

## FRANCHISE DISCLOSURE DOCUMENT

AR WORKSHOP FRANCHISING, LLC  
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[www.arworkshop.com](http://www.arworkshop.com)



The Franchisee will own and operate a boutique do-it-yourself (“DIY”) creative workshop (“Workshop”) offering hands-on classes to create customizable home decor pieces out of raw materials including wood, canvas and other media. Wine and beer may be sold or brought on a bring-your-own beverage (“BYOB”) basis by customers of your workshop. Franchisor, AR WORKSHOP FRANCHISING, LLC, provides services to Franchisees including assistance with training, operations, staffing, advertising and marketing, purchasing and promotional techniques.

The total investment necessary to begin operation of an AR WORKSHOP franchise is between \$71,449 and \$125,666. This includes \$27,280 that must be paid to the franchisor or affiliate for the operation of one outlet and \$22,280 that must be paid to the franchisor or affiliate for operation of a second or subsequent outlet.

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, 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 availability of disclosures in different formats, contact the Franchise Administration Department of AR WORKSHOP FRANCHISING, LLC at 315 Main Street, Suite AA, Pineville, NC 28134 and (919) 824-8609.

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, NW, 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: March 27, 2020

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit B.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only AR WORKSHOP business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be an AR WORKSHOP franchisee?</b>	Item 20 or Exhibit B lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

### Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit E.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in North Carolina. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in North Carolina than in your own state.

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 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 provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this

subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

**THE FACT 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 the notice should be delivered to the Department of the Attorney General, Department of Licensing and Regulatory Affairs, Corporations, Securities and Commercial Licensing Bureau, 2501 Woodlake Circle, Okemos, MI 48864, Telephone: (517) 241-6470.

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### EXHIBITS

Exhibit A	AR WORKSHOP FRANCHISE AGREEMENT with Attachment 1 (Franchise Rider), Attachment 2 (Lease Rider), Attachment 3 (Guaranty), Attachment 4 (Nondisclosure and Noncompetition Agreement), Attachment 5 (Telephone Listing and Internet Authorization Agreement), Attachment 6 (Internet, Social Media, and Telephone Assignment)
Exhibit B	LISTING OF CURRENT FRANCHISEES/LICENSEES and CERTAIN PAST FRANCHISEES
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Exhibit M	RECEIPT

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

### **THE FRANCHISOR**

To simplify the language in this Disclosure Document, “we,” “ANDERS RUFF,” or “us” means AR WORKSHOP FRANCHISING, LLC. “You” means the person or company that buys the franchise, including, if any, such company's owners, partners, members, controlling shareholders, and guarantors. We are a South Carolina limited liability company, organized under the name “AR WORKSHOP FRANCHISING, LLC” on May 2, 2017. We do business and intend to do business under the names ANDERS RUFF and AR WORKSHOP. Our principal business address is 315 Main Street, Suite AA, Pineville, North Carolina 28134.

Our sole business since inception is selling AR WORKSHOP franchises and providing training and other services to AR WORKSHOP franchisees. We have no other business activities other than those listed in Item 1. We do not operate a business of the type being franchised. Our affiliate and predecessor, ANDERS RUFF, LLC, has licensed AR WORKSHOPS in the past, as described in more detail below, but no longer offers those licenses. We own the trademarks we license to you for your use in your AR WORKSHOP.

Exhibit E lists our agent for service of process in your state.

### **PARENTS, PREDECESSORS, AND AFFILIATES**

We have no parents. Our predecessor ANDERS RUFF, LLC is a North Carolina limited liability company that was organized on January 11, 2016 and has a principal business address at 315 Main Street, Suite AA, Pineville, North Carolina 28134. ANDERS RUFF, LLC previously owned the trademarks used by us but recently assigned those trademarks and the System to us. ANDERS RUFF, LLC licensed to third parties the right to operate AR WORKSHOP businesses in 2016 and 2017 through a legacy license program no longer in existence. Since ANDERS RUFF, LLC assigned the trademarks and System to us, we have granted ANDERS RUFF, LLC a limited license to continue operation of the licensing program, but ANDERS RUFF, LLC no longer offers new licenses. ANDERS RUFF, LLC has converted 25 of its third-party licensees to franchisees and has only 2 remaining licensees. We treat these licensees as franchisees for purposes of this disclosure document. ANDERS RUFF, LLC operates no business of the type being franchised and has never offered for sale any franchises of any other kind.

Our affiliate, AR WORKSHOP PINEVILLE, LLC (“AR PINEVILLE”), a North Carolina limited liability company, was organized on March 3, 2016 and has its principal business address at 322 Main Street, Pineville, NC 28134. Since its inception, AR PINEVILLE has operated one business of the type being franchised at its principal business address in Pineville, North Carolina. AR PINEVILLE operates no other businesses and has never offered for sale any franchises of any kind.

Our affiliate, AR WORKSHOP CHARLOTTE, LLC (“AR CHARLOTTE”), a North Carolina limited liability company, was organized on November 21, 2017 and has its principal business address at 117 Middleton Drive, Charlotte, NC 28207. Since its inception, AR CHARLOTTE has developed and then operated one business of the type being franchised at its principal business address in Charlotte, North Carolina. AR CHARLOTTE operates no other businesses and has never offered for sale any franchises of any kind.

Our affiliate, AR WORKSHOP WAXHAW, LLC (“AR WAXHAW”), a North Carolina limited liability company, was organized on October 10, 2018 and has its principal business address at 3905 Providence Road South, Unit C, Waxhaw, NC 28173. Since its inception, AR WAXHAW has developed and then operated one business of the type being franchised at its principal business address in Waxhaw, North Carolina. AR WAXHAW operates no other businesses and has never offered for sale any franchises of any kind.

Our affiliate, ANDERS RUFF CUSTOM DESIGNS, LLC, a South Carolina limited liability company (“CUSTOM DESIGNS”), was originally organized on September 7, 2010, was dissolved, and, in its current form was organized on August 20, 2015. Since February 2010, CUSTOM DESIGNS has operated an ecommerce website offering customized printable invitations, décor, printables and party accessories. CUSTOM DESIGNS does not operate a business of the type being franchised. CUSTOM DESIGNS does not now and has not in the past offered AR WORKSHOP franchises. CUSTOM DESIGNS has never conducted any other type of business nor offered franchises in any other type of business.

## **THE FRANCHISE OFFERED**

As an AR WORKSHOP Franchisee, you will own and operate a boutique DIY creative Workshop offering hands-on classes to create customizable home decor pieces out of raw materials including wood, canvas and other media. Instructor-led classes offer step-by-step instruction of creative art techniques in a lounge style, inspiring atmosphere with wine and beer offered for sale or brought by customers on a BYOB basis. A retail boutique section of the Workshops feature curated displays of on-trend home decor, accessories, jewelry and other retail items for sale to customers.

Our franchises are characterized by a unique concept and system that includes copyrighted artwork and designs and an integrated website that streamlines registration and payment processing. In addition, AR WORKSHOP locations feature a distinctive interior décor scheme and a detail oriented design plan. The interiors include eye-catching and custom functional furnishings and fixtures throughout the Workshop that were designed with repurposing in mind and which wholly encompass the values and mission of being truly DIY. Our model provides standards, specifications, instructions, resources and procedures for operations training and assistance, advertising and promotional programs, and creative art technique instruction, all of which we may improve, amend, and further develop from time to time. The typical Workshop franchise is operated in leased space (freestanding or otherwise) located in the commercial areas of neighborhoods or more densely populated commercial areas.

Art instruction as entertainment is a growing industry. You will compete with other franchisees, art studios, workshops and other institutions offering art classes or DIY décor sessions with the same, similar or different concepts, as well as other businesses in the entertainment industry. These include national and regional chains—as well as local operations. Your ability to succeed with this franchise will in part be determined by your ability to compete with these other businesses providing design classes and other entertainment options.

There are no regulations known to us specific to the operation of an instructional DIY workshop. However, state and local jurisdictions have enacted laws, rules, regulations, and ordinances that may apply to the operation of businesses in general, including those that (a) establish general standards, specifications, and requirements for the construction, design, and maintenance of the Workshop’s premises; (b) regulate matters affecting the health, safety, and welfare of your customers, such as restrictions on smoking and availability of and requirements

for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness; (e) regulate the proper use, storage, and disposal of waste, paints, insecticides, and other hazardous materials; (f) govern labor practices for your employees; (g) regulate the operation of facilities who provide services to children; and (h) regulate the implementation of the Affordable Care Act. Many state and local authorities also regulate the sale of alcoholic beverages, and your Workshop must be licensed for such sale if you sell alcoholic beverages to your customers. Even if you do not sell alcohol at your Workshop, state and/or local authorities may regulate the consumption of alcohol brought to your premises by customers, and you should investigate any such regulations in your geographic area to ensure compliance with those regulations, if any, prior to purchasing your franchise or commencing operation of your franchised business. The Americans with Disabilities Act also may apply to the operation of your Workshop. You may employ salaried help and/or independent contractors and will be required to observe general employment laws and regulations. You should investigate whether there are regulations and requirements that may apply to the geographic area in which you are interested in locating your franchise and should consider both the effect and cost of compliance.

We are not currently engaged in any other business activities and have never offered franchises in any other line of business.

