claim or representation that has been made to you by any person or entity, which states or suggests any actual, average, projected or forecasted sales, gross receipts, operating costs, revenues, income, profits, expenses, cash flow, tax effects, earnings, or otherwise, that is different from or in addition to what is contained in the Franchise Disclosure Document- including Item 19 or write “None.”

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4. Describe any statement, promise or assurance made by us or our Representatives concerning the likelihood of success that you should or might expect to achieve from developing and operating a Shrunk3D™ franchise or write “None”:

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5. Describe any statement, promise or assurance concerning the advertising, marketing, training, support services or assistance that we will furnish you that is contrary to, or different from, the information contained in the Franchise Disclosure Document. If you believe that one of these statements, promises or assurances has been made, please describe the statement or promise in the space provided below or write "None".

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6. Describe any other statement, promise or assurance concerning any other matter related to a Shrunk3D™ franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document. If you believe that one of these statements, promises or assurances has been made, please describe the statement, promise or assurance in the space provided below or write "None".

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## **II. YOUR PARTICIPATION**

- A. You will personally participate in the management of the Shrunk3D™ Franchise as set forth in the Franchise Agreement. You will faithfully and fully perform all duties required of you under the Franchise Agreement.
- B. Your purchase of the Franchise is for your own account and is not made with a view to or for resale.

## **ACKNOWLEDGEMENT**

1. **Did we or our Representatives advise you to fill in and complete this form except as based upon your personal knowledge and experience? If not, please describe what you were instructed or write "None":**

YOUR ANSWERS ARE IMPORTANT TO US AND WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

**NOTE: IF THE FRANCHISEE IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, AN OFFICER AND EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.**

**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.**

**Franchisee:**

Signed: \_\_\_\_\_

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

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

Signed: \_\_\_\_\_

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

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

Signed: \_\_\_\_\_

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

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

Signed: \_\_\_\_\_

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

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

Accepted on behalf of Franchisor

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

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

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

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

\* Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act or under the Maryland Franchise Registration and Disclosure Law.

**EXHIBIT C**  
**DEVELOPMENT RIGHTS RIDER**





**SHRUNK 3D, INC.**

**DEVELOPMENT RIGHTS RIDER**



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## APPENDICIES

Appendix A – Franchisee-Specific Terms

Appendix B – Payment and Performance Guarantee



**SHRUNK 3D, INC.**

**DEVELOPMENT RIGHTS RIDER**

THIS AGREEMENT (this “**Agreement**”) is made and entered into as of the date set forth on Appendix A of this Agreement (the “**Effective Date**”) (Appendix A and all appendices and schedules attached to this Agreement are hereby incorporated by this reference) between Shrunk 3D, Inc., a South Carolina corporation doing business as Shrunk 3D (“**Franchisor**,” “**we**,” “**us**” or “**our**”) and the person or entity identified on Appendix A as the franchisee (“**Franchisee**” or “**you**”) with its principal place of business as set forth on Appendix A.

**RECITALS**

- A. We and you have entered into a certain Franchise Agreement dated the same date as this Agreement (the “**Initial Franchise Agreement**”), in which we have granted you the right to establish and operate one Shrunk 3D business within the protected territory set forth in the Initial Franchise Agreement (a “**Shrunk 3D Business**”).
- B. We desire to grant to you the exclusive right to establish and operate a specified number of Shrunk 3D Businesses within a specified geographical area in accordance with a development schedule.
- C. If you are a corporation, limited liability company, partnership, or other entity (collectively, an “**Entity**”), all of your owners of a legal and/or beneficial interest in the Entity (the “**Owners**”) are listed on Appendix A of this Agreement.
- D. You desire to establish and operate additional Shrunk 3D Businesses upon the terms and conditions contained in our then-current standard franchise agreements (a “**Franchise Agreement**”).

**NOW, THEREFORE**, for and in consideration of the foregoing premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

**1. Grant of Development Rights and Development Area.**

Subject to the terms and conditions of this Agreement, we grant to you the right, and you undertake the obligation, to establish and operate in the area designated on Appendix A to this Agreement (the “**Development Area**”) the number of Shrunk 3D Businesses specified in the development schedule in Appendix A (the “**Development Schedule**”). This Agreement does not grant you any right to use the Marks (as defined in your Initial Franchise Agreement) or the System (as defined in your Initial Franchise Agreement). Rights to use the Marks and the System are granted only by the Franchise Agreements.

**2. Fees.**

Upon execution of this Agreement, you must pay us a development fee in the amount specified on Appendix A (the “**Development Fee**”), which is based on the initial franchise fee you must pay for each Shrunk 3D Business that you develop (the “**Franchise Fee**,” which is also specified on Appendix A). The Development Fee will be credited towards 100% of the Franchise Fee due under the Franchise Agreement for each Shrunk 3D Business that you develop pursuant to this Agreement, including the Initial Franchise Agreement. The Development Fee is fully earned by us when we and you sign this Agreement and is non-refundable, even if you do not comply with the Development Schedule.

**3. Development Schedule.**

**3.1 Deadlines.** You must enter into Franchise Agreements and open and operate Shrunk 3D Businesses in accordance with the deadlines set forth in the Development Schedule. By each “**Opening Deadline**”



specified in the Development Schedule, you must have the specified number of Shrunk 3D Businesses open and operating. For each additional Shrunk 3D Business you are required to open, you will execute our then-current form of Franchise Agreement on or before the deadline set forth in the Development Schedule. Prior to opening additional Shrunk 3D Businesses in your Development Area you must: (i) possess sufficient financial and organizational capacity to develop, open, operate, and manage each additional Shrunk 3D Business in our reasonable judgment; (ii) be in full compliance with all brand requirements at any existing Shrunk 3D Businesses you operate; and (iii) be in compliance with any Franchise Agreement or any other agreement entered into with us.

**3.2 Damaged Booth** If a Booth is destroyed or damaged by any cause beyond your control such that it may no longer continue to be utilized for the operation of a particular Shrunk 3D Business, you must immediately give us notice of such destruction or damage (“**Destruction Event**”). You must diligently work to repair and restore the Booth as soon as possible to resume operation of your Shrunk 3D Business. If a Shrunk 3D Business is closed due to a Destruction Event, the Shrunk 3D Business will continue to be deemed “in operation” for the purpose of this Agreement for up to 90 days after the Destruction Event occurs. If any Shrunk 3D Business (i) is closed in a manner other than those described in this Section 3.2 or as otherwise agreed by us in writing or (ii) fails to reopen within 90 days after a Destruction Event, then we may exercise our rights under Section 6.2 (Our Remedies). We will not unreasonably withhold, condition, or delay a requested extension of this thirty (30) day period, provided you provide us evidence of your good faith efforts to obtain repairs to the damaged Booth. In the event a Booth is completely destroyed or otherwise incapable of being repaired following a Destruction Event, we will not exercise the remedies set forth under Section 6.2 provided, that (a) within the 30 days after the Destruction Event you have made arrangements with us or our designated supplier to obtain a new Booth for use in your Shrunk 3D Business and have delivered to us at least 75% of then-current Booth price; (b) you are open and operating your Shrunk 3D Business in the protected territory within five (5) days after a replacement Booth is delivered to you; and (c) you deliver the remaining balance of the Booth purchase to us upon delivery of the replacement Booth.

#### **4. Development Area.**

**4.1 Development Area.** Except as provided in this Section 4.1, while this Agreement is in effect, provided that you open and operate the Shrunk 3D Businesses in accordance with the Development Schedule and the minimum number of Shrunk 3D Businesses that you have open and operating in the Development Area at any given time is not less than the minimum required pursuant to the Development Schedule, we will not operate, or license any person other than you to operate, a Shrunk 3D Business under the Marks (as defined in your Initial Franchise Agreement) and the System (as defined in your Initial Franchise Agreement) within the Development Area. Each Shrunk 3D Business you open will be granted a protected territory as set forth in the individual Franchise Agreement for that Shrunk 3D Business. This Agreement does not give you the right open or operate in any portions of the Development Area until you have signed a new Franchise Agreement which includes that portion of the Development Area as your protected territory.

**4.2 No Other Restriction On Us.** Except as otherwise expressly provided in this Agreement, Franchisor and all of its Affiliates (and its and their respective successors and assigns, by purchase, merger, consolidation or otherwise) retain all of its and their rights with respect to the Proprietary Marks and the System anywhere in the world, and the right to engage in any business whatsoever, including the right to:

- (a) Establish or license franchises and/or company-owned Shrunk 3D or other facilities or businesses offering similar or identical products, services, and classes and using the System or elements of the System (i) under the Marks anywhere outside of the Development Area or (ii) under names, symbols, or marks other than the Marks anywhere, including inside and outside of the Development Area;



- (b) Sell or offer, or license others to sell or offer, any products or services using the Marks or other marks through any alternative distribution channels, including, without limitation, through e-commerce, in retail stores, via recorded media, via online videos, or via broadcast media, anywhere, including inside and outside of the Development Area;
- (c) Advertise, or authorize others to advertise anywhere, using the Marks;
- (d) Acquire, be acquired by, or merge with other companies with existing 3D scanning and/or printing businesses, and/or Shrunk 3D Businesses anywhere (including inside or outside of the Development Area) and, even if such businesses are located in the Development Area, (i) convert the other businesses to the Shrunk 3D® name, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing Shrunk 3D Businesses to such other name; and
- (e) Engage in any other activity, action or undertaking that we are not expressly prohibited from taking under this Agreement.

## 5. **Term.**

This Agreement expires at midnight on the last Opening Deadline date listed on the Development Schedule, unless this Agreement is terminated sooner as provided in other sections of this Agreement.

## 6. **Termination.**

**6.1 Events of Default.** Any one or more of the following constitutes an “Event of Default” under this Agreement:

- (a) You fail to have open and operating the minimum number of Shrunk 3D Businesses specified in the Development Schedule by any Opening Deadline specified in the Development Schedule;
- (b) An Event of Default occurs under any Franchise Agreement, resulting in the termination of such Franchise Agreement; or
- (c) You breach or otherwise fail to comply fully with any other provision contained in this Agreement.