**ITEM 2. BUSINESS EXPERIENCE**

Name	Position	Principal Occupation During the Past 5 Years
Maureen Anders	Co-Founder, Chief Executive Officer, and Designer/Stylist	Since our inception, Ms. Anders has been our owner, co-founder, Chief Executive Officer, and Designer/Stylist. Ms. Anders was also our creative director from May 2017 to September 2018. Since November 2017, Ms. Anders has been the owner, founder, and creative director of our affiliate’s AR Workshop Charlotte, LLC operating in Charlotte, North Carolina. Since October 2018, Ms. Anders has been the owner, founder, and creative director of our affiliate AR Workshop Waxhaw, LLC operating in Waxhaw, North Carolina. From May 2017 to December 2019, Ms. Anders was the owner, founder, and creative director of our affiliate AR Workshop Belmont operating in Belmont, North Carolina. Ms. Anders has served as our affiliate Anders Ruff, LLC’s owner, founder and creative director since January 2016. Since June of 2016 to the present, Ms. Anders has been the owner, founder and creative director of our affiliate, AR Workshop Pineville, LLC operating in Pineville, North Carolina. Since February of 2010, Ms. Anders has been the owner, founder and creative director of our affiliate, Anders Ruff Customs Designs, LLC in Fort Mill, South Carolina.

<b>Name</b>	<b>Position</b>	<b>Principal Occupation During the Past 5 Years</b>
Adria Ruff	Co-Founder and Creative Director	Adria Ruff is our co-founder and has been our Creative Director since September 2018. Ms. Ruff is co-founder of Anders Ruff Custom Designs, LLC and since 2010 has been its lead designer and stylist. From January 2016 to September 2018, Ms. Ruff was our lead designer and merchandising manager and, since January 2016, has been the lead designer and the merchandising manager of Anders Ruff, LLC.
Kasey Wright	Vice President of Franchise Development	Since September 2018, Kasey Wright has served as our Vice President of Franchise Development. Ms. Wright worked as our Franchise Sales Director from May 2017 to September 2018. Ms. Wright has owned and operated an AR WORKSHOP in Raleigh since November 2016 and another AR WORKSHOP in Cary, NC since November 2017. From September 2012 to September 2016, Ms. Wright served as an Account Executive for Gentiva Health Services.
Hannah Sessoms	Marketing Coordinator	Since August of 2018, Ms. Sessoms has served as our Marketing Coordinator. From August 2014 to May 2018, Ms. Sessoms studied Media Studies at Auburn University.
Kellie Smith	IT and Operations Manager	Since December of 2019, Ms. Smith has served as our IT and Operations Manager. From February 2018 to December 2019, Ms. Smith worked as the Manager of our affiliate's AR Workshop location in Charlotte, North Carolina, and from January 2014 to January 2018, she worked as an Event Coordinator for Dilworth Neighborhood Grille in Charlotte, North Carolina.
Elizabeth Martel	Vice President and Regional Manager	Since September 2018, Elizabeth Martel has served as our Vice President and Regional Manager. Ms. Martel served as our Director of Workshop Facilitation and Operations from February 2017 to September 2018. From February 2017 to the present, she has also been the Manager of the flagship location at AR Workshop Pineville in Pineville, NC. Since May 2012, she has been a Graphic Designer and Customer Service Manager in an independent contractor capacity to Anders Ruff Custom Designs, LLC.
Deidra Knaus	Vice President of Marketing and Public Relations	Since September of 2018, Deidra Knaus has been our Vice President of Marketing and Public Relations. From December of 2017 to September of 2018, Ms. Knaus served as our Marketing and Public Relations Director. Since August 2006, to the present, she has been the owner of Dream Big Consulting.
Ashley Kaske	Director of Supplier Relations	Since June of 2018, Ms. Kaske has served as our Director of Supplier Relations. Since April of 2012, she has served as Critical Products Manager at The Resource Group.

### **ITEM 3. LITIGATION**

In re: Franchise No Poaching Provisions (AR Workshop Franchising, LLC) (King County Superior Court, State of Washington, Case No. 19-2-32908-4). We received a Civil Investigative Demand from the Washington Attorney General dated August 16, 2019 to produce documents and respond to questions about our inclusion of “no-poach” provisions in our franchise agreement which restrict our franchisees’ ability to hire or solicit employees of ours or of our franchisees. The Washington Attorney General asserted that these provisions constitute a contract, combination, or conspiracy in restraint of trade in violation of the Washington Consumer Protection Act, RCW 19.86.020 and .030, and 15 U.S.C. § 1, and we deny such assertion. Nevertheless, we entered into an Assurance of Discontinuance (the “AOD”) with the Washington Attorney General. We agreed not to include the no-poach provisions in our future franchise agreements, not to enforce the no-poach provisions of our current franchise agreements, and to notify our current franchisees of the AOD. The State of Washington and Washington Attorney General agreed not to file suit or take any further investigative or enforcement action against Us with respect to the no-poach provisions. On December 13, 2019, the King County Superior Court, State of Washington, approved the AOD and closed this matter.

### **ITEM 4. BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

### **ITEM 5. INITIAL FRANCHISE FEE**

The current initial franchise fee for a Workshop franchise is \$25,000 for a mutually agreed upon territory. If we grant you the right to open an additional Workshop, the initial fee for your second Workshop is \$20,000 for a mutually agreed upon territory. The entire initial franchise fee is due when you sign the Franchise Agreement.

We participate in the International Franchise Association’s VetFran Program, which generally provides discounts on initial franchise fees to veterans of the U.S. Armed Forces who otherwise meet the program’s requirements. First-time purchasers of franchises who are veterans of the U.S. Armed Forces are eligible to receive 10% discount on the initial franchise fee for their first store and a 20% discount on the initial franchise fee for their second store. To qualify for the discount, the veteran must own at least a 50% interest in the franchise. “Veteran” means a recipient of an honorable discharge as evidenced by the U.S. Department of Defense. It is the veteran’s responsibility to send us the required documents in order to obtain the VetFran discount.

If you or your Operations Principal fail our initial training, we have the right to terminate your Franchise Agreement. If we terminate the Franchise Agreement prior to your opening because you or your Operations Principal fail the initial training, we will refund to you your initial franchise fee, minus any expenses we have incurred in training you.

In addition to the initial franchise fee, you must pay us prior to opening \$780 for your email accounts and social management tools, and you must pay us or our affiliate about \$1,500 for your business cards, brochures, and other printed materials.

All of the fees described in this Item are each payable in lump sum and are non-refundable, except as specifically described in this Item.

In 2019, some franchisees were given a discount on their Initial Franchise Fee due to military veteran status or the opening of a second location, and some franchisees paid initial franchise fees ranging from \$0 to \$6,500 due to their being former licensees converting to franchising or opening second locations. Except for the foregoing instances, all fees disclosed in Item 5 were uniformly applied in 2019.

We may pay a referral fee of \$500 to the first of our franchisees that introduces a new prospective franchisee to us who is not associated with AR WORKSHOP and is identified to us as referred by the franchisee on their initial application if: (a) we approve the new prospect, (b) we and the prospect sign a Franchise Agreement within 6 months after the referral is made, and (c) the prospective franchisee pays us the full initial franchise fee applicable to that franchisee and timely opens its store for operation. If we pay the referral fee, we will do so after the referred prospective franchisee's Franchise Agreement is fully signed, the initial franchise fee is fully paid, and the franchisee's store is open for operation. You must be in full compliance with all Franchise Agreements between you and us in order to receive a referral fee. We reserve the right to terminate, cancel, or modify such referral program at any time.

**ITEM 6. OTHER FEES**

Name of Fee <sup>1</sup>	Amount	Due Date	Remarks
Royalty	The greater of 6% of Monthly Gross Sales or \$500/month	You must submit your sales reports to us by the 5 <sup>th</sup> of each month. The royalties will be electronically drafted from your bank account in one installment each month on the 7 <sup>th</sup> .	See Section 3 of the Franchise Agreement. "Monthly Gross Sales" are defined at Attachment 1 to the Franchise Agreement. <sup>2</sup> You must pay us 6% of Monthly Gross Sales as soon as you begin collecting payments from customers (regardless of whether you have opened your Workshop). The \$500 minimum does not apply until the 6th month after the signing of your Franchise Agreement.

Name of Fee <sup>1</sup>	Amount	Due Date	Remarks
Local or Regional Cooperative Fees <sup>3</sup>	Currently not collected; No cooperative currently established	When designated by cooperative.	In the event a local or regional cooperative is established for your area, you must participate and you must pay the cooperative payments the cooperative imposes. There is no maximum or minimum fee that can or will be imposed by a cooperative but cooperative payments are determined by majority vote of the cooperative members. All franchised, company-owned, and affiliate-owned Workshops will have 1 vote each in any such cooperative.
Brand Fund Fee <sup>4</sup>	Currently a minimum of the greater of 1% of monthly gross sales or \$200/month, subject to increase to the greater of 2% of monthly gross sales or \$200/month.	Payment made by debit or check to us or by electronic funds transfer ("EFT") on the 7 <sup>th</sup> of each month, as we designate.	Can be raised up to the greater of 2% of monthly gross sales or \$200/month by the majority vote of the Franchisees. If a local or regional advertising cooperative is established, you will be required to contribute your share of the cooperative's budget as determined by the cooperative's members. Additionally, if you are required to pay into a shopping center's marketing fund, we may permit you to reduce your contribution to the brand fund by the amount contributed to the shopping center's fund. We do not collect this fee until you have opened for business.