**6.2 Our Remedies.** If any Event of Default occurs under Section 6.1, we may, at our sole election: (i) declare this Agreement and any and all other rights granted to you under this Agreement to be immediately terminated and of no further force or effect; (ii) terminate any exclusive or territorial rights that you may have within the Development Area or otherwise under this Agreement; and/or (iii) exercise any other remedy we may have in law or equity as a result of an Event of Default hereunder. Upon termination of this Agreement for any other reason whatsoever, we will retain the Development Fee and you will not be relieved of any of your obligations, debts, or liabilities hereunder, including without limitation any debts, obligations, or liabilities which have accrued prior to such termination. All rights and remedies of the parties hereto shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement. The rights and remedies of the parties hereto shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. Notwithstanding anything to the contrary herein, a termination of this Agreement resulting from your failure to open and thereafter operate Shrunk 3D Businesses in accordance with the Development Schedule will not, in itself, constitute cause for us to terminate any previously executed Franchise Agreement in effect at the time of such termination.



## **7. Assignment; Our Right of First Refusal.**

**7.1 Rights Personal to You.** This Agreement and the rights granted to you under this Agreement are personal to you and neither this Agreement, nor any of the rights granted to you hereunder nor any controlling equity interest in you may be voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, assigned or otherwise transferred, given away, or encumbered by you without our prior written approval, which we may grant or withhold for any or no reason.

### **7.2 Our Right of First Refusal.**

- (a) If you receive, and desire to accept, from a third party a bona fide offer to transfer any of your rights in this Agreement, you shall promptly notify us in writing and send us an executed copy of the contract of transfer. We shall have the right and option, exercisable within thirty (30) days after actual receipt of such notification or of the executed contract of transfer which shall describe the terms of the offer, to send written notice to you that we intend to purchase your interest on the same terms and conditions offered by the third party.
- (b) Closing on the purchase must occur within sixty (60) days from the date of notice by us to you of our election to purchase. If we elect not to accept the offer within the thirty (30) day period, you shall have a period not to exceed sixty (60) days to complete the transfer subject to our approval of the third party transferee of your rights, which may be withheld in our sole discretion. Any material change in the terms of any offer before closing shall constitute a new offer subject to the same rights of first refusal by us as in the case of an initial offer.
- (c) Our failure or refusal to exercise the option afforded by this Section 7 shall not constitute a waiver of any other provision of this Agreement.
- (d) If the offer from a third party provides for payment of consideration other than cash or involves certain intangible benefits, we may elect to purchase the interest proposed to be sold for the reasonable cash equivalent, or any publicly-traded securities, including its own, or intangible benefits similar to those being offered. If the parties cannot agree within a reasonable time on the reasonable cash equivalent of the non-cash part of the offer, then such amount shall be determined by an independent appraiser designated by us, and such appraiser's determination shall be binding.

**7.3 Our Rights to Assign Unrestricted.** We may assign this Agreement or any ownership interests in us without restriction.

## **8. Incorporation of Other Terms.**

Section 11 (Proprietary Marks and Trade Secrets, Competition), Section 12 (Insurance and Indemnity), Section 15 (Obligations Upon Termination), Section 16 (Additional Covenants), Section 17 (Approvals and Waivers), Section 18 (Notices) Section 19 (Dispute Resolution) and Section 20 (Construction and Modification) of the Initial Franchise Agreement are incorporated by reference in this Agreement and will govern all aspects of our relationship and the construction of this Agreement as if fully restated within the text of this Agreement.

## **9. Miscellaneous.**

Capitalized terms used and not otherwise defined in this Agreement shall have the meanings set forth in the Initial Franchise Agreement. This Agreement, together with the Initial Franchise Agreement, supersedes all prior agreements and understandings, whether oral and written, among the parties relating to its subject matter, and there are no oral or other written understandings, representations, or agreements among the parties relating to the subject matter of this Agreement. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you



to waive reliance on any representations that we made in the most recent Franchise Disclosure Document that we delivered to you or your representatives. This Agreement shall not be binding on either party until it is executed by both parties. This Agreement may be signed in multiple counterparts, but all such counterparts together shall be considered one and the same instrument. The provisions of this Agreement may be amended or modified only by written agreement signed by the party to be bound.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**  
**SHRUNK 3D, INC.**  
**d/b/a SHRUNK 3D**

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

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

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

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

**FRANCHISEE**  
**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

Signature: \_\_\_\_\_

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

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

Signature: \_\_\_\_\_

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

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

Signature: \_\_\_\_\_

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

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

Signature: \_\_\_\_\_

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

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



**APPENDIX A  
TO THE  
DEVELOPMENT AGREEMENT**

**FRANCHISEE-SPECIFIC TERMS**

1. **Effective Date (First Paragraph):** \_\_\_\_\_
2. **Franchisee's Name:** \_\_\_\_\_
3. **Franchisee's State of Organization (if applicable):** \_\_\_\_\_
4. **Ownership of Franchisee (Recital C):** If the franchisee is an Entity, the following persons constitute all of the owners of a legal and/or beneficial interest in the franchisee:

| <u>Name</u> | <u>Percentage Ownership</u> |
|-------------|-----------------------------|
| _____       | _____ %                     |
| _____       | _____ %                     |
| _____       | _____ %                     |
| _____       | _____ %                     |

5. **Development Area (Section 1):**

[Provide list of counties or zip codes which make up the Development Area]  
[attach map if necessary]

6. **Total Development Fee (Section 2):** \$ \_\_\_\_\_ .



7. **Development Schedule (Section 3):** You agree to establish and operate a total of \_\_\_\_\_ Shrunk 3D Businesses within the Development Area during the term of this Agreement. The Shrunk 3D Businesses must be open and operating in accordance with the following Development Schedule:

| <b><u>MINIMUM NUMBER OF SHRUNK 3D BUSINESSES</u></b><br>The Minimum Number of Shrunk 3D Businesses Open and Operating by Each Opening Deadline | <b><u>FRANCHISE AGREEMENT SIGNING DEADLINE and INITIAL BOOTH PURCHASE PAYMENT DEADLINE</u></b><br>Deadline for executing franchise agreements and paying the Initial Booth Purchase Payment (75% of Estimated Booth Purchase Price) for each Shrunk 3D Business. | <b><u>OPENING DEADLINE</u></b><br>Deadline for Having the Minimum Number of Shrunk 3D Businesses Open and Operating |
|------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| 1                                                                                                                                              | Concurrently with signing the first Franchise Agreement                                                                                                                                                                                                          | _____, 20__                                                                                                         |
| 2                                                                                                                                              | <b>12 months</b> from the Effective Date                                                                                                                                                                                                                         | _____, 20__                                                                                                         |
| 3                                                                                                                                              | <b>24 months</b> from the Effective Date                                                                                                                                                                                                                         | _____, 20__                                                                                                         |
| 4                                                                                                                                              | <b>36 months</b> from the Effective Date                                                                                                                                                                                                                         | _____, 20__                                                                                                         |
| 5                                                                                                                                              | <b>48 months</b> from the Effective Date                                                                                                                                                                                                                         | _____, 20__                                                                                                         |

8. **Additional/Other Terms:**



Signature Page for Appendix A (Franchisee-Specific Terms)

**FRANCHISOR**  
**SHRUNK 3D, INC.**  
**d/b/a Shrunken 3D**

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

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

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

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

**FRANCHISEE**  
**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

Signature: \_\_\_\_\_

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

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

Signature: \_\_\_\_\_

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

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

Signature: \_\_\_\_\_

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

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

Signature: \_\_\_\_\_

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

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



**APPENDIX B  
TO THE  
DEVELOPMENT AGREEMENT**

**PERSONAL GUARANTY OF  
OWNER/SHAREHOLDER**

This Personal Guaranty and Assumption of Obligations (this “Guaranty”) is given this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_.

In consideration of, and as an inducement to, the execution of that certain Development Rights Rider of even date herewith (“Agreement”) by Shrunk 3D, Inc. (“Franchisor”), a South Carolina corporation and

\_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”), the undersigned hereby personally and unconditionally, jointly and severally: guaranties to Franchisor and its successors and assigns, for the Term of the Agreement and, including any renewal thereof, as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant stated in the Agreement and any documents, agreements, and instruments signed with or in connection with the Agreement (collectively, the “Franchise Documents”); and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Documents applicable to the owners of Franchisee.

The undersigned waives:

1. acceptance and notice of acceptance by Franchisor of the foregoing undertakings;
2. notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guarantied;
3. protest and notice of default to any party with respect to the indebtedness of non-performance of any obligations hereby guarantied;
4. any right the undersigned may have to require that an action be brought against Franchisee or any other person as a condition of liability;
5. any and all other notices and legal or equitable defenses to which the undersigned may be entitled;

The undersigned consents and agrees that:

1. the undersigned’s direct and immediate liability under this Guaranty shall be joint and several with all signatories to this and similar guaranties of Franchisee’s obligations;
2. the undersigned shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;
3. this Guaranty shall apply to any claims Franchisor may have due to return of any payments or property Franchisor may have received from Franchisee as a preference, fraudulent transfer or conveyance or the like in any legal proceeding;
4. such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and
5. such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which in any way modify or amend this Guaranty, which shall be continuing and



irrevocable during and after the terms of the Franchise Documents, as the same may be amended or renewed, until Franchisee's duties and obligations to Franchisor are fully discharged and satisfied.

All capitalized terms when used shall have the meanings ascribed to them in the Development Rights Rider or Franchise Agreement.

This Guaranty shall be governed, construed and interpreted in accordance with the substantive laws of the state where Franchisor has its principal place of business at the time a dispute arises, without giving effect to its conflicts of law principles.

**IN WITNESS WHEREOF**, each of the undersigned has affixed his signature as dated below.

GUARANTOR(S)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Print or Type Name

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Date

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\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date



## **EXHIBIT D**

### **LIST OF FRANCHISEES**

#### **Franchisees – Units Opened as of December 31, 2023**

| <b>Territory</b>                      | <b>Franchisee</b>                                                                     | <b>Address</b>                                      | <b>Telephone Number</b> |
|---------------------------------------|---------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------|
| Fort Myers, Florida                   | Steve Hunt<br>Southwest Florida<br>3D inc                                             | 24417 Baltic Ave Unit 1302<br>Punta Gorda, FL 33955 | 239-309-1648            |
| St. Augustine, Florida                | Tory & Brandy<br>Simpson<br>Humming Duck<br>Corp                                      | 7055 Blanding Blvd<br>Jacksonville, FL 32244        | 904-977-6678            |
| Tampa, Florida                        | Daniel Toro<br>3D Tech Imaging<br>LLC                                                 | 11625 Fringetree Ct.<br>Riverview, FL 33579         | 813-590-1451            |
| Atlanta, Georgia                      | Vishwa<br>Patel/Krishna<br>Taksali<br>3D Memories LLC                                 | 2155 Holtz Ln<br>Atlanta, GA 30318                  | 470-323-8742            |
| Atlanta, GA<br>(HELM)                 | Andrew Gleason<br>and Adam<br>McDaniel                                                | 5001 Macland Rd<br>Powder Springs, GA 30127         | 770-883-9110            |
| Augusta, Georgia                      | Matthew Widener<br>I Shrink Augusta<br>LLC                                            | 240 Pinehurst dr<br>Martinez GA 30907               | 706-920-4208            |
| Honolulu,<br>Hawaii                   | Jacqueline Little<br>Shrunk 3D Hawaii<br>LLC                                          | 1088 Bishop St. #1004<br>Honolulu, HI               | 808-294-6386            |
| Northeast<br>Kansas*                  | Mike Wingate<br>Ad Astra<br>Management Inc                                            | 12709 W 138th Pl,<br>Overland Park, KS 66221        | 913-915-8241            |
| Baton Rouge,<br>Louisiana             | Brooke and Tony<br>Hall<br>Hallways<br>Adventures LLC                                 | 25640 Oak Hill Rd<br>Denham Springs, LA 70726       | (225)-515-1015          |
| Downtown<br>Kansas City,<br>Missouri* | Matthew Reynolds<br>Six Kids LLC                                                      | 2111 W 30th Ave,<br>Emporia, KS 66801               | 719-510-3170            |
| Kansas City<br>North, Missouri        | James<br>Kammerer<br>SJ&Z, LLC                                                        | 5424 NE Scenic Dr,<br>Lees Summit, MO 64064         | 816-766-7077            |
| St. Louis,<br>Missouri                | Bill Ferguson<br>Chris Nichols<br>William Ferguson<br>II & Christopher<br>Nichols Inc | 1356 Mason Grove Dr<br>Saint Charles, MO 63304      | 314-757-0530            |



| <b>Territory</b>                    | <b>Franchisee</b>                                   | <b>Address</b>                                | <b>Telephone Number</b>             |
|-------------------------------------|-----------------------------------------------------|-----------------------------------------------|-------------------------------------|
| Lincoln and Omaha, Nebraska*        | Chris Gille<br>Leap Advisors Inc                    | 3101 N 177th St.<br>Omaha, NE 68116           | 402-216-8320                        |
| Las Vegas, Nevada                   | Jacqueline Little<br>Next Ventures Inc              | 1088 Bishop St. #1004<br>Honolulu, HI         | 808-294-6386                        |
| Columbus, OH                        | Tom Hodgson,<br>Brian Brooks and<br>Scott Bellinger | 4805 Cardigan Ridge CT<br>Dublin, OH 43017    | 614-768-7427                        |
| Low Country, South Carolina         | Ben Egan                                            | 2860 Bacons Bridge Rd,<br>Summerville, SC     | 504-261-3139                        |
| Nashville, Tennessee<br>(2 units) * | Drew Trotman<br>3DTN LLC                            | 701 Murfreesboro Pike<br>Nashville, TN 37210  | 615-456-8843 &<br>615-880-9316 (CT) |
| Austin, Texas                       | Jordan & Kahiran<br>Ramey<br>3D StatYou LLC         | 3238 Bay Hill Lane,<br>Round Rock, TX 78664   | 512-285-0987                        |
| South Texas Coast                   | Angie Ruddock                                       | 1002 E Main Street,<br>Rockport, TX           | 361-688-3177                        |
| Houston, Texas                      | Mark Levesque,<br>Aaron Burns                       | 63 Golden Shadow Circle,<br>The Woodlands, TX | 281-777-0010                        |
| Salt Lake City, Utah*               | Chad Welch<br>Welchkins, Corp.                      | 3793 Buchanan St.<br>Cedar Valley, UT 84013   | 801-872-4489                        |

\* Has right to open additional units per area development agreement.

**Franchisees – Franchise Agreement Signed but not yet opened as of December 31, 2023**

| <b>Territory</b>                | <b>Franchisee</b>                                        | <b>Address</b>                                                      | <b>Telephone Number</b> |
|---------------------------------|----------------------------------------------------------|---------------------------------------------------------------------|-------------------------|
| Phoenix, Arizona                | Leonard Lane<br>Klastow<br>HLK Enterprises               | 18333 W. Verdin Rd,<br>Goodyear, AZ 85338                           | 602-786-7193            |
| Orlando, Florida*2024           | Kathy Aponte<br>Shrinking<br>Orlando Corp                | 657 Tam Ct.<br>Winter Springs, FL<br>32708                          | (689)-689-7474          |
| Space Coast, Florida -<br>*2024 | Anthony & Ann<br>Tagliaferro<br>Shrunk Crazy<br>LLC      | 274 E Eau Gallie Blvd,<br>Ste 131 Indian Harbour<br>Beach, FL 32937 | 321-334-3956            |
| New Orleans, Louisiana          | Maartje Van<br>Krieken<br>Yellow Boot<br>Enterprises LLC | 935 Valence St,<br>New Orleans, LA 70115                            | 504-688-7245            |
| Portland, Oregon                | Jordan Chan                                              | 1210 SE Gideon St.<br>Portland, OR 97202                            | 212-365-4945            |



| <b>Territory</b>       | <b>Franchisee</b>                                        | <b>Address</b>                                     | <b>Telephone Number</b> |
|------------------------|----------------------------------------------------------|----------------------------------------------------|-------------------------|
| Chattanooga, Tennessee | Carter Cochran<br>Calden Inc                             | 907 Glamis Circle,<br>Signal Mountain, TN<br>37377 | 512-751-2780            |
| Frisco, Texas          | Justin Johnson<br>JAWTEKS 3D,<br>LLC                     | 4400 Praoroe Xing Apt<br>6103 Prosper, TX 75078    | 469-949-3264            |
| Plano, Texas           | Keith Sholes                                             | 2425 SilverLeaf Lane,<br>Anna, TX 75409            | 214-334-2096            |
| NE San Antonio, Texas  | Aaron Cooper &<br>Ray Asher<br>Cooper<br>Aquisitions LLC | 9900 Spectrum Dr,<br>Austin, TX 78717              | 210-422-3187            |
| Milwaukee, Wisconsin   | Alex Wiklin                                              | 1036 Boughton St,<br>Watertown, WI 53094           | 414-240-1381            |
|                        |                                                          |                                                    |                         |

**Franchisees – Franchise Agreement Signed after December 31, 2023**

| <b>Territory</b>                               | <b>Franchisee</b>                                         | <b>Address</b>                                | <b>Telephone Number</b> |
|------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------|-------------------------|
| Birmingham/Huntsville,<br>Alabama<br>(2 units) | Anthony and<br>Teri Gatlin<br>Sassy Moose, Inc            | 28409 Gatlin Rd,<br>Ardmore, AL 35739         | 256-679-0054            |
| Scottsdale, AZ<br>(2 units)                    | Brian Yates                                               | 6789 S Rachael Way<br>Gilbert AZ 85298        | 630-362-6094            |
| Marin County, California                       | Marcus and<br>Venesa Kubath<br>Sunset Acres<br>Ranch, LLC | 6464 Lone Pine Rd<br>Sebastopol CA 95472      | 714-310-4668            |
| West Los Angeles,<br>California<br>(3 units)   | Raman Bahl and<br>Chaitanya<br>Errande                    | 5043 Evergreen<br>Avenue, Cypress CA<br>90630 | 310-923-7935            |
| San Diego, California                          | Mary Morin &<br>Jessica Terry                             | 653 Sabrina Ter,<br>Ramona CA 92065           | 619-862-0981            |
| West Denver, Colorado                          | Nicholas Conklin                                          | 4925 E. 125th Ave.<br>Thornton Co 80241       | 845-545-5136            |
| South Delaware                                 | Demetrios<br>Retzos                                       | 34081 Roxana Road<br>Frankford, DE 19945      | 302-260-5460            |
| Wichita, KS                                    | Sidney Lendall                                            | 1150 North Peterson<br>Avenue                 | 316-993-0760            |



| <b>Territory</b>                            | <b>Franchisee</b>                                | <b>Address</b>                                | <b>Telephone Number</b> |
|---------------------------------------------|--------------------------------------------------|-----------------------------------------------|-------------------------|
| Raleigh-Durham, North Carolina<br>(4 units) | Eric & Nichole Weireter<br>Newmarks Minis, LLC   | 107 Blackford Ct<br>Durham NC 27712           | 984-230-2914            |
| Hershey-Harrisburg, Pennsylvania            | Anthony Fedullo<br>Fedullo Enterprises Corp      | 6613 Richmond Court,<br>Harrisburg, PA 17111  | 717-219-8161            |
| Cincinnati, Ohio                            | Susan Young<br>Life in 3D, LLC                   | 4312 Marival Way,<br>Mason Ohio 45040         | 513-884-1445            |
| Greenville, South Carolina                  | Jennifer and Joey Goldsmith<br>Jones Conley, LLC | 1501 State Park Road,<br>Greenville, SC 29609 | 864-651-4203            |
| Knoxville, Tennessee                        | Greg & Cheri Manning<br>C & G Canvas Inc         | 202 Barberry Ct<br>Maryville TN 37804         | 973-906-3632            |
| El Paso, Texas                              | Sandra Gastelum<br>SAS SUN CITY LLC              | 1101 Apache St<br>El Paso, TX 79925           | 915-203-3171            |
| Lake Geneva, WI<br>(2 units)                | Chris & Isamar Rohloff                           | W2544 Trinity Lane<br>Lake Geneva WI 53147    | 847-833-0738            |



**EXHIBIT E**

**FRANCHISEES WHO LEFT THE SYSTEM  
OR HAVE NOT COMMUNICATED**

**Franchisees that had an Outlet Terminated, Canceled, Not Renewed, or Otherwise  
Left the System – Between January 1, 2023 and December 31, 2023**

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

The following franchisees left our system in our last fiscal year, or did not communicate with us within 10 weeks of the issuance date of this disclosure document:

| <b>Territory</b>                                        | <b>Franchisee</b> | <b>Address</b>                      | <b>Telephone Number</b> |
|---------------------------------------------------------|-------------------|-------------------------------------|-------------------------|
| Atlanta, Georgia<br>(Closed-left<br>system)             | Shawn Allen       | 335 Kestrel Cove,<br>Alpharetta, GA | 770-710-6245            |
| Lowcountry<br>South Carolina<br>(Closed-left<br>system) | Gina Clark        | 121 Kingscreek Drive,<br>Greer, SC  | 864-263-9223            |
| San Antonio,<br>Texas (Transfer)                        | David Duncan      | 1 Burnwood,<br>San Antonio, TX      | 361 455 8923            |



**EXHIBIT F**  
**FINANCIAL STATEMENTS**



THESE JUNE 30, 2024 FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.