Name of Fee <sup>1</sup>	Amount	Due Date	Remarks
Minimum Local Advertising Spend <sup>5</sup>	\$400/month	As incurred/monthly	You are required to spend at least \$400 per month on local advertising, in the form and manner we require, and to the vendors we approve. We may require you to remit the Minimum Local Advertising Spend to us or our affiliate in exchange for local advertising services we or our affiliate would provide to you. We may encourage you to spend more than \$400 per month depending on your market, particularly if you are in a larger or more competitive market.
Marketing Software Fee <sup>6</sup>	\$500 per calendar year (if you sign the Franchise Agreement after June 30, you will pay only \$250 for the remainder of the calendar year)	Within 30 days after opening of your Workshop; annually thereafter	We have the right to raise this fee in the event that our preferred vendor increases its rates. We currently collect this fee on behalf of our franchisees but may in the future require you to pay this fee directly to our preferred vendor.
Retreat Fee	Varies	As incurred (annually)	You must attend our annual retreat and pay us the Retreat Fee. Our 2020 Retreat Fee is \$1,000 and covers lodging and some meals, but we anticipate that this fee will vary from year to year and will not always cover lodging or food costs. You must pay for your own travel, lodging, and food to attend the annual retreat if the Retreat Fee does not cover those expenses. You will be charged this fee whether you attend the annual retreat or not.
Renewal Fee <sup>7</sup>	\$5,000	Upon signing of new franchise agreement.	Payable in immediately available funds. Renewal is for a single 5 year term.

Name of Fee <sup>1</sup>	Amount	Due Date	Remarks
Transfer Fee <sup>8</sup>	<p>Greater of 50% of then-current initial franchise fee or \$15,000 to transfer to a new AR WORKSHOP owner</p> <p>Greater of 25% of then-current initial franchise fee or \$7,500 to transfer to existing owner in good standing</p> <p>\$2,000 for intercompany transfers of ownership that result in no change of the controlling owner</p>	When we approve franchise transfer.	Fee must be deposited with us on a non-refundable basis upon notification to us of a proposed transfer and prior to our undertaking any review, drafting of documents, training, or other activities. If we do not approve the transfer, the transfer fee will be returned minus our expenses incurred (including legal fees) for review and consideration of the transfer.
Finder's Fee	\$5,000	When we approve franchise transfer.	If we introduce you to a prospective buyer of your business and you sell your business to that buyer, then you must pay us a Finder's Fee in addition to the Transfer Fee. We are not obligated to assist you with the sale of your business or to introduce any prospective buyers to you.
Relocation Fee	\$2,000	When we approve your relocation.	We are not obligated to allow you to relocate your business. If we do allow you to relocate your business, you must pay us \$2,000.
Audit Fee <sup>9</sup>	The cost of audit.	At once if audit shows 2% or greater underpayment.	You also pay the underpayment, if any. We pay for the audit if underpayment is 2% or less.

<b>Name of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Technology Fee <sup>10</sup>	\$100 per month	The Technology Fee will be electronically drafted from your bank account by the 7 <sup>th</sup> of each month with your royalty payment.	The technology fee covers your access to our intranet web portal, online scheduling, new designs and projects as well as IT training, support, and maintenance of the website.
Late Fee	\$100	As incurred.	If you fail to submit your gross revenue report when it is due or if you fail to timely pay the Royalty, Technology Fee, Brand Fund Fee, or any other required fee, we have the right to charge you a \$100 late fee.
Collection and Interest Charges <sup>11</sup>	18% or highest lawful rate if lower.	Immediately if payments not made when due.	This charge is in addition to other remedies such as late payment fees.
Initial Training <sup>12</sup>	Initial franchise fee includes pre-opening training for up to 2 people, provided they are trained in a single session. At your option, additional persons can attend training for a fee of \$250 per person per day plus out of pocket expenses for travel and lodging. A day of training consists generally of 8-10 hours of training.	On signing of Franchise Agreement. For pre-opening, the training fee for the managing owner and 1 other staff member is included in the initial franchise fee. For extra people not attending pre-opening training, payment is due before training class commences.	The business shall be managed by a person approved by us, who has completed to our satisfaction, or based on experience been relieved of, our training program. Franchisee remains responsible for paying own lodging, transportation, and food expenses incurred for attending training.

Name of Fee <sup>1</sup>	Amount	Due Date	Remarks
Optional Post-Opening Additional Training (for extra people on outset at Franchisee's option or later if desired at Franchisee's option) <sup>13</sup>	At a rate as set by us in our Brand Standards Manual. A day of training consists generally of 8 hours of training. Travel costs will include reimbursement for mileage at the then-current IRS published rate.	30-day notice of additional training with payment due before training class begins.	The business at all times shall be managed by a person approved by us, who has completed to our satisfaction, or based on experience been relieved of, our training program. In addition, Franchisee remains responsible for paying own lodging, transportation, and food expenses incurred for additional training. There is no charge to Franchisee for additional training which we require.
Unapproved Advertising Fines	1 <sup>st</sup> infraction: \$250 2 <sup>nd</sup> infraction: \$500 3 <sup>rd</sup> infraction: \$1,000	Upon notice of infraction. May be collected by debit, check, or EFT, as we designate.	Section 17(c)(v) of the Franchise Agreement for requirement on approval of advertising you develop. We may charge you these advertising fines if you use any advertising materials or techniques without following the procedures outlined in those sections of the Agreements. Any fine is in addition to other remedies under Franchise Agreement.
New Supplier/Product Evaluation Fee	Cost	On Demand	If you request our approval of an unapproved product, service, or supplier, we may require you to pay all fees and costs incurred by us to obtain the necessary information and evaluate suppliers prior to giving approval for new suppliers and products. We currently do not require this payment before approving your sale of retail items or use of most supplies, but we may change this policy in the future.

<b>Name of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Hold Harmless <sup>14</sup>	If any, will depend on unknown factors.	Defense cost when suit occurs. Indemnification when payment required.	You agree to defend, indemnify, and hold us harmless should we be sued as a result of something you do or fail to do.
Attorney's Fees and Costs, and Arbitration <sup>15</sup>	Depends on what we spend.	When court or arbitrator orders, if we win.	Loser pays winner's fees and costs to discourage meritless litigation. We could have to pay your fees.
Insurance Premium Reimbursement <sup>16</sup>	Varies according to plan and provider.	Varies according to plan and provider. If we purchase, reimbursement to us due immediately on notice.	You may purchase through any approved provider. We must be named as additional insured. You must furnish us copies. If you do not purchase errors and omissions insurance, we may purchase it and you reimburse us.
Enforcement Costs	Will vary.	As incurred.	You must pay our costs of enforcement (including attorneys' fees and costs) if you do not comply with the Franchise Agreement. If we see no action on issues that tarnish our brand image or otherwise breach the Franchise Agreement, we reserve the right to engage our own lawyers at your expense to work on compliance. We may collect reimbursement from you by EFT for their fees.
Fines <sup>17</sup>	Up to \$1,000 per infraction	Upon notice of infraction. We may collect by EFT.	Failure to operate in accordance with operating standards.
Insufficient Funds <sup>18</sup>	\$50 plus any fee charged Franchisor for uncollected funds	Upon notice	Failure to have sufficient funds available for payments to Franchisor

<b>Name of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Failure to attend required training/convention <sup>19</sup>	Increase royalty up to 1% for balance of calendar year	Upon notice of infraction. We may collect by EFT.	Additional royalty to compensate franchisor for your failure to attend training/convention. Payable by you unless you obtain our prior, written approval not to attend training/ convention
Giveaways and promotions <sup>20</sup>	Will vary.	As incurred.	You are required to participate in giveaways and promotions as we require. You may be required to provide free or discounted classes or other products or services.
Quality Control Review Services	Our costs to hire a secret shopper.	As incurred.	If we hire a secret shopper to visit your store and we find that you are noncompliant with the Franchise Agreement, you must pay our costs incurred in hiring the secret shopper.
Gift Card Liability	Will vary.	As incurred.	If you purchase an AR WORKSHOP from an existing owner, you must assume the prior owner's gift card liability and honor all outstanding but unredeemed gift cards that were issued by that location and/or the prior owner.

Note 1: All fees and expenses described in this Item are non-refundable and, unless otherwise indicated, are imposed uniformly by, and are payable to, us. Unless we have noted differently, we may increase these amounts based upon changes in market conditions, our cost of providing services and future policy changes, but we have no present plans to increase any fees. In 2019, some franchisees who converted from licensees were not required to make contributions to the Brand Fund or pay the Technology Fee, and some of those franchisees did not pay royalties on purchases of jewelry because their previous license agreements did not require these payments. During our last fiscal year, except as otherwise noted, all fees in this Item 6 were uniformly applied to all franchisees.

Note 2: "Gross Sales" means the total of gross revenue that you derive from the operation of the Workshop, including, but not limited to, revenue from services rendered by the Workshop and from the sale of products, whether from sales for cash or credit and regardless of the collection thereof. Gross Sales is your business's "top-line" revenue and is determined before you pay any royalties, fees, or expenses to us or a third-party. Gross Sales does not include sales taxes or gift card redemptions. Royalties on gift cards or certificates are assessed when the gift card or certificate is sold. If group buying services are used, royalty is due 3 business days from receipt

of the check. In the event you use a group buying service such as Groupon or Living Social, Gross Sales shall include the total gross amount paid by the customer, whether or not such amount is ultimately paid to you or the group buying service.

Note 3: Currently you are not required to participate in a purchasing or distribution cooperative. However, we have the right to require you to participate in a local or regional advertising purchasing cooperative in the future. All franchised, company-owned, and affiliate-owned Workshops will have 1 vote each in any cooperative in which we require you to participate.

Note 4: We have established a Brand Fund ("Brand Fund") to pay for the creation of national, regional, and local advertising content as we see fit. You will be responsible for implementing any advertising programs or placing any advertising content we create, at your own expense. The current contribution is the greater of 1% of monthly Gross Sales or \$200 per month. The Brand Fund contribution may be raised by the majority vote of the franchisees, but not to exceed the greater of 2% of your monthly Gross Sales. We may at our sole discretion defer Brand Fund contributions for you or another franchisee for a period of time we deem appropriate at the outset of yours or their Workshop. With any Brand Fund contributions, we have the sole discretion how and where the money is spent to create materials you will use to promote, enhance, or further the growth of the system. See Item 11 for more information regarding the Brand Fund and your contributions to the Brand Fund.