# Shrunk 3D Inc.

## Balance Sheet

As of June 30, 2024

|                                     | TOTAL                 |
|-------------------------------------|-----------------------|
| <b>ASSETS</b>                       |                       |
| Current Assets                      |                       |
| Bank Accounts                       | \$930,419.11          |
| Accounts Receivable                 | \$287,135.28          |
| Other Current Assets                | \$709,133.93          |
| <b>Total Current Assets</b>         | <b>\$1,926,688.32</b> |
| Fixed Assets                        | \$42,617.23           |
| Other Assets                        | \$454,238.36          |
| <b>TOTAL ASSETS</b>                 | <b>\$2,423,543.91</b> |
| <b>LIABILITIES AND EQUITY</b>       |                       |
| Liabilities                         | \$2,253,634.98        |
| Equity                              | \$169,908.93          |
| <b>TOTAL LIABILITIES AND EQUITY</b> | <b>\$2,423,543.91</b> |



## Shrunk 3D Inc.

### Profit and Loss

January - June, 2024

|                      | TOTAL          |
|----------------------|----------------|
| Income               | \$3,166,195.94 |
| Cost of Goods Sold   | \$1,181,342.37 |
| GROSS PROFIT         | \$1,984,853.57 |
| Expenses             | \$1,854,513.33 |
| NET OPERATING INCOME | \$130,340.24   |
| Other Income         | \$1,737.16     |
| Other Expenses       | \$46,705.88    |
| NET OTHER INCOME     | \$ -44,968.72  |
| NET INCOME           | \$85,371.52    |





CLARK SCHAEFER HACKETT  
BUSINESS ADVISORS

**Shrunk 3D, Inc.**

Financial Statements

December 31, 2023, 2022, and 2021

with Independent Auditors' Report



[cshco.com](https://cshco.com)



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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Stockholders of  
Shrunk 3D, Inc.:

**Opinion**

We have audited the accompanying financial statements of Shrunk 3D, Inc. (a South Carolina corporation), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shrunk 3D, Inc. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shrunk 3D, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Prior Period Financial Statements**

The balance sheet of Shrunk 3D, Inc. as of December 31, 2021, was audited by other auditors whose report dated July 26, 2022, expressed an unmodified opinion on that statement.

**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 Shrunk 3D, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditors' 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 auditors' 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 Shrunk 3D, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shrunk 3D, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
April 18, 2024



Shrunk 3D, Inc.  
Balance Sheets  
December 31, 2023, 2022, and 2021

|                                                                                                                       | <u>2023</u>         | <u>2022</u>      | <u>2021</u>     |
|-----------------------------------------------------------------------------------------------------------------------|---------------------|------------------|-----------------|
| <b>Assets</b>                                                                                                         |                     |                  |                 |
| Current assets:                                                                                                       |                     |                  |                 |
| Cash                                                                                                                  | \$ 504,412          | 62,260           | 53,722          |
| Accounts receivable                                                                                                   | 621,078             | 66,000           | 80,000          |
| Related party receivables                                                                                             | -                   | 127,734          | -               |
| Inventories                                                                                                           | 166,696             | 185,449          | 27,616          |
| Prepaid expenses                                                                                                      | <u>380,376</u>      | <u>9,995</u>     | <u>-</u>        |
| Total current assets                                                                                                  | <u>1,672,562</u>    | <u>451,438</u>   | <u>161,338</u>  |
| Property and equipment:                                                                                               |                     |                  |                 |
| Furniture and equipment                                                                                               | 54,336              | 54,336           | 83,748          |
| Less: accumulated depreciation                                                                                        | <u>31,051</u>       | <u>23,288</u>    | <u>26,990</u>   |
| Net property and equipment                                                                                            | <u>23,285</u>       | <u>31,048</u>    | <u>56,758</u>   |
| Deferred tax asset                                                                                                    | <u>201,439</u>      | <u>110,337</u>   | <u>-</u>        |
| Total assets                                                                                                          | \$ <u>1,897,286</u> | <u>592,823</u>   | <u>218,096</u>  |
| <b>Liabilities and Stockholders' Equity</b>                                                                           |                     |                  |                 |
| Current liabilities                                                                                                   |                     |                  |                 |
| Accounts payable                                                                                                      | \$ 20,909           | -                | 8,736           |
| Accrued expense                                                                                                       | 89,663              | 53,462           | 11,256          |
| Deferred revenue                                                                                                      | <u>1,702,174</u>    | <u>154,900</u>   | <u>272,500</u>  |
| Total liabilities                                                                                                     | <u>1,812,746</u>    | <u>208,362</u>   | <u>292,492</u>  |
| Stockholders' equity (deficit)                                                                                        |                     |                  |                 |
| Common stock, with a \$1 par value; 7,895, 7,895, and 6,000 shares authorized, issued, and outstanding, respectively. | 7,895               | 7,895            | 6,000           |
| Additional paid in capital                                                                                            | 499,605             | 499,605          | -               |
| Retained deficit                                                                                                      | <u>(422,960)</u>    | <u>(123,039)</u> | <u>(80,396)</u> |
| Total stockholders' equity (deficit)                                                                                  | <u>84,540</u>       | <u>384,461</u>   | <u>(74,396)</u> |
| Total liabilities and stockholders' equity                                                                            | \$ <u>1,897,286</u> | <u>592,823</u>   | <u>218,096</u>  |

See accompanying notes to the financial statements.



Shrunk 3D, Inc.  
Statement of Operations  
For the Years Ended December 31, 2023 and 2022

|                                              | <u>2023</u>         | <u>2022</u>      |
|----------------------------------------------|---------------------|------------------|
| Franchise fees                               | \$ 938,000          | 878,625          |
| Booth revenue                                | 1,796,893           | -                |
| Revenue from franchise agreements            | <u>241,024</u>      | <u>169,110</u>   |
| Total revenue                                | <u>2,975,917</u>    | <u>1,047,735</u> |
| Expenses:                                    |                     |                  |
| Operating expenses                           | 1,161,049           | 786,802          |
| Selling, general and administrative expenses | <u>2,204,020</u>    | <u>411,400</u>   |
| Total expenses                               | <u>3,365,069</u>    | <u>1,198,202</u> |
| Loss from operations                         | <u>(389,152)</u>    | <u>(150,467)</u> |
| Other income (expense):                      |                     |                  |
| Depreciation expense                         | (7,763)             | (7,763)          |
| Miscellaneous income                         | <u>6,951</u>        | <u>5,250</u>     |
| Total other expense                          | <u>(812)</u>        | <u>(2,513)</u>   |
| Loss before income tax benefit               | (389,964)           | (152,980)        |
| Provision for income tax benefit             | <u>(90,043)</u>     | <u>(110,337)</u> |
| Net loss                                     | <u>\$ (299,921)</u> | <u>(42,643)</u>  |

See accompanying notes to the financial statements.



Shrunk 3D, Inc.  
Statements of Stockholders' Equity  
For the Years Ended December 31, 2023 and 2022

|                                                       | <u>Common Stock</u> |                 | <u>Additional</u>      | <u>Retained</u>  | <u>Total</u>                          |
|-------------------------------------------------------|---------------------|-----------------|------------------------|------------------|---------------------------------------|
|                                                       | <u>Shares</u>       | <u>Amount</u>   | <u>Paid in Capital</u> | <u>Deficit</u>   | <u>Stockholders' Equity (Deficit)</u> |
| Balance at December 31, 2021 - as previously reported | 6,000               | \$ 6,000        | -                      | (173,729)        | (167,729)                             |
| Effect on equity from change in accounting principle  | -                   | -               | -                      | 93,333           | 93,333                                |
| Balance at December 31, 2021 - adjusted               | 6,000               | 6,000           | -                      | (80,396)         | (74,396)                              |
| Issuance of common stock                              | 1,895               | 1,895           | -                      | -                | 1,895                                 |
| Shareholder capital contributions                     | -                   | -               | 499,605                | -                | 499,605                               |
| Net loss                                              | -                   | -               | -                      | (42,643)         | (42,643)                              |
| Balance at December 31, 2022                          | 7,895               | \$ 7,895        | 499,605                | (123,039)        | 384,461                               |
| Net loss                                              | -                   | -               | -                      | (299,921)        | (299,921)                             |
| Balance at December 31, 2023                          | <u>7,895</u>        | <u>\$ 7,895</u> | <u>499,605</u>         | <u>(422,960)</u> | <u>84,540</u>                         |

See accompanying notes to the financial statements.



Shrunk 3D, Inc.  
Statements of Cash Flows  
For the Years Ended December 31, 2023 and 2022

|                                                                                         | <u>2023</u>       | <u>2022</u>      |
|-----------------------------------------------------------------------------------------|-------------------|------------------|
| Cash flows from operating activities                                                    |                   |                  |
| Net loss                                                                                | \$ (299,921)      | (42,643)         |
| Adjustments to reconcile net loss to net cash used in operating activities:             |                   |                  |
| Depreciation expense                                                                    | 7,763             | 7,763            |
| Deferred tax benefit                                                                    | (91,102)          | (110,337)        |
| Changes in operating assets and liabilities:                                            |                   |                  |
| Accounts receivable                                                                     | (555,078)         | 14,000           |
| Related party receivables                                                               | 127,734           | (109,787)        |
| Inventories                                                                             | 18,753            | (157,833)        |
| Prepaid expenses                                                                        | (370,381)         | (9,995)          |
| Accounts payable and accrued expenses                                                   | 57,110            | 33,470           |
| Deferred income                                                                         | <u>1,547,274</u>  | <u>(117,600)</u> |
| Net cash provided (used) by operating activities                                        | <u>442,152</u>    | <u>(492,962)</u> |
| Cash flows from financing activities                                                    |                   |                  |
| Issuance of common stock                                                                | -                 | 1,895            |
| Shareholder capital contributions                                                       | <u>-</u>          | <u>499,605</u>   |
| Net cash provided by financing activities                                               | <u>-</u>          | <u>501,500</u>   |
| Net change in cash                                                                      | 442,152           | 8,538            |
| Cash at beginning of period                                                             | <u>62,260</u>     | <u>53,722</u>    |
| Cash at end of period                                                                   | \$ <u>504,412</u> | <u>62,260</u>    |
| <u>Supplemental disclosure of cash flow information:</u>                                |                   |                  |
| Related party receivable generated by disposal of property and equipment to stockholder | \$ <u>-</u>       | <u>17,947</u>    |

See accompanying notes to the financial statements.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of Shrunk 3D, Inc. (the "Company") are set forth to facilitate the understanding of data presented in the financial statement:

### **Nature of business**

The Company offers the opportunity to operate a mobile store selling 3D printed products and other 3D scanning and printing services operation under the "Shrunk 3D" name. The Company began selling franchises in May 2021.

### **Adoption of a new accounting standard**

The Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, on January 1, 2023. Topic 326 modifies the measurement of expected credit losses on certain financial instruments. The Company adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Company's financial statements.

### **Cash**

The Company maintains cash balances in a financial institution that may, at times, exceed federally insured limits. The Company has not experienced any losses in cash balances and management believes it is not exposed to any significant credit risk of loss in cash.

### **Accounts receivable and allowance for credit losses**

Accounts receivable are stated at their contractual outstanding balance. Accounts receivable are ordinarily due between 30 and 60 days after the issuance of the invoice. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. An allowance for credit losses is an estimate based upon historical percentage of losses and risk classification of receivables. This estimate is adjusted based on forecasts of future operating results based upon current trends and macroeconomic factors. Accounts receivable balances are charged-off against the allowance for credit losses after recovery efforts have ceased. Management has reviewed the Company's accounts receivable and determined that expected credit losses are not material.

### **Inventories**

Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or net realizable value. Inventories consist primarily of raw materials used in the construction of the mobile booths sold to the franchisees.

### **Property and equipment**

Property and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

### **Franchising program**

The franchise agreement provides for an initial franchise fee of \$49,900. Royalty payments are set at 8% of gross revenue and brand development fees are set at 2% of gross revenue paid monthly. At the beginning of the fourth month of operation, there is a minimum royalty payment of \$500 per month.



Franchise agreements have 5–10-year terms and can be renewed for two additional 5-year terms at a cost of \$10,000 per additional term. As a part of the signing of the franchise agreement, the franchisee agrees to purchase a mobile booth from the franchisor for a cost ranging from \$110,000 to \$120,000.

#### Change in accounting principle and revenue recognition

In January 2021, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2021-02, *Franchisors - Revenue from Contracts with Customers (Subtopic 952-606)*. ASU 2021-02 introduces a new practical expedient that simplifies the application of the guidance regarding identification of performance obligations by permitting non-public franchisors to elect to recognize all pre-opening services provided to franchisees as a single performance obligation rather than identifying each pre-opening service as separate performance obligations. The Company's management adopted ASU 2021-02 in 2022 and elected to consider all pre-opening services as a single performance obligation. The election was a change in accounting principle and was reported through retrospective application.

The effects of the change in accounting principle was a decrease of \$93,333 to the opening retained deficit and deferred revenue. Prior to adoption, the Company had a retained deficit and deferred revenue at December 31, 2021 of \$173,729 and \$365,833, respectively. The change in accounting principle reduced the retained deficit and deferred revenue to \$80,396 and \$272,500, respectively, at December 31, 2021.

Franchise fees are recognized in the period when the Company performs substantially all initial services required under the franchise agreements as a single performance obligation. Deferred revenue represents franchise fees collected for which pre-opening assistance and mobile booth delivery has not been completed as of year-end. Franchisees are required to pay continuing monthly royalties based on gross receipts in addition to other agreed upon fees noted in the franchise agreement which are calculated based on monthly receipts. Franchise fees and booth revenue are recognized at a point in time whereas the revenue from franchise agreements are recognized over time.

The opening and closing balances of accounts receivable and the assets and liabilities related to revenue from contracts with customers at December 31, 2023, 2022 and 2021 and January 1, 2021 are as follows:

|                     | December 31,<br><u>2023</u> | December 31,<br><u>2022</u> | December 31,<br><u>2021</u> | January 1,<br><u>2021</u> |
|---------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------|
| Accounts receivable | \$ <u>621,078</u>           | <u>66,000</u>               | <u>80,000</u>               | <u>-</u>                  |
| Deferred revenue    | \$ <u>1,702,174</u>         | <u>154,900</u>              | <u>272,500</u>              | <u>-</u>                  |
| Deferred costs      | \$ <u>380,376</u>           | <u>-</u>                    | <u>-</u>                    | <u>-</u>                  |

#### Estimates

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



### Leases

The Company considers an arrangement a lease if, at inception, the arrangement transfers the right to control the use of an identified asset for a period of time in exchange for consideration. Under leasing standards, control is defined as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

The Company has elected the accounting policy election for all leases with a term of 12 months or less for both existing and ongoing leases to not recognize the asset and liability for the leases. The Company currently has short-term leases that are less than one year without purchase or renewal options that are reasonably certain to be exercised.

### Income taxes

Since inception to September 30, 2022, the Company's stockholders elected to have the Company taxed as an "S" corporation under provisions of the Internal Revenue Code and a similar section of state income tax laws. Therefore, taxable income or loss was reported to the individual stockholders for inclusion in their respective tax returns. Accordingly, no provision or liability for corporate federal income taxes had been included in the financial statements.

Effective October 1, 2022, the Company's stockholders elected to have the Company taxed as a "C" corporation. Income taxes are recorded in accordance with Topic 740 *Income Taxes*. The asset and liability approach underlying Topic 740 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax basis of the Company's assets and liabilities. To the extent tax laws change, deferred tax assets and liabilities are adjusted in the period that the tax change is enacted.

"Provision for income taxes" includes (i) deferred tax expense or benefit, which represents the net change in the deferred tax asset or liability balance during the year, and (ii) current tax expense or benefit, which represents the amount of tax currently payable to or receivable from a tax authority. Provision for income taxes excludes the tax effects related to adjustments recorded in equity.

Under Topic 740, an uncertain tax position is recognized only if it is more likely than not to be sustained upon examination based on the technical merits of the position. The amount of tax benefit recognized in the financial statements is the largest amount of benefit that is more than fifty percent likely of being sustained upon ultimate settlement of the uncertain tax position. The Company recognizes interest related to unrecognized tax benefits, if any, in income tax expense, and penalties, if any, in operating expenses.

### Subsequent events

Management has evaluated subsequent events through April 18, 2024, the date the financial statements were available for issue.

## 2. RELATED PARTY TRANSACTIONS:

The Company had balances due from certain stockholders at December 31, 2022. These amounts were shown gross on the balance sheets as a current asset as it was the intent of management to settle these items in the near term. As of December 31, 2022, the Company has an outstanding receivable balance of \$127,734. These receivables were collected during 2023.



### 3. LEASES:

The Company leases office space on a month-to-month basis. Rent expense, including parking and other variable expenses, charged to operations for the years ended December 31, 2023 and 2022 were \$40,600 and \$15,215, respectively. The leases can be terminated with a 30-day notice by either party.

Subsequent to the end of the year, the Company entered into a lease that led to the recognition of a right-of-use asset and lease liability of approximately \$300,000 at the commencement of the lease.

### 4. RISKS AND UNCERTAINTIES:

The Company offers franchises for the "Shrunk 3D" name and mark. As a result, the Company's future revenue is dependent upon the success, growth, and support of the "Shrunk 3D" name and mark, and the Company's future franchisees.

### 5. INCOME TAXES:

The components of income tax benefit from operations and a reconciliation of the statutory federal income tax with the provision for income taxes are as follows for the year ended December 31:

|                                     | <u>2023</u>                | <u>2022</u>              |
|-------------------------------------|----------------------------|--------------------------|
| Tax based on federal statutory rate | \$ (81,892) (21.0)%        | (89,325) (21.0)%         |
| State taxes                         | (17,520) (4.5)             | (21,219) (5.0)           |
| Other                               | 6,619 1.7                  | - 0.0                    |
| Permanent difference                | <u>1,691 0.4</u>           | <u>207 0.1</u>           |
| Effective tax rate                  | \$ <u>(91,102) (23.4)%</u> | <u>(110,337) (25.9)%</u> |

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income and for tax carryforwards. Significant components of the Company's deferred tax assets are as follows:

|                           | <u>2023</u>       | <u>2022</u>    |
|---------------------------|-------------------|----------------|
| Deferred tax assets:      |                   |                |
| Depreciation              | \$ 235            | -              |
| Net operating losses      | <u>201,204</u>    | <u>110,337</u> |
| Total deferred tax assets | \$ <u>201,439</u> | <u>110,337</u> |

Management anticipates the net operating losses will be realized in the normal course of operations and a reserve against the deferred tax asset is not warranted at December 31, 2023 and 2022.

As of December 31, 2023, the Company has apportioned federal and state net operating loss carryforwards of approximately \$774,000 and \$39,000, respectively, which may be carried forward indefinitely.





**EXHIBIT G**

**OPERATIONS MANUAL TABLE OF CONTENTS**

| <b>Sections</b>       | <b># of Pages</b> |
|-----------------------|-------------------|
| General .....         | 6                 |
| Scanner Software..... | 7                 |
| Web Portal.....       | 3                 |
| Hardware .....        | 4                 |
| Marketing .....       | 5                 |
| Troubleshooting.....  | 5                 |

**Total: 30**



## **EXHIBIT H**

### **STATE SPECIFIC ADDENDA AND AGREEMENTS RIDERS**

The following modifications are made to this Disclosure Document given to you and may supersede certain portions of the Franchise Agreement between you and us dated as of the Effective Date set forth in your Franchise Agreement. When the term “Franchisor’s Choice of Law State” is used, it means the laws of the state of South Carolina, subject to any modifications as set forth in the addenda below. When the term “Supplemental Agreements” is used, it means Area Development Agreement.

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

If your state requires these modifications, you will sign the signature page to the Addenda along with the Franchise Agreement and any Supplemental Agreements.



## CALIFORNIA

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of California:

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT [dfpi.ca.gov](https://dfpi.ca.gov).

### ITEM 3 – LITIGATION

Neither the Franchisor, nor any person identified in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange

### ITEM 17 – RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

1. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. The Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
2. The Franchise Agreement provides for termination upon bankruptcy, this provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq).
3. The Franchise Agreement and the Development Agreement contain provisions requiring application of the laws of South Carolina. This provision may not be enforceable under California law.
4. The Franchise Agreement and the Development Agreement require venue to be limited to South Carolina. This provision may not be enforceable under California law.
5. The Franchise Agreement contains a covenant not to compete which extends beyond the termination or non-renewal of the franchise. This provision may not be enforceable under California law.
6. THE FRANCHISE AGREEMENT MAY REQUIRE THE FRANCHISEE TO EXECUTE A GENERAL RELEASE OF CLAIMS UPON EXECUTION OF THE FRANCHISE AGREEMENT. CALIFORNIA CORPORATIONS CODE SECTION 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE SECTIONS 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE SECTION 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE SECTIONS 20000 THROUGH 20043).
7. California Corporations Code, Section 31125 requires us to give you a disclosure document, approved by the Department of Corporations before we ask you to consider a material modification of your Franchise Agreement or the Development Agreement.
8. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.