Note 5: We require you to spend at least \$400 per month on local advertising. We may require you to use the \$400 per month in a specified manner, and with specified vendors. While we do not currently do so, we have the right to require you to pay us the \$400 to provide you with, or contract other vendors to provide you with, local advertising services. You may spend more than \$400 per month on local advertising, provided all local advertising conforms to our brand standards.

Note 6: We require you to pay to us an annual Marketing Software Fee. The Marketing Software Fee is currently \$500 per year, but we have the right to charge more if the cost of providing the service to you increases. We currently use the Marketing Software Fee to provide you, through our approved supplier, with social media management tools. However, as technology evolves, we may, as we deem best for the System, use this Marketing Software Fee for another technological marketing tool.

Note 7: The initial term of the Franchise Agreement is 10 years. Upon expiration of the initial term, you will have the right to be granted 1 renewal term of 5 years if you are in good standing, you exercise your option to renew in the time specified in the Franchise Agreement, you agree to the terms of the Franchise Agreement then being offered, you make required upgrades to your Workshop, you secure a sufficiently long lease term, you sign a release, you pay us your renewal fee of \$5,000, and you otherwise comply with all requirements in Section 2 of your Franchise Agreement.

Note 8: You may transfer your share in Franchisee, or Franchisee's rights and interests, only in accordance with Section 13 of the Franchise Agreement. We must approve of your transfer before you transfer your interests or rights. When you seek our approval of such a transfer, you must pay us a transfer fee. This fee will be non-refundable in the event we approve the transfer. If we do not approve your transfer, we will return the transfer fee to you minus our expenses incurred (including legal fees) for review and consideration of the transfer. See Section 13 of your Franchise Agreement for more information regarding the transfer requirements and fee.

Note 9: We have the right, at any time, to examine, copy, and remove from your Workshop for examination your Workshop's books, records, and tax returns. We also have the right to have an independent audit made of the Workshop books, records, and accounts. If our (or our designated agent's) inspection or audit reveals that you underpaid us, you must immediately pay to us the amount you owe us. We will pay for the cost of the audit if the understatement is by less than 2%. If the understatement is 2% or more, you must reimburse us for the expenses we incurred in conducting the audit, including accounting and legal fees.

Note 10: The technology fee supports the maintenance of the function, design and ongoing development of our website, including IT training and costs associated with that support, as well as the search engine optimization of the website. The website allows you to attract new customers, perform scheduling and payment functions, and access new designs and projects.

Note 11: If you fail to timely pay us Continuing Royalties or any other fee you owe us under the Franchise Agreement, we have the right to collect interest on your late payments at an interest rate equal to the lower of 18% or the maximum interest rate allowed by law.

Note 12: We offer you an initial training program. Your initial franchise fee includes the cost of training for you and one additional staff member. At least your owner, or if we approve your franchise to operate with a general manager other than your owner, your general manager, must successfully complete the training program, unless we waive this requirement with respect to him or her, before we will authorize you to open your Workshop. You must pay for the travel, living, and, if applicable, salary expenses incurred by all attendees. See Item 11 for more information regarding the initial training.

Note 13: If you or your managers require additional training, you must pay us at a rate we may reasonably require for such training, plus any living expenses incurred by the traveling person(s). See Item 11 for more information regarding additional training.

Note 14: We are not liable to you for your conduct or omission in your Workshop. You will hold harmless, defend, and indemnify, us and our officers, directors, agents, and employees from and against any and all losses, expenses, judgments, claims, attorney fees and damages arising out of or in connection with any claim or cause of action in which we are a named defendant and which arises, directly or indirectly, out of the operation of, or in connection with, your Workshop. You will not indemnify or defend us for any claim resulting directly from our negligence.

Note 15: To prevent frivolous, meritless litigation, the non-prevailing party to any dispute between you and us must pay the non-prevailing party for all expenses reasonably incurred, including attorneys' fees.

Note 16: See Item 8 for more details regarding the insurance you must purchase for your Workshop.

Note 17: We may fine you up to \$1,000 every time you fail to obtain our prior written approval for advertisements, fail to attend required training or franchisor sponsored conventions, or offer unauthorized products or services. We have the right to collect any fines by means of EFT.

Note 18: If we try to transfer your Continuing Royalties or any other fee from your account and you do not have sufficient funds, you will be assessed a \$50 administrative fee, in addition to reimbursing us for any fee our bank charges for uncollected deposit funds.

Note 19: If you fail to attend a required training, convention, or retreat, which will not be required more than once a year, we can increase your Royalty by up to 1% for the balance of the calendar year. We will also charge you a Retreat Fee for such event. The Retreat Fee for such event does not always cover travel, lodging, or food costs. You must pay for your own travel, lodging, and food, in addition to paying us any Retreat Fee. You will be charged this fee whether you attend the annual retreat or not. We will give you at least 30 days' notice before any required training or convention. We will not increase your Royalty if we give you our prior, written approval not to attend the conference or convention, but we may still charge you the Retreat Fee.

Note 20: You are required to participate in national, regional, and local giveaways and promotions. You may be required to provide free or discounted classes or other products or services as part of your participation in such giveaways and promotions. We are not required to reimburse you for your costs and expenses incurred as a result of these giveaways and promotions.

**ITEM 7. ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT<sup>1</sup>**

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT LOW</b>	<b>AMOUNT HIGH</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS MADE</b>
<b>PRE-OPENING COSTS</b>					
Initial Franchise Fee <sup>2</sup>	\$20,000	\$25,000	One lump sum payable upon signing of the Franchise Agreement. All amounts are non-refundable (except as described in Item 5) and deemed earned upon payment.	Franchise fee is due on signing Franchise Agreement.	Franchisor
Leasehold – first 3 months <sup>3</sup>	\$6,000	\$18,000	Monthly Rent or landlord terms.	Typically at the first of each month. May vary depending on landlord.	Landlord
Leasehold Improvements <sup>4</sup>	\$1,200	\$7,940	Lump sum or (possibly) amortized by landlord.	Varies depending on your contract with supplier.	Supplier or Landlord

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT LOW</b>	<b>AMOUNT HIGH</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS MADE</b>
Signage	\$310	\$5,060	Lump sum.	Varies depending on contract with vendor.	Approved Vendor
Furniture, fixtures, and equipment	\$7,887	\$12,406	Progressive payments or lump sum incurred	Varies depending on contract with vendor.	Approved Vendor
Initial Inventory	\$10,730	\$15,262	Progressive payments or lump sums incurred	At time of purchase or varies depending on contract with vendor or supplier.	Various Vendors and Suppliers
Computer/ iPad, Software, Printers, Credit Card Processor, and Design Equipment <sup>5</sup>	\$5,060	\$5,260	Lump sum.	At time of purchase or varies depending on contract with vendor or supplier.	Various Vendors and Suppliers
Brochures and Other Printed Materials	\$1,500	\$1,500	Lump sum.	Before opening.	Our affiliate
Deposits and Licenses <sup>6</sup>	\$500	\$6,500	Lump sum.	Usually before opening.	Landlord, utilities, phone co.
Training living expenses	\$1,100	\$3,300	As incurred.	Before opening.	Air travel, hotels, meals, incidentals
Insurance	\$150	\$500	Lump sum or terms of provider.	Varies depending on contract with provider.	Approved Provider
Accounting and Legal Services	\$500	\$1,500	Paid monthly or as invoiced by vendor in lump sum.	Varies depending on vendor.	Various Suppliers

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT LOW</b>	<b>AMOUNT HIGH</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS MADE</b>
Grand Opening Marketing and Events <sup>7</sup>	\$7,347	\$11,773	Lump sum or as incurred.	As incurred.	Various Suppliers, our approved grand opening marketing provider
Minimum Local Advertising Spend	\$1,200	\$1,200	Lump sum or as incurred.	As incurred.	Various suppliers or us or our affiliate
Marketing Software Fee	\$165	\$165	Lump sum.	Within 30 days after you open your Workshop	Us
Technology Fee	\$300	\$300	EFT.	Monthly	Us
Additional Funds—3 Months <sup>8</sup>	\$7,500	\$10,000	As incurred.	(Money to work with still after 90 days – as incurred.)	Vendors, employees, utilities, landlord, suppliers, insurers, tradesmen, city, county
<b>TOTAL</b>	<b>\$71,449</b>	<b>\$125,666</b>			

Note 1: The estimates are based on an initial period consisting of pre-opening and the first 3 months of operation. All fees and payments are non-refundable unless otherwise noted or allowed by third-party vendor. In 2019, some franchisees who converted from licensees were not required to pay the Technology Fee. During our last fiscal year, except as otherwise noted, all fees in this Item that were paid to us were applied uniformly. Individual vendors, suppliers, utilities and landlords will have their own refund policies.

Note 2: Unless you qualify for the VetFran discount, you will pay us \$25,000 for the operation of your first Workshop. You will pay us \$20,000 if you purchase a second Workshop from us. Neither we nor our affiliate offer direct or indirect financing for your initial franchise fee or for any other payments you must make or costs you must incur in starting and operating your Workshop.

Note 3: This estimate assumes that you are leasing space of the size we recommend and is based on 3 months of rent payments. If you elect to own your location or if you choose to rent a bigger space than we recommend, you may incur additional costs.