9. The Franchise Agreement and any Area Development Agreement require binding arbitration. The arbitration will occur in South Carolina. If we are the substantially prevailing party, we will be entitled to recover reasonable attorneys' fees and litigations costs and expenses in connection with the arbitration. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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 and claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.



## HAWAII

The following paragraphs are added in the state cover pages:

THESE FRANCHISES WILL HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF SECURITIES, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE COMMISSIONER OF SECURITIES, DEPARTMENT 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 DISCLOSURE DOCUMENT, AND THIS ADDENDUM, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS ADDENDUM AND THE DISCLOSURE DOCUMENT CONTAIN 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.

The name and address of the Franchisor's agent in this state authorized to receive service of process is: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., the Franchise Disclosure Document for Shrunk3D Inc. in connection with the offer and sale of franchises for use in the State of Hawaii shall be amended to include the following:

This proposed registration is effective/exempt from registration or will shortly be on file in California, Hawaii, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington, and Wisconsin. No states have refused, by order or otherwise, to register these franchises. No states have revoked or suspended the right to offer these franchises. The proposed registration of these franchises has not been involuntarily withdrawn in any state.

**Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., are met independently without reference to this Addendum to the disclosure document.**



## ILLINOIS

### FDD Item 5 and FA Section 4.1 and DA Section 2

Based on our financial condition, the Illinois Attorney General's Office has imposed on us a surety bond requirement. Accordingly, we have posted a surety bond in the amount of \$149,700, which equals the initial and development fees for the number of authorized franchises (3) we may sell in Illinois in the ensuring registration year. The bond is conditioned upon our performance of our obligations under the franchise and other agreements to furnish the goods and/or services necessary for our franchisees to establish and open for business and upon our compliance with the Illinois Franchise Disclosure Act and section 200.505 of the Illinois Administrative Rules

Illinois law governs the Disclosure Document and Franchise Agreement(s).

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.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois 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.

If you use your booth to serve a single location in your designated Territory for more than 25 out of 30 days, the Franchisor can require you to purchase an additional Booth to serve other venues/events in your Territory. This additional required purchase will increase your expenses.

"National Accounts: Exist in this franchise system. National Accounts are customers with multiple properties in various Territories. The Franchisor alone, negotiates the terms of all National Accounts. Be certain to read Item 12 in the disclosure document so that you understand how National Accounts may impact your and your franchise business. Your is NOT EXCLUSIVE.

You may not relocate your business without signing another Franchise Agreement.

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.

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



## INDIANA

Notwithstanding anything to the contrary set forth in the Franchise Agreement or Area Development Agreement, the following provisions shall supersede and apply to all franchises offered and sold in the State of Indiana:

1. The Franchise Agreement and Area Development Agreement will be governed by Indiana law. Venue for litigation will not be limited to a venue outside of the State of Indiana, as specified in the Franchise Agreement and Area Development Agreement.
2. The prohibition by Indiana Code 23-2-2.7-1 (7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as a material breach of the Franchise Agreement, shall supersede any conflicting provisions of the Franchise Agreement and the Area Development Agreement in the State of Indiana to the extent they may be inconsistent with such prohibition.
3. No release language set forth in the Franchise Agreement or Area Development Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana.
4. The post-termination non-competition covenants set forth in the Franchise Agreement and Area Development Agreement shall be limited in time to a maximum of three (3) years and in geographic scope to the designated territory granted by the Agreement.
5. Nothing in the Franchise Agreement or Area Development Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana, and the laws of the State of Indiana supersede any conflicting choice of law provisions set forth herein if such provision is in conflict with Indiana law.
6. You will not be required to indemnify us and the other Indemnities for any liability caused by your proper reliance on or use of procedures or materials provided by us or caused by our negligence.
7. If we receive any payments related to purchases from you that we do not pass on in full to the supplier, we will promptly account for the amount of the payment that we retained and we will transmit the retained amount to you.



## IOWA

Any provision in the Franchise Agreement or Compliance Questionnaire which would require you to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability imposed by the Iowa Business Opportunity Promotions Law (Iowa Code Ch. 551A) is void to the extent that such provision violates such law.

The following language will be added to the Franchise Agreement:

### NOTICE OF CANCELLATION

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within three business days from the above date. If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to the seller at your residence or business address, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do not agree to return the goods to the seller or if the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Shrunk3D, Inc. 2019 Cherry Hill Ln. A., North Charleston, SC 29405 not later than midnight of the third business day after the Effective Date.

I hereby cancel this transaction.

FRANCHISEE

Signed:

Name:

Date:



## **MARYLAND**

The following provisions will supersede anything to the contrary in the Franchise Disclosure Document, Franchise Agreement or Area Development Agreement and will apply to all franchises offered and sold under the laws of the State of Maryland:

### **Item 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

1. No release language in the Franchise Agreement or Area Development Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Maryland. Any general release required as a condition of renewal, sale and/or assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. A franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Laws must be brought within three years after the grant of the franchise.
  1. The provision in the Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving and 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.



**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE MICHIGAN FRANCHISE INVESTMENT LAW**

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 shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provisions 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 franchised 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, marketing, 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 shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.<sup>1</sup>
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) the failure of the proposed franchisee to meet the franchisor's then-current reasonable qualifications or standards;

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<sup>1</sup>NOTE: Notwithstanding paragraph (f) above, we intend to fully enforce the provisions of the arbitration section of our agreements. We believe that paragraph (f) is preempted by the Federal Arbitration Act and that paragraph (f) is therefore unconstitutional.



- (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; and
  - (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.

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The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

\*\*\*\*\*

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor must, at the request of the 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, training, 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 name and address of the franchisor's agent in this state authorized to receive service of process is: Michigan Department of Commerce, Corporation and Securities Bureau, 6546 Mercantile Way, P.O. Box 30222, Lansing, MI 48910.

Any questions regarding this notice should be directed to:

Department of the Attorney General's Office  
Corporate Oversight Division  
Attn: Franchise  
670 G. Mennen Williams Building  
Lansing, MI 48913



## MINNESOTA

Notwithstanding anything to the contrary set forth in the Disclosure Document, the Franchise Agreement, or the Area Development Agreement, the following provisions will supersede and apply:

1. Item 5 “Fees” and Item 7 “Estimated Initial Investment” of the Disclosure Document and Article 4 of the Franchise Agreement are amended to include the following provision:

“Due to Franchisor’s financial condition, the payment of the initial franchise fee is deferred until the business opens.”

2. We will protect your right to use the trademarks, service marks, trade names, logotypes, or other commercial symbols and/or indemnify you from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the same.
3. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit the Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement(s) 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 the jurisdiction.
4. No release language set forth in the Franchise Agreement or Area Development Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota.
5. Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Statutes, Section 80C.14, subdivisions 3, 4, and 5 require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Franchise Agreement or Area Development Agreement.
6. Under the terms of the Franchise Agreement and Area Development Agreement, as modified by the Minnesota Addendum to the Franchise Agreement, you agree that if you engage in any non-compliance with the terms of the Franchise Agreement or unauthorized or improper use of the System Marks, or Proprietary Materials during or after the period of the Agreements, we will be entitled to seek both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies which we may have at law, and you consent to the seeking of these temporary and permanent injunctions.
7. NSF checks and related interest and attorneys’ fees are governed by Minnesota Statute 604.113, which puts a cap of \$30 on initial service charges and requires notice and opportunity to cure prior to assessing interest and attorneys’ fees.
8. The Limitations of Claims section must comply with Minnesota Stat. § 80C.17, subd. 5.
9. Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.

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 and claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.



## NEW YORK

### NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT B 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 THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR 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.**

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- a. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- b. No such party has pending actions, other than routine litigation, incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- c. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- d. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust; trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.



3. The following is added to the end of the "Summary" section of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Section 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**":

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" section of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "**Choice of Law**":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements - No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving and claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts - Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship



## NORTH DAKOTA

In North Dakota, the Disclosure Document, Franchise Agreement and Development Schedule are amended as follows to conform to North Dakota law:

Item 5 “Initial Fees,” is supplemented by the addition of the following:

Refund and cancellation provisions will be inapplicable to franchises operating under North Dakota Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17. If franchisor elects to cancel this Franchise Agreement, franchisor will be entitled to a reasonable fee for its evaluation of you and related preparatory work performed and expenses actually incurred.

After examination of the financial statements of franchisor, North Dakota has required that the Initial Fee’s shall be deferred until all initial obligations owed to franchisee under the franchise agreement have been fulfilled by the franchisor and the franchisee has commenced doing business under the franchise agreement.

Item 6 “Other Fees,” is supplemented by the addition of the following:

No consent to termination or liquidated damages shall be required from franchisees in the State of North Dakota.

Item 17 “Renewal, Termination, Transfer and Dispute Resolution,” is supplemented by the addition of the following:

Any provision requiring a franchisee to sign a general release upon renewal of the franchise agreement has been determined to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

Any provision requiring a franchisee to consent to termination or liquidation damages has been determined to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

Covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, and inequitable. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

Any provision in the Franchise Agreement, Disclosure Document, or Development Rider requiring a franchisee to agree to the arbitration or mediation of disputes at a location that is remote from the site of the franchisee’s business has been determined to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The site of arbitration or mediation must be agreeable to all parties and may not be remote from the franchisee’s place of business.

Any provision in the Franchise Agreement, Disclosure Document, or Development Rider which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue in a forum outside of North Dakota is void with respect to any cause of action which is otherwise enforceable in North Dakota.



Apart from civil liability as set forth in Section 51-19-12 of the N.D.C.C., which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud), the liability of the franchisor to a franchisee is based largely on contract law. Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents and it is unfair to franchise investors to require them to waive their rights under North Dakota Law.