Note 4: You must lease or own a suitable facility for the operations of the franchised Workshop. These projections assume a space that is a 1,180 to 1,800 square foot, warm vanilla shell with finished walls, cement floors, HVAC and electrical units and wiring already installed, working and code-compliant restroom facilities, and a storage room. You must lease or purchase a space that is zoned and approved for use of power tools, hammers, and other loud tools, as well as stain, paint, sawdust, and other materials that have strong fumes. These projections assume the space is being leased. If you elect to own your own location, additional costs will be incurred. You may choose a larger facility, but it will increase your operating costs. Our estimate in this category is based on you leasing the facility and on your leasing a facility based on the square footage we specify above. Your cost to lease is difficult to quantify because there are factors that will impact what you pay. These factors include the facility's location, its square footage, cost-per-square foot, renovation costs and any required maintenance fees. Your landlord may refund your security deposit, but most will not refund rental payments. You should ask your leasing agent or landlord about their refund policy before you sign a lease agreement. We do not require you to purchase or build a facility to house the franchise. Your cost may increase over our projections should you choose to purchase or build. You should consider construction delays and their unpredictable cost before electing to build or purchase. You should seek professional advice if you choose to purchase or build. You will likely incur costs to renovate or remodel the space you lease. Your costs will vary depending on many factors, including the size, condition and location of the facility, local wage rates and the cost of materials. The amounts you pay for leasehold improvements are typically non-refundable. You should ask the vendor you hire to renovate or remodel the facility about its refund policy before you patronize the vendor.

Note 5: You must purchase 2 laptop computers, and related computer equipment and software, 1 iPad or iPhone, laser or ink-jet printers and plotters, related software, and any related equipment that allows you to process credit card purchases.

Note 6: Market conditions will dictate whether your landlord will require your last month's rent and security deposit up front. Your alcohol and all other licensing fees will vary by local jurisdiction.

Note 7: You must have one pre-opening and one grand opening event within four weeks of opening your Workshop. You must spend at least \$2,000 on your grand opening events and at least \$3,500 on pre-opening advertising. We may require you to spend this with a vendor we designate for pre-opening advertising. You may choose to spend more money. Factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise to, local media costs, location of the franchised Workshop, time of year and customer demographics in the surrounding area. The amounts you spend for grand opening advertising are typically non-refundable. You should inquire about the return and refund policy of the suppliers at, or before, the time of purchasing advertising.

Note 8: The estimate of costs assumes a franchisee is leasing the location for their Workshop. The cost for purchasing the real estate is not included in these cost estimates. You will need additional funds during the start-up phase of your business to pay employees, hire contractors to build your space, purchase supplies and pay other expenses. We estimate the start-up phase to be 3 months from the date you open your business. These amounts do not include any estimates for debt service. You must also pay the royalty and other related fees described in Item 6 of this Disclosure Document. These figures are estimates and we cannot assure you that you will not have additional expenses. Your actual costs will depend on factors like your management skills, experience and business acumen. You should base your estimated start-up expenses on the anticipated costs in your market and consider whether you will need additional cash reserves.

We relied upon the experience of our affiliate-owned locations in producing these estimates. You should review these figures carefully with your business advisor as they could vary if you choose to purchase equipment more expensive than we require or if you choose to purchase your Workshop premises.

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

A. Authorized Distributors. You must purchase all supplies and equipment you use in the Workshop from us or a source we approve or designate, which may include us or our affiliates, in strict conformance with the Brand Standards Manual.

We have approved exclusive and approved suppliers for art supply products, web development services, marketing content and distribution, signs, printing equipment, packaging, promotional products, stains, paints, yarn, and social media management software. We have approved exclusive vendors for certain design software. Even with approved suppliers, only certain inventory items or services may be approved. We require that you purchase and use approved software and fonts for the designs you will create in your Workshop. We also require that you purchase a stencil plotter from an approved vendor. Our approved suppliers for fonts, marketing, signs, tools and equipment, wood, promotional products, printing, packaging, yarn, and other general supplies and products pay us a percentage of our franchisees' purchases. Our approved payroll vendor pays us a percentage of the annual recurring revenue it receives from our franchisees.

We currently require that you purchase brochures and other printed materials from our affiliate, CUSTOM DESIGNS. Our Chief Executive Officer Maureen Anders owns our affiliate CUSTOM DESIGNS, which currently supplies our franchisees with brochures and other printed materials. In 2019 CUSTOM DESIGNS received \$115,420.39 as a result of franchisees' purchases of brochures, business cards, and labels.

We may require you to use our approved marketing vendor, which may include us or our affiliates, for purchases of certain grand opening marketing or local advertising materials.

We have the right to change our business relationship with our approved suppliers as well as the right to add and/or remove approved suppliers from the approved supplier list.

If you do not own your business premises, we must approve your lease. We have the right to require you and your landlord to provide in the lease that we shall have the right at our option and without compensation to you to take assignment of the lease should you materially default under the lease or should your franchise terminate or not be renewed for any reason. You are not allowed to relocate the business premises without our prior written approval. Our approval does not guarantee or imply that the lease contains the best terms you can obtain under your market conditions, or that entering into it will result in your business being profitable at that location. We will not be liable to you if you sign a lease for a space that is larger or more expensive than or in other ways exceeds what our minimum standards require. You must lease or purchase a space that is zoned and approved for use of power tools, hammers, and other loud tools, as well as stain, paint, sawdust, and other materials that have strong fumes.

You are required to use the credit card processing service we approve. We currently receive from our approved credit card supplier a percentage of the processing fees associated with purchases at all AR WORKSHOP locations. Since you accept credit cards as a method of payment at your Franchise, you must comply with payment card infrastructure ("PCI") industry

and government requirements. PCI security standards are technical and operational requirements designed to protect cardholder data. The standards apply to all organizations that store, process or transmit cardholder data and cover technical and operational payment system components involving cardholder data. Notwithstanding the credit card processing requirement, we do not represent, nor certify to you or your customers that the credit card processing service approved or provided by us or an affiliate is compliant, whether or not certified as compliant, with the PCI Data Security Standards. Your credit card processing provider should assist you with this compliance.

We do not provide franchisees with any material benefits based upon a franchisee's use of approved suppliers. We often negotiate purchase agreements with suppliers, including price terms, for the benefit of the franchisees; however, we are not required to do so. Additionally, our agreements in the future may provide us with the right to receive revenue from your required purchases from other suppliers. We will have no obligation to share such revenue received with you.

B. Method of Approving Suppliers/Designs. Currently, we do not require you to receive our advance written approval to sell a supplier's product in the retail section of your Workshop, provided such supplier and product meets our standards as set forth in the Brand Standards Manual. We may, however, in our sole discretion, require you to stop selling any product, or from any supplier, with 30 days' written notice. We develop and modify our system standards based on what we believe is in the best interest of the franchise system. Our Brand Standards Manual will contain our criteria and specifications for certain products and suppliers. We reserve the right to modify our specifications at any time without notice to you or our approved suppliers.

If you want to use a supply or equipment source for non-retail purposes that we have not approved for which a required supplier exists, we may require that you submit to us information including product specifications, product components, product performance history, product samples, and any other relevant information. We will evaluate the proposed product by considering the technical and performance properties of the item. We may also consider other factors including design, appearance, product reliability, durability, the manufacturer's warranties, quality control methods, impact on the franchise system at large, and financial ability of the product's producers and distributors. Our review is generally completed in 30 days. You may be required to reimburse us for any expenses incurred by us to obtain the necessary information prior to our giving approval or disapproval, but we do not charge a fee for our review of a supply or equipment source. We will advise you in writing of our decision within 30 days after you send us all the materials we reasonably require to evaluate the supply or equipment source. If the supply or equipment source is not approved within 30 days, the supply or equipment source is deemed rejected. We impose these restrictions to safeguard the integrity of the both the Franchise System and our trademarks.

You must not use a design, trademark, or copyright of a third-party (including any collegiate or professional sport trademark or copyright) without our prior written approval. If you want to use a new design, trademark, and/or copyright for a project to be offered in classes that we have not approved, whether you created such design, trademark, or copyright, or you obtained such design, trademark, or copyright from a third-party, you must first submit to us information including design specifications, design components, a design sample or samples, and any other relevant information. If you desire to use in your Workshop a copyright or trademark owned by a third party, you must have the right to use such copyright or trademark in your Workshop, and we may require evidence of that right as part of our approval process. We develop and modify our

system standards based on what we believe is in the best interest of the franchise system. If available through our Brand Standards Manual, or otherwise, we will provide you, at your request, our criteria and specifications for certain designs. We will evaluate the proposed design by considering the aesthetic appeal, technical and performance properties of the item and ease of reproduction by customers. We may also consider other factors including product reliability, durability, quality control methods, and impact on the franchise system at large. Our review is generally completed in 30 days. You will reimburse us for any expenses incurred by us to obtain the necessary information prior to giving approval, but we do not charge a fee for our review of a proposed new design. We will advise you in writing of our decision within 30 days after you send us all the materials we reasonably require to evaluate the design. If the design is not approved within 30 days, the design is deemed rejected. We impose these restrictions to safeguard the integrity of the both the Franchise System and our trademarks.

C. Unauthorized Suppliers. Where we have designated an approved supplier, you must use that supplier. Not purchasing your business's equipment, inventory, supplies, computer hardware and software, or any other items where we have designated an approved supplier would put you in violation of the Franchise Agreement. If you violate the Franchise Agreement we may, at our option, either take legal action against you to compel compliance and/or terminate your Franchise Agreement or fine you. Because of the volume of business Franchisees bring to our suggested suppliers, you may enjoy lower prices than you could receive from other suppliers, or on the other hand, you may encounter higher prices than you would otherwise encounter if you were not required to purchase from the authorized supplier.

D. Revenue Derived. During our last fiscal year ended December 31, 2019, we received \$57,625.54 or 2.15% of our 2019 annual revenue of \$2,685,595 from our franchisees' required and optional purchases. We also received \$2,000 from our approved payroll supplier as sponsorship for the breakfast at our 2019 annual retreat. While we are not required to do so, in 2019 we used the rebates we earned from approved suppliers to help fund the annual retreat, to pay for certain marketing and web developments for the System, and to pay some of the administrative costs we incurred in negotiating with approved vendors.