Any provision in the Franchise Agreement, Disclosure Document, or Development Rider requiring that the Franchise Agreement be construed according to the laws of a state other than North Dakota are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

Any provision in the Franchise Agreement, Disclosure Document, or Development Rider which requires a franchisee to waive his or her right to a jury trial has been determined to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

Any provision in the Franchise Agreement, Disclosure Document, or Development Rider which requires a franchisee to consent to a waiver of exemplary and punitive damages has been determined to be unfair, unjust, and inequitable with the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

Any provision in the Franchise Agreement, Disclosure Document, or Development Rider which requires a franchisee to consent to a limitation of claims within one year has been determined to be unfair, unjust, and inequitable with the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The applicable statute of limitations period shall be determined by North Dakota law.

Any provision in the Franchise Agreement, Disclosure Document, or Development Rider which requires a franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement has been determined to be unfair, unjust, and inequitable with the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

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 and claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.



## OHIO

The following language will be added to the front page of the Franchise Agreement:

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

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

### NOTICE OF CANCELLATION

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Shrunk3D, Inc. 2019 Cherry Hill Ln. A., North Charleston, SC 29405 not later than midnight of the fifth business day after the Effective Date.

I hereby cancel this transaction.

FRANCHISEE

Signed:

Name:

Date:



## **RHODE ISLAND**

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Rhode Island.

### **ITEM 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

§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.”

Any general release as a condition of renewal, termination or transfer will be void with respect to claims under the Rhode Island Franchise Investment Act.



## VIRGINIA

**In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Shrunk 3D, Inc., for use in the Commonwealth of Virginia shall be amended as follows:**

Ris Factor:

**Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$187,485 to \$267,235. This amount exceeds the franchisor's stockholders equity as of December 31, 2023, which is \$84,450.

Additional Disclosure: The following statements are added to Item 17:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute "reasonable cause" as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving and claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.



## WASHINGTON

The following provisions amend the FDD, Franchise Agreement, Area Development Agreement, and related agreements for Washington franchisees:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

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

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

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

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

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

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

Section 1.1 of the Franchise Agreement does not apply in Washington.

Section 2.6 of the Franchise Agreement is revised to remove the disclaimer of liability as it applies to Washington franchisees.

Section 12.5 of the Franchise Agreement is revised such that Franchisees has no obligation to indemnify or hold harmless any indemnified party for losses to the extent that they are determined to have been caused solely and directly by the indemnified party's negligence, willful misconduct, strict liability, or fraud.



Section 14.5 of the Franchise Agreement is revised such that Franchisor or its agents and Affiliates shall operate the Franchised Business only for so long as Franchisor deems necessary and practical in its reasonable discretion during such time that the default and cause of harm continue to exist.

Section 15.1(G) of the Franchise Agreement is revised to remove the following as it applies to Washington franchisees: “without responsibility for any actual or consequential damages to the property of the Franchisee or others.”

Section 15.1(L) of the Franchise Agreement is revised such that Franchisor or its agents and Affiliates shall operate the Franchise Business only for so long as Franchisor deems necessary and practical in its reasonable discretion during such time the cause of harm continues to exist.

Section 19.4 of the Franchise Agreement does not apply in Washington.

Section 19.5 of the Franchise Agreement does not apply in Washington.

Section 20.1 of the Franchise Agreement is deleted and replaced with the following:

**“Entire Agreement and Amendment.** This Agreement, together with any other documents or agreement executed by the parties contemporaneously hereto, supersede and cancel any prior and/or contemporaneous discussions and understandings between Franchisor or anyone acting on its behalf and Franchisee or anyone acting on his or her behalf, with respect to the relationship between the parties, provided, however, that nothing in this Agreement or any related document is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document furnished to Franchisee. This Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto, constitutes the entire agreement between the parties and contains all of the terms, conditions, rights, and obligations of the parties with respect to any aspect of the relationship between the parties. No future franchise license rights or offer of franchise license rights have been promised to Franchisee and no such franchise license rights or offer of franchise license rights shall come into existence, except by means of a separate writing, executed by an officer of Franchisor or such other entity granting the Franchise Agreement and specifically identified as a modification of this Agreement. No change, modification amendment or waiver of any of the provisions hereof, including by custom or usage of trade or course of dealing or performance, shall be effective and binding upon either party unless it is in writing, specifically identified as an amendment hereto, and signed by the party to be charged.”

Section 14 of the Exhibit G Software License Agreement is revised to remove the following as it applies to Washington franchisees: “YOU AGREE THAT THESE DISCLAIMERS REASONABLE AND A BASIS FOR US GRANTING YOU THIS LICENSE.”

Section 15 of the Exhibit G Software License Agreement does not apply in Washington.

**Use of Franchise Brokers.** The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and /or selling the franchise. Carefully evaluate any information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor’s current and former franchisees to ask them about their experience with the franchisor.

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 and 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.

Item 5 “Fees” of the Disclosure Document and Article 4 of the Franchise Agreement are amended to include the following provision:

“Due to Franchisor’s financial condition, the payment of the initial franchise fee is deferred until Franchisor has fulfilled its initial, pre-opening obligations to Franchisee and the Franchisee is business opens.

Because Franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Area Development Agreement, payment of the Development Fees will be due proportionally with respect to each franchise outlet opened when Franchisor has met all its pre-opening obligations under the Agreement and Franchisee is open for business with respect to each such location.”

Franchisees who receive financial incentives to refer franchise prospects to the Franchisor may be required to register as franchise brokers under the laws of Washington State.



## **WISCONSIN**

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.



## SIGNATURE PAGE FOR APPLICABLE ADDENDA

It is agreed that the applicable foregoing state law addendum for the state of \_\_\_\_\_[insert state], if any, supersedes any inconsistent portion of the Franchise Agreement or Area Development Agreement (to which this addendum is attached) of this same date, and of the Franchise Disclosure Document. All terms of the Franchise Agreement and Development Agreement, including these State Law Addendum provisions for the relevant state, have been agreed to at the time the Franchise Agreement/ Development Agreement was signed. This addendum will also have effect if the FDD, Franchise Agreement, Area Development Agreement, or our relationship with you satisfies all of the jurisdictional requirements of the relevant state's franchise laws regardless of whether you have acknowledged the incorporation of this addendum.

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

### FRANCHISOR:

Shrunk3D, Inc.

\_\_\_\_\_

Sign

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

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

### FRANCHISEE:

FRANCHISEE

\_\_\_\_\_

Sign

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

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



## **EXHIBIT I**

### **SAMPLE CONFIDENTIALITY AND NON-COMPETE AGREEMENT**

#### **SAMPLE CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT**

***(for trained employees, officers, directors, general partners, members, Operating Principal(s), Key Manager(s), and any other management personnel of Franchisee)***

In consideration of my being a [INSERT TITLE/ROLE WITH FRANCHISEE] of [FRANCHISEE ENTITY] (the “Franchisee”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I (the undersigned) hereby acknowledge and agree that Franchisee has acquired the right from Shrunk 3D, Inc. (the “Company”) to: (i) establish and operate a Shrunk 3D franchised business (the “Franchised Business”); and (ii) use in the operation of the Franchised Business the Company’s trade names, trademarks and service marks (collectively, the “Marks”) and the Company’s unique and distinctive format and system relating to the establishment and operation of a Franchised Business (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: [LOCATION ADDRESS] (the “Premises”).

1. The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation: Company’s proprietary and confidential Operations Manual and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the “Manual”); Franchisor’s proprietary training materials and programs, as well as proprietary marketing methods and other instructional materials, trade secrets; information related to any other proprietary methodology or aspects of the System or the establishment and continued operation of the Franchised Business; financial information; any and all customer lists, contracts and other customer information obtained through the operation of the Franchised Business and other \_\_\_\_\_ businesses; any information related to any type of proprietary software that may be developed and/or used in the operation of with the Franchised Business; and any techniques, methods and know-how related to the operation of the Franchised Business or otherwise used in connection with the System, which includes certain trade secrets, copyrighted materials, methods and other techniques and know-how (collectively, the “Confidential Information”).

2. Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement.

3. As [INSERT TITLE WITH RESPECT TO FRANCHISEE] of 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 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, in whole or in part, 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 as [INSERT TITLE] of the Franchisee, and will continue not to 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. I will surrender any material containing some or all of the Confidential Information to the Company, upon request, or upon conclusion of the use for which the information or material may have been furnished.

7. 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: offers 3D scanning services and/or 3D printing services, or that is otherwise similar to the businesses offered and operated by the Company and its franchisees (collectively, a "Competing Business"). I also agree that I will not undertake any action to divert business from the Franchised Business to any Competing Business or solicit any of the former customers or employees of Franchisee for any competitive business purpose.

7.1 *Post-Term Restrictive Covenant for Controlling Person of Franchised Business or Manager/Officers/Directors of Franchisee.* In the event I am a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a personal guaranty agreeing to be bound by the terms of the Franchise Agreement, then I further agree that I will not be involved in a Competing Business of any kind for a period of one year after the expiration or termination of my employment with Franchisee for any reason: (i) at or within a 10-mile radius of the Premises; or (ii) within a 10-mile radius of any other Shrunk 3D business that exists at the time my employment with Franchisee ceases through the date of my involvement with the Competing Business. I also agree that I will not be involved in the franchising or licensing of any Competing Business at any location or undertake any action to divert business from the Franchised Business to any Competing Business or solicit any of the former customers or employees of Franchisee for any competitive business purpose, during this one-year period following the termination or expiration of my employment with the Franchisee.

8. 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 unappealed 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.

9. 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.

10. 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 a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security. 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.

11. I shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

12. Franchisee shall make all commercially reasonable efforts to ensure that I act as required by this Agreement.

13. Any failure by Franchisor to object to or take action with respect to any breach of this Agreement by me shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by me.

14. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF [FRANCHISOR STATE] AND I HEREBY IRREVOCABLY SUBMIT TO THE JURISDICTION OF THE STATE COURT CLOSEST TO FRANCHISOR'S THEN-CURRENT HEADQUARTERS OR, IF APPROPRIATE, THE UNITED STATES DISTRICT COURT FOR THE [DISTRICT COURT WHERE FRANCHISOR'S HQ IS LOCATED]. I HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. I HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ME IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY [FRANCHISOR STATE] OR FEDERAL LAW. I FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES



INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

15. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties 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 any unappealed final decision to which Franchisor is a part, I expressly agree to be bound by any lesser covenant subsumed within the terms of the 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.

16. This Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement. This Agreement may be modified only by a duly authorized writing executed by all parties.

17. All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or electronic mail, (provided that the sender confirms the facsimile or electronic mail, by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective party at the following address unless and until a different address has been designated by written notice.

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday, and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

18. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor, and assigns.