E. Required Purchase Percent of Overall Purchases. During the establishment of your business, approximately 15% of your overall purchase will be required purchases or purchases from required vendors. During the operation of your business, approximately 15% to 20% of your overall purchase will be required purchases or purchases from required vendors. The cost as a percentage of your revenue will vary depending on the revenue achieved by your business and your business's cost structure. In the future, we may have other approved suppliers where we receive no compensation from your relationship with them

F. Warranty and Customer Service Requirements. Our franchisees guarantee the satisfaction of our customers. If a customer complains about their experience, we have established certain procedures you are required to follow to resolve the concern, which could result in not charging the customer for the service you provided or providing discounts for future services.

G. Purchasing or Distribution Cooperatives. Currently you are not required to participate in a purchasing or distribution cooperative. However, we have the right to require you to participate in a local or regional advertising purchasing cooperative in the future.

H. Insurance. You are obligated to obtain and maintain at your own expense such insurance that we require from time to time from an insurance company approved by us, and at

all times during the term of the Franchise Agreement maintain in force and pay the premiums for all types of public liability insurance with complete operations coverage, with limits of liability for bodily injury, personal injury and advertising injury of not less than One Million Dollars (\$1,000,000) with limits of liability for property damage of not less than One Million Dollars (\$1,000,000) in each occurrence, One Million Dollars (\$1,000,000) of public and product liability coverage, One Million Dollars (\$1,000,000) of dram shop liability coverage, and non-owned vehicle coverage of at least Five Hundred Thousand Dollars (\$500,000). We may increase the required limits at our discretion. You are currently required to maintain, in the amounts we prescribe from time to time, cyber liability coverage in the amount we specify in the Franchise Agreement, including, but not limited to, property damage, fraud, and business interruption. The current cyber insurance coverage we require is One Million Dollars (\$1,000,000). The Franchise Agreement further outlines the types, amounts, terms and conditions of insurance coverage required for your Workshop, including, but not limited to standards for underwriters of policies providing required insurance coverage; our protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage at your expense if you fail to obtain required coverage; our right to defend a claim; and similar matters relating to insured and uninsured claims. You are currently required to maintain, in the amounts we prescribe from time to time, comprehensive liability insurance coverage, including, but not limited to, property damage, dram shop liability, bodily injury, business interruption, automobile liability, cyber security, and workers' compensation insurance coverage. The cost of this coverage will vary depending on the insurance carrier's charges, terms of payments and your history. All insurance policies must name us as an additional insured party. Your obligations relating to insurance coverage are defined in Section 16 of the Franchise Agreement.

## **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.**

<b>OBLIGATION</b>	<b>SECTION IN AGREEMENT</b>	<b>DISCLOSURE DOCUMENT ITEM</b>
a. Site selection and acquisition/lease	Franchise Agreement §§ 2(b)(vi), and 10	Items 7, 8, and 11
b. Pre-opening purchases/leases	Franchise Agreement §§ 4, 10, 11, and 12	Item 8
c. Site development and other pre-opening requirements	Franchise Agreement §§ 2(b)(vi), (x), 7, 8(a)(i), 8(e), 10, 11(a)(ii), 11(b), 11(c), 11(l), 12(a), 12(b)	Items 7, 11
d. Initial and ongoing training	Franchise Agreement § 11(a)(ii) and (d)	Item 11
e. Opening	Franchise Agreement §§ 1, 3, 4 and 8(a)(i)	Items 5, 7, 11
f. Fees	Franchise Agreement §§ 2(b)(vii), 2(e), 3, 8, 11(d), 11(r), 13(d)(viii)	Items 5, 6, 7, and 17

<b>OBLIGATION</b>	<b>SECTION IN AGREEMENT</b>	<b>DISCLOSURE DOCUMENT ITEM</b>
g. Compliance with standards and policies/Brand Standards Manual	Franchise Agreement §§ 2(b)(ii), 4; 11; and Brand Standards Manual	Items 13 and 15
h. Trademarks and proprietary information	Franchise Agreement §§ 7 and 11(c); Brand Standards Manual	Items 13 and 14
i. Restrictions on products/services offered	Franchise Agreement §§ 11(c) and (e), 12	Item 16
j. Warranty and customer service requirements	Franchise Agreement §§ 11(n) and (o), and 17(c)(iv)	Item 15
k. Territorial development and sales quotas	Franchise Agreement n.a. Franchise Rider	Item 12
l. Ongoing product/service purchases	Franchise Agreement § 12	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	Franchise Agreement §§ 10, 11(c), (e)	Item 11
n. Insurance	Franchise Agreement § 16	Items 6 and 8
o. Advertising	Franchise Agreement §§ 8, and 9	Items 6 and 11
p. Indemnification	Franchise Agreement § 19(b)	Item 6
q. Owner's participation/management/ staffing	Franchise Agreement §11(a) - (c)	Item 15
r. Records and reports	Franchise Agreement §11(r)	Items 6, 16 and 17
s. Inspections and audits	Franchise Agreement § 11(r) and (s)	Item 6
t. Transfer	Franchise Agreement §§ 13 and 14	Item 17
u. Renewal	Franchise Agreement § 2(b) - (c)	Item 17
v. Post-termination obligations	Franchise Agreement §§ 7(d), 11(j), 14, 15, 17, 18 and 19	Item 17
w. Non-competition covenants	Franchise Agreement §§ 11(j), 14, 15, and 18	Item 17
x. Dispute resolution	Franchise Agreement §§ 19 and 21	Items 6 and 17

## **ITEM 10. FINANCING**

At this time, neither we nor our affiliate offer direct or indirect financing. We do not guarantee any note, lease, or obligation.

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

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

Before you sign your Franchise Agreement, we will determine your protected territory under the Franchise Agreement.

As set forth in Section 4 of the Franchise Agreement, after you sign your Franchise Agreement, but before you open your business, we will:

1. offer you and 1 additional staff member our initial training program at our headquarters, as described below.
2. lend you a copy or digital version of our Brand Standards Manuals, as described below.
3. assist you, as we see fit and in our sole discretion, with your site selection and consult with you on the layout of your leased space. It is your responsibility to select and outfit your own location. We are not required to provide or assist you in locating a site or obtaining your business premises. However, if requested, we may advise you on recommended locations, remodeling of the premises, and the purchase or lease of equipment, signs, and fixtures. We must approve the site location and the lease if you do not own the premises. You may submit up to 3 site locations for our approval. Generally, we approve or disapprove a site within 15 days of receiving the request. In the event we do not disapprove a proposed site by written notice to you within said 15 days such site shall be deemed approved by us. If you fail to execute a lease or purchase contract for the site within a reasonable amount of time after our acceptance of the site, we reserve the right to refer it to another franchise applicant or develop it as a company-owned business. It is your responsibility to ensure that your premises conform to local ordinances and building codes as well as obtain any required permits. It is also your responsibility to construct, remodel and decorate the premises. Some of the factors we consider in approving sites include general location and neighborhood, traffic patterns, population, size and lease terms. We must approve the layout of your space before you start construction. Additionally, we will provide you with a list of recommended suppliers for required fixtures, furnishings, decor, internal signs, and equipment you will use in your business. (Franchise Agreement Sections 1, 4, and 10.) Because design studios or workshops generally, and AR WORKSHOP specifically, must stay current with design trends, we may require you to remodel your franchised business as determined by us or as necessary to maintain your facilities consistent with our standards. You are not required to spend a certain dollar amount per year on remodeling or renovation as long as your Workshop meets our then-current standards. We will not require you to renovate or remodel more frequently than every 2 years. Franchise Agreement Section 10.

If during the first 6 months after you sign your Franchise Agreement you present to us a physical location for your Workshop that we do not approve and we cannot locate a suitable location for your Workshop, then we can mutually agree to terminate the Franchise Agreement and we will refund to you 50% of the Initial Franchise Fee and retain the balance of the Initial Franchise Fee to cover our expenses. If during the first 6 months after you sign your Franchise Agreement, you present to us a physical location for your Workshop that we do not approve and we locate another site that meets our specifications and you refuse to develop the site, then we can mutually agree to terminate your Franchise Agreement and you will not be entitled to any refund of your Initial Franchise Fee. If a location is not selected within the first 6 months after you

sign your Franchise Agreement, a refund of the initial franchise fee will not be granted under any circumstances.

4. Provide you with a copy of our list of approved or recommended vendors and suppliers for all required supplies, equipment, signage, décor, retail items and other goods and services. You are responsible for ordering and purchasing all items required to operate your business.

We are not required to provide you other supervision, assistance or services prior to the opening of the Workshop. (Franchise Agreement Section 4.) However, if requested, we may advise on additional topics related to the opening of your Workshop, including but not limited to purchasing inventory and hiring and training employees.

During the operation of the Workshop under your Franchise Agreement, we will:

1. Provide advice and consultation services to you. If you request advice or consultation service that requires us to make our staff present at your Workshop, we may charge to provide such service at the per diem cost identified in the Brand Standards Manual, plus expenses. (Franchise Agreement Franchise Agreement Sections 4(d) through (f).)

2. Make available to you from time to time advertising materials we prepare for use by our Franchisees generally. You may use such materials in any local advertising. You will pay for all associated costs for your use of such materials. (Franchise Agreement Section 8(f).) We have no obligation to spend any money on advertising in your territory or area. You may develop advertising materials for your own use at your own cost. We encourage the sharing by franchisees of advertising ideas and materials. We require you to submit advertising and promotional materials to us in advance and to obtain our approval before using them. You are required to follow our instructions in connection with any advertising or promotional materials we provide for your use. (Franchise Agreement Section 8(f).) Failure to follow our instructions regarding pre-approval of advertising materials will result in fines. These fines will be as follows: 1st infraction: \$250, 2nd infraction: \$500 and third infraction: \$1,000. Imposition of these fines will in no way waive our right to consider your use of unapproved advertising as a default-triggering event, such as that described at Franchise Agreement Section 17(c)(v).