[Signature Page Follows]



**IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the Effective Date.**

**UNDERSIGNED**

Signature: \_\_\_\_\_

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

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

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

**ACKNOWLEDGED BY FRANCHISEE**

[FRANCHISEE NAME]

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

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



## EXHIBIT J

### SAMPLE GENERAL RELEASE

[If only the Franchisee is signing the Release, the language in bold and brackets referring to the Owner(s) should be deleted. If both Franchisee and its Owner(s) are signing the Release, the above referenced language should be left in the release, but should be taken out of the brackets and the bold type should be replaced by normal type.]

### GENERAL RELEASE

This GENERAL RELEASE ("Release") is made this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by [Name of franchisee] ("Franchisee"), [and [Name of owner(s)], ("Owner(s)"]], with reference to the following facts:

The undersigned Franchisee is a signatory to that certain Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ ("Franchise Agreement") by and between SHRUNK 3D, INC. ("Franchisor") and Franchisee granting Franchisee the right to use the Franchisor's System and trademarks to operate the Franchised Business at a specific location.

[The undersigned Owner is an owner of the Franchisee.]

Franchisee [and Owner each] agrees that all capitalized terms in this Release shall have the meaning that is ascribed to them in the Franchise Agreement. This Release is being executed by the Franchisee [and the Owner] pursuant to the requirements of the Franchise Agreement. Franchisee [and Owner each] understands and agrees that execution of this Release is a condition of Franchisee's rights under the Franchise Agreement [to renew the Franchise Agreement] [to transfer the Franchise Agreement] and that Franchisee's [or Owner's] failure or refusal to execute this Release would result in Franchisee's breach of the Franchise Agreement. In consideration of the rights granted by the Franchise Agreement, Franchisee [and Owner each] executes this Release for the benefit of Franchisor.

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS ACKNOWLEDGED, FRANCHISEE [AND OWNER EACH] AGREES AS FOLLOWS:

**This General Release is inapplicable with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.**

1. General Release. Franchisee [and Owner each] hereby releases and forever discharges Franchisor and its members, managers, officers, directors, owners, principals, managers, employees, affiliates, successors and assigns (collectively the "Released Parties"), from any and all claims, demands, obligations, liabilities, actions, causes of action, suits, proceedings, controversies, disputes, agreements, promises, allegations, costs and expenses, at law or in equity, of every nature, character or description whatsoever, whether known or unknown, suspected or unsuspected or anticipated or unanticipated, which Franchisee [or Owner] ever had, now has, or may, shall or can hereafter have or acquire (collectively referred to as "Claims"). This Release includes, but is not limited to, all Claims arising out of, concerning, pertaining to or connected with the Franchise Agreement, any other agreement, tort, statutory violation, representation, nondisclosure, act, omission to act, fact, matter or thing whatsoever, occurring as of or prior to the date of this Release, so that after the date of this Release, [neither] Franchisee [nor Owner] shall have any Claim of any kind or nature whatsoever against the Released Parties, directly or indirectly, or by reason of any matter, cause, action, transaction or thing whatsoever done, said or omitted to have been done or said at any time prior to the date of this Release.



2. Waiver of Rights. This Release is intended by Franchisee [and Owner] to be a full and unconditional general release and to constitute a full, unconditional and final accord and satisfaction, extending to all Claims of any nature, whether or not known, expected or anticipated to exist in favor of Franchisee [or Owner] against the Released Parties regardless of whether any unknown, unsuspected or unanticipated Claim would materially affect settlement and compromise of any matter mentioned herein. Franchisee [and Owner each], for itself, himself or herself, hereby expressly, voluntarily and knowingly waives, relinquishes and abandons each and every right, protection and benefit to which Franchisee [or Owner, as the case may be] would be entitled, now or at any time hereafter under the statutory or common law of the state where the Franchised Business is located, whether now or hereinafter existing under the laws of the state where the Franchised Business is located, or any other applicable federal and state law with jurisdiction over the parties relationship.

**[ALTERNATE PROVISION FOR CALIFORNIA FRANCHISEES ONLY]**

3. Waiver of Civil Code Section 1542. This Release is intended by Franchisee **[and Owner]** to be a full and unconditional general release and to constitute a full, unconditional and final accord and satisfaction, extending to all Claims of any nature, whether or not known, expected or anticipated to exist in favor of Franchisee **[and Owner]** against the Released Parties regardless of whether any unknown, unsuspected or unanticipated Claim would materially affect settlement and compromise of any matter mentioned herein. Franchisee **[and Owner each]** hereby expressly, voluntarily and knowingly waives, relinquishes and abandons each and every right, protection and benefit to which Franchisee **[or Owner, as the case may be]** would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any other statutes or common law principles of similar effect to Section 1542, whether now or hereinafter existing under the laws of California, or any other applicable federal and state law with jurisdiction over the parties' relationship. Franchisee **[and Owner each]** acknowledges that Section 1542 of the Civil Code of the State of California provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially effected his settlement with the debtor.”

In making this voluntary express waiver, Franchisee **[and Owner each]** acknowledges that Claims or facts in addition to or different from those which are now known or believed to exist with respect to the matters mentioned herein may later be discovered and that it is the intention of Franchisee **[and Owner, respectively]** to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered Claims or facts. This Release is and shall be and remain a full, complete and unconditional general release. Franchisee **[and Owner each]** acknowledges and agrees that the foregoing waiver of Section 1542 is an essential, integral and material term of this Release.

4. Release Not Admission. Franchisee **[and Owner each]** understands and agrees that the giving or acceptance of this Release and the agreements contained herein shall not constitute or be construed as an admission of any liability by Franchisor or an admission of the validity of any Claims made by or against Franchisor.

5. Authority of Parties. Each person executing this Release on behalf of a party hereto warrants and represents that he or she is duly authorized to execute this Release on behalf of such party.



6. No Prior Assignments. Franchisee **[and Owner each]** represents and warrants that Franchisee **[and Owner]** has not previously assigned or transferred, or attempted to assign or transfer, to any third party any of the Claims which are the subject of this Release, all of such Claims being released.

7. Incorporation by Reference. The parties hereby incorporate the recitals of this Release as part of the substantive provisions of this Agreement.

8. Controlling Law. This Release shall be governed, construed and interpreted in accordance with the substantive laws of the state where the Franchised Business is located.

IN WITNESS WHEREOF, Franchisee **[and Owner each]** has executed this Release on the date first shown above.

Franchisee:

[Owner:

\_\_\_\_\_

\_\_\_\_\_

(Signature)

(Signature)

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

\_\_\_\_\_

(Print Name)

(Print Name)]

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



## **EXHIBIT K**

### **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:

|          |  |
|----------|--|
| New York |  |
|----------|--|

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.



## ITEM 23 RECEIPTS



## RECEIPT

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 SHRUNK 3D, INC. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires 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 agreement or the 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 SHRUNK 3D, INC. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

This franchise is being offered by the following seller(s) at the principal business address and phone number listed below (check all that have been involved in the sales process):

☐ Zak Petersen: or ☐ \_\_\_\_\_: 2019 Cherry Hill Ln. A., N Charleston, SC 29405. Phone: (843)-212-9336

☐ (Name) \_\_\_\_\_ (Address) \_\_\_\_\_ (Phone) \_\_\_\_\_

☐ (Name) \_\_\_\_\_ (Address) \_\_\_\_\_ (Phone) \_\_\_\_\_

Shrunk 3D's registered agents authorized to receive service of process are set forth on Exhibit A.

Issuance Date: April 20, 2024

|                                                                  |                                                             |
|------------------------------------------------------------------|-------------------------------------------------------------|
| Exhibit A – State Administrators & Agents for Service of Process | Exhibit G – Operations Manual Table of Contents             |
| Exhibit B – Franchise Agreement & Exhibits                       | Exhibit H – State Addenda & Agreements Riders               |
| Exhibit C – Development Rights Rider                             | Exhibit I – Sample Confidentiality and Noncompete Agreement |
| Exhibit D – List of Current Franchisees                          | Exhibit J – Sample General Release                          |
| Exhibit E – List of Former Franchisees                           | Exhibit K – State Effective Dates                           |
| Exhibit F – Financial Statements                                 | Last 2 Pages of FDD - Receipts                              |

\_\_\_\_\_  
Date Disclosure Document Received

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

Address \_\_\_\_\_

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

City, State, Zip \_\_\_\_\_

[if legal entity]

Legal Entity: \_\_\_\_\_

Telephone \_\_\_\_\_

Officer Signature: \_\_\_\_\_

Signed and Date this Receipt and Keep a Copy for Your Records

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

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



## RECEIPT

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 SHRUNK 3D, INC. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires 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 agreement or the 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 SHRUNK 3D, INC. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

This franchise is being offered by the following seller(s) at the principal business address and phone number listed below (check all that have been involved in the sales process):

☐ Zak Petersen: or ☐ \_\_\_\_\_: 2019 Cherry Hill Ln. A., N Charleston, SC 29403. Phone: (843)-212-9336

☐ (Name) \_\_\_\_\_ (Address) \_\_\_\_\_ (Phone) \_\_\_\_\_

☐ (Name) \_\_\_\_\_ (Address) \_\_\_\_\_ (Phone) \_\_\_\_\_

Shrunk 3D's registered agents authorized to receive service of process are set forth on Exhibit A.

Issuance Date: April 20, 2024

|                                                                  |                                                             |
|------------------------------------------------------------------|-------------------------------------------------------------|
| Exhibit A – State Administrators & Agents for Service of Process | Exhibit G – Operations Manual Table of Contents             |
| Exhibit B – Franchise Agreement & Exhibits                       | Exhibit H – State Addenda & Agreements Riders               |
| Exhibit C – Development Rights Rider                             | Exhibit I – Sample Confidentiality and Noncompete Agreement |
| Exhibit D – List of Current Franchisees                          | Exhibit J – Sample General Release                          |
| Exhibit E – List of Former Franchisees                           | Exhibit K – State Effective Dates                           |
| Exhibit F – Financial Statements                                 | Last 2 Pages of FDD - Receipts                              |

\_\_\_\_\_  
Date Disclosure Document Received

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

Address \_\_\_\_\_

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

City, State, Zip \_\_\_\_\_

[if legal entity]

Legal Entity: \_\_\_\_\_

Telephone \_\_\_\_\_

Officer Signature: \_\_\_\_\_

Signed and Date this Receipt return to us at:

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

Shrunk3d, Inc.  
2019 Cherry Hill Ln. A.  
North Charleston, SC 29405  
Franchise@Shrunk3D.com

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