3. Make available to you designs for your classes. We will make available to you designs that we have created, acquired from other franchisees or licensees, or licensed from third parties. You may use those designs, but to the extent all or part of the design is owned by a third party, you may be required to purchase a license from that third party for the use of that design. You may use your own designs but they must first be approved by us.

4. Make available to you recommended products to sell at your Workshop. You are currently required to keep a minimum of \$3,000 of inventory for purchase at your Workshop, which amount shall be on a wholesale cost basis. We have the right to increase the amount of required inventory you must carry. You may sell products that we do not recommend provided that they are not unauthorized products, but we may add those products or the recommended products to our unauthorized list of products at any time.

5. We have established and maintained a Brand Fund for the creation of national, regional, and local advertising content as we see fit. You will be responsible for implementing any advertising programs or placing any advertising content we create, at your own expense.

6. See the “Brand Fund” section below in this Item 11 for more details.

7. Make available to you from time to time all improvements and additions to the Franchise System to the same extent and in the same manner as they are made available to our Franchisees generally. (Franchise Agreement Section 4(g).)

8. We may, but are not required to, offer you additional post-opening training beyond the initial training covered by the initial franchise fee (see below for description of initial training program). For additional training that you request, we will charge you a rate identified in our then current Brand Standards Manual. You must pay for it at the time of the training, unless alternative billing arrangements are agreed to. Also, you bear all indirect training costs and expenses, such as salary expenses of your employees and all expenses of travel, lodging, meals and other living expenses you and your designee incur. While most additional training is optional, you may be required to attend the additional training. If you are required to attend the additional training, no tuition fee will be charged to you, although you will be responsible for all transportation, lodging, food, and other costs incurred in attending the training.

9. While we are not required to do so, from time to time we may offer conferences, retreats, and other training courses relating to our industry and to the conduct of the Workshop. Franchisees are required to attend all conferences, retreats, and other required training courses. These courses may be conducted by our employees and/or by other trainers and will address various aspects of our business and other topics of interest to Franchisees. We have the right to charge the Franchisee a tuition fee for each attendee, whether or not the attendee is required to attend, at a rate to be determined on a case-by-case basis, but in no event to be higher than the rate outlined in the Brand Standards Manual. Currently we hold an annual retreat that you are required to attend, and we charge a Retreat Fee which will vary from year to year. Our 2020 Retreat Fee is \$1,000 and covers lodging and some meals, but we anticipate that this fee will vary from year to year and will not always cover lodging or food costs. You must pay for your own travel, lodging, and food to attend the annual retreat if the Retreat Fee does not cover those expenses. You will be charged the Retreat Fee whether you attend the annual retreat or not. In addition, if you do not attend a scheduled required event or the annual retreat, you will be charged 1% percent of your annual revenue for the balance of the calendar year.

10. We also may permit you to use one or more social media sites (e.g., [www.twitter.com](http://www.twitter.com); [www.facebook.com](http://www.facebook.com), or such other social media sites). Except as provided in our social media policy, you may not establish or maintain any social media sites utilizing any user names, or otherwise associating with the Marks, without our advance written consent. We may designate from time to time regional or territory-specific user names/handles to be maintained by you. You must adhere to the social media policies established from time to time by us and you will require all of your employees to adhere to the social media policy as well. We may, but are not required to, provide you with access to social media groups or pages that we control. We will not be responsible to you for content posted within such social media groups or on such social media pages, and we have the right to restrict access by you or any other franchisees at any time, or delete comments, links, or photos you or other franchisees post to such pages or within such groups, in our sole discretion.

11. Maintain a website at [www.arworkshop.com](http://www.arworkshop.com) (the “website”), which may include any account, page or other presence on a social and business networking media site (such as Facebook, Twitter, LinkedIn) and online blogs and forums (“Networking Media Site”) in order to promote the Marks, or any or all of the Workshops within the System. We will have the sole right to control all aspects of the website, including its design, content, functionality, links to other

websites, legal notices, and policies and terms of usage. We will also have the right to discontinue operation of the website at any time without notice to you. Even if we choose not to discontinue operation of the website, we recognize that the website will have both unanticipated and planned-for downtime. We will not be liable to you for any downtime that may occur to the website, whether such downtime is a result of our or a third-party's actions. We may require that you maintain and utilize a specific e-mail account in connection with the franchised business. You may not establish or operate a website, web page, domain name, Internet address, blog, forum or e-mail address that in any way concerns, discusses or alludes to us, the System or your Workshop without our written consent. The Marks may not be used as part of, in conjunction with, to establish, or to operate any domain names, Internet addresses, blogs, forums or Networking Media Sites, unless specifically approved by us. You may not post, and must take such steps as necessary to ensure that your employees do not post, any information to a Networking Media Site relating to us, the System, the Marks, or the Workshop that (a) does not comply with our social networking guidelines described in the Brand Standards Manuals, (b) is derogatory, disparaging, or critical of us, the System, or the Marks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the System and/or the Marks. You may not establish or permit or aid anyone else to establish any links to any website or any other electronic or computer generated advertising or communication arrangement which we may create. Subject to the terms of the Franchise Agreement and Brand Standards Manual, we may make available to you a sub-page on the website that will be located at a sub-domain of the website to be specified by us (the "Subpage"). You will be permitted to upload content onto the Subpage solely to promote, and provide customers information related to your Workshop. You may only upload content onto the Subpage in accordance with terms of the Franchise Agreement and any guidelines, directives or specifications (collectively, "Subpage Standards") issued by us. The Subpage may not contain content which references any other Workshops other than your Workshop. You may not upload, publish, display, or otherwise include or use any content on the Subpage without receiving our approval. Once we approve the initial content of the Subpage, you must submit any changes to us before you make any changes. We may, at any time, cease to make the Subpage available to you or the public. Our website is designed to provide booking Workshop sessions and payment through the website for the benefit of Franchisees and is required to be used for such purposes. Upon the termination or expiration of the Franchise Agreement for any reason or a default under the Franchise Agreement for any reason, you may not upload, content, onto, or otherwise use, the Subpage shall immediately cease and we may cease to make the Subpage available to you.

The following are additional details about the services listed above:

**Initial Training.** We will offer you an initial training program before you open for business. Both you and one additional staff member must attend and successfully complete training to our satisfaction no less than 30 days before you open your Workshop, unless we waive this requirement with respect to you or another of your attendees, before we will authorize you to open your Workshop. In addition to the required attendees, other members of your staff may attend an initial training at your expense for a fee of \$250 per additional person. We plan to conduct the training program on an as-needed basis. It is conducted primarily at our Pineville, NC location, or such other location as we may designate, and it is generally 4 days in duration. On the last day of the training, you will visit our company-owned AR Workshop locations around the Charlotte, NC area for hands-on, on-the-job training. We conduct training sessions on an as-needed basis. There is a charge for this training program. However, if you buy the franchise from us, your initial franchise fee includes the cost of initial training for you and 1 member of your staff provided all attend a single training course. No additional individuals can attend pre-opening training. You also bear all indirect training costs and expenses, such as salary expenses of your employees and all expenses of travel, lodging, meals, and other living expenses all attendees incur.

The training program covers the following information:

Stage One: Technology

Stage Two: Project Methods and Workshop Facilitation

Stage Three: Operations and Marketing

Stage Four: On-the-Job Training

The exact amount of time spent on each part of the training will depend on the time required for mastery by the students participating in the training. However, all trainees must complete the program to our satisfaction, within 3 months after the signing of your Franchise Agreement and at least 1 month before opening your Workshop. We use various trainers throughout the training program, but all trainers will be certified by us as having mastered the subject matter they are teaching. The initial training is provided by Ms. Anders, Ms. Wright, and/or Ms. Martel. Ms. Anders, our Chief Executive Officer, Co-Founder, and Designer/Stylist has operated affiliate-owned locations since June of 2016 and has been in the creative design industry since 2005. Ms. Ruff, our Co-Founder and Creative Director, has been involved with graphic design and has been using Illustrator and Photoshop since 2000. She has been a graphic designer for CUSTOM DESIGNS since its inception in 2010 and for us since 2016. Elizabeth Martel, our Vice President and Regional Manager, and manager of our flagship store, has been involved in graphic design for 20 years and in retail management and buying for an art department for 10 years. Kasey Wright, Vice President of Franchise Development, owns and operates her own AR Workshop store. She has been operating her first AR Workshop store since November 2016 and her second since November 2017. Initial operations training will be conducted by trainers with at least 5 years' experience in the creative design industry. Artists used by our affiliate-owned Workshops who have at least 6 months' experience with our affiliates will be incorporated into our training program to instruct with regard to the holding of classes. If you or your Operations Principal fails the initial training, we have the right to terminate the Franchise Agreement. If we terminate the Franchise Agreement prior to your opening because you or your Operations Principal fail the initial training, we will refund to you your initial franchise fee, minus any expenses we have incurred in training you.

### TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On The Job Training	Location
Technology	13		Company-owned Workshop, Pineville, North Carolina, or such other location as we may designate.
Marketing	5		Company-owned Workshop, Pineville, North Carolina, or such other location as we may designate.
Project	10		Company-owned Workshop, Pineville, North Carolina, or such other location as we may designate.
On The Job	4	16	Company-owned Workshop, Pineville, North Carolina, Company-owned Workshops, Charlotte area, North Carolina, or such other location as we may designate.

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On The Job Training</b>	<b>Location</b>
Workshop Organization	2		Company-owned Workshop, Pineville, North Carolina, or such other location as we may designate.
	34	16	

In addition to the Initial Training program discussed above, our Vice President of Marketing will separately conduct a marketing webinar training typically within a month after you sign your franchise agreement but before you open. This training last approximately 3 hours and you will access this training from your home using your own computer and telecommunication equipment.

**Brand Standards Manual.** We will lend you a set of our Brand Standards Manuals. They contain mandatory and suggested specifications, standards, and procedures. They are confidential and remain our property. Your employees are to see them only on a need to know basis, subject to confidentiality agreements. We may modify this material from time to time and its modified terms are binding on you. Most of the volumes of the Brand Standards Manuals are provided electronically and not in paper format. The AR WORKSHOP Brand Standards Manuals currently contain a total of 290 pages. (Franchise Agreement Section 11(j).)

<b>SECTION</b>	<b>TITLE</b>	<b>NO. OF PAGES</b>
1	Introduction	6
2	Franchise Startup	56
3	Workshop Standards	42
4	Trademarks and Brand Policies	48
5	Operations and Personnel	131
6	Advertising and Marketing	36
7	Additional Resources	3
	<b>TOTAL PAGES</b>	<b>322</b>

We may periodically amend, update or replace the contents of the Brand Standards Manuals. Beginning on the 30th day (or any longer time we specify) after our delivery of written notice, you will comply with each amended, updated or replaced provision. Revisions to the Brand Standards Manuals will be based on what we, in our sole discretion, deem is in the best interests of the System, including promoting quality, enhancing good will, increasing efficiency, decreasing administrative burdens, or improving our and our franchisees' profitability.

**Brand Fund.** We have established the Brand Fund to pay for the creation of national, regional, and local advertising as we see fit. The current contribution is the greater of 1% of your monthly Gross Sales or \$200 per month. The Brand Fund contribution may be raised by the majority vote of the franchisees, but not to exceed the greater of 2% of your monthly Gross Sales or 2% per month. We do not collect Brand Fund contributions prior to your beginning operations. We may at our discretion defer Brand Fund contributions for you or another franchisee for an additional period of time we deem appropriate at the outset of yours or their Workshop. Other franchisees' Brand Fund contributions may be calculated at a different rate or on a different basis and, under limited circumstances, certain franchisees may not be required to pay Brand Fund fees. We have the sole discretion to settle or forgive any accrued and unpaid Brand Fund

contributions owed by a franchisee. With any brand or advertising funds paid, we have the sole discretion how and where the money is spent to promote, enhance, or further the growth of the system, including, without limitation, promotional marketing, public relationships, and advertising expenses, hiring marketing, public relations and advertising agencies and in-house personnel to assist in developing the AR WORKSHOP brand name and average unit volumes, expenses associated with listings in telephone books, subsidies designed to garner media attention and promote the brand name, travel expenses in connection with promotions and marketing meetings, training, development of trademarks and trademarked materials, production of circulars, media, advertisements, coupons, and promotional materials (including point of purchase materials) and for any other use we may determine. Additionally, we may use the Brand Fund to pay for expenses incurred in developing and maintaining non-franchise sales portion of the website, social media pages, SEO software or services for the brand and technology development and services for the brand. Materials provided by the Brand Fund to all franchisees may include video and audio recordings, digital prototypes, mats, posters, banners, and miscellaneous point-of-sale items. You will be responsible for implementing any advertising programs or placing any advertising content we create, at your own expense. You will receive one sample of each at no charge. If you want additional copies, you must pay duplication costs.

We may occasionally provide for placement of advertising on behalf of the entire franchise system, including franchisees, however, most of the time we provide you with advertising content to use in your local territory. Most placement of advertising would be on a local or regional basis, typically by local or regional advertising agencies hired by individual franchisees or advertising cooperatives. We have the right in the future to use advertising fees paid by our franchisees to place advertising in national media (including broadcast, print or other media), but we do not currently do so.

Currently, the Brand Fund fees are payable to us. We have the right to establish in the future a nonprofit corporation or other business entity to collect Brand Fund contributions from our franchisees. The Brand Fund is administered by our accounting and marketing personnel under our direction. The Brand Fund is not audited. The Brand Fund is not a trust fund. We have no fiduciary duty to your or any franchisee in connection with the collection or use of the Brand Fund monies. You will be able to obtain an unaudited accounting annually upon written request to one of our President at our principal place of business. We are not required to spend any brand or advertising funds in your specific area or territory. (Franchise Agreement Section 8(b)(iv).)

Use of Brand Fund in Most Recent Fiscal year  
(percentage of total fund expenditures)

USE	PERCENTAGE
Production	48.24%
Media Placement	14.42%
Website	35.15%
Administrative Expenses	2.20%
<b>TOTAL</b>	<b>100%</b>

We may have the Brand Fund borrow from us or other lenders to cover any Brand Fund deficits. We may have the Brand Fund invest any surplus for the Brand Fund's future use. A brief statement regarding the availability of information regarding the purchase of AR WORKSHOP franchises may be included in advertising and other items produced using the Brand Fund;

provided that we will not use Brand Fund funds principally to sell franchises. Company-owned Workshops do not contribute to the Brand Fund on the same basis as other franchisees.

Minimum Local Advertising Spend. We require you to spend at least \$400 per month on local advertising. We may encourage you to spend more than \$400 per month, depending on your local market. We have the right to require you to spend the \$400 per month on approved services and products intended to increase awareness of your store locally. We have the right to require you to spend that money with approved suppliers of these products and services, which suppliers may include us or our affiliate. You may choose to spend more money on local advertising. Your local advertising is subject to our approval and specifications.

Grand Opening Events. You must hold one pre-opening and one grand opening event within four weeks of opening your Workshop. You must spend at least \$2,000 on your grand opening events and at least \$3,500 on pre-opening advertising. You may be required to use our required vendors for public relations, pre-opening advertising, and other aspects of these events.

Local or Regional Advertising Cooperatives. We do not currently require you to participate in any local or regional advertising cooperatives. We have the exclusive right to require that advertising cooperatives be formed, changed, dissolved, or merged. If you are required to participate in an advertising cooperative, you will be required to contribute your share of the cooperative's budget as determined by the cooperative's members.

Each required local advertising cooperative must adopt written governing documents. Each cooperative may determine its own voting procedures; however, each company-owned Workshop will be entitled to one vote in any local advertising cooperative. The members and their elected officials are responsible for administration of the cooperative. Advertising cooperatives must prepare quarterly and annual financial statements prepared by an independent CPA and must be made available to all Franchisees in the advertising cooperative.

The Cooperative is not a trust fund. We have no fiduciary duty to your or any franchisee in connection with the collection or use of the Cooperative monies or any aspect of the operation of the Cooperative. (Franchise Agreement Section 8(b).)

Franchise Advisory Council. While we do not currently maintain a Franchise Advisory Council ("FAC"), we have the right to do so in the future. An FAC would provide advice to us on various matters, including advertising. An FAC would serve in an advisory capacity only and would have no operational or decision-making power. We would appoint the members of the FAC and have the power to change or dissolve it at any time.

Computer System/Point of Sale. Currently, we do not require you to have a particular computer system other than 2 computers, laser or ink-jet printer and plotters, related software and required fonts, an iPad or smart phone capable of using the credit card processing device and software, and broadband internet access. You will also be required to purchase any additional software and hardware needed to process credit card transactions. You are required to purchase design software from certain required vendors. In the future we have the right to require you to utilize additional particular software and/or hardware packages. Such software may be available on the open market or may be proprietary. We anticipate the current cost of the computers, POS, and iPad software and hardware we require to be between \$4,190 and \$6,920. We anticipate the cost of updates, maintenance, and support contracts for your computers and POS systems to be about \$1,000 to \$1,500 per year. You must update your computer, POS, and

iPad hardware and software as we require, but we will not require you to spend more than \$3,000 every 2 years to update these systems.

If a particular software and/or hardware package is required in the future, we will have the right at all times to access your computer system to retrieve, analyze and use any information regarding your Workshop, including your financial information regardless if you were required to purchase software or hardware. You agree that we will have the free and unfettered right to retrieve any data and information from your computers or cloud based computer software solutions as we, in our sole discretion, deem appropriate, including electronically polling the daily sales, and other data of the Workshop. There is no contractual limit on our right to access data. If the software is proprietary to us, we will grant you a license to use the software upon signing of the software licensing agreement and payment of the license fee. Currently we do not have any proprietary software, but we may develop some in the future. We have no contractual obligation to upgrade the software. You will be provided, at your expense, with upgrades, updates, revisions and new releases to the software at such time as they are prepared. We have the right to impose a monthly maintenance for such proprietary software. You must pay the monthly maintenance fee if you wish to use the proprietary software (which we may raise upon 90 days' notice). (Franchise Agreement Section 11(t).) You are required to use our specified forms and to have all sales submitted through our website or other electronic means.

**Development Schedule.** The typical length of time we estimate between your signing of the Franchise Agreement and opening your Workshop is 6-9 months. You must execute a lease within 6 months of signing your Franchise Agreement and you must begin operation of your Workshop within 90 days after execution of your lease. Prior to opening your business, you must perform the following tasks. We may assist you in this effort.

<b>TASK</b>	<b>TIME FRAME</b>	<b>FORM OF HELP</b>
Complete Business Plan	3 mos. before opening	Guidance from us
Sign Franchise Agreement	6-9 mos. before opening	Assistance from us
Conduct Site Research	3-6 mos. before opening	Assistance from us
Establish Vendor Relationships	2-3 mos. before opening	Assistance from us
Complete Lease Negotiations	3-6 mos. before opening	Assistance from us
Submit Opening Orders	1-2 mos. before opening	Assistance from us
Observe Operations in Existing Workshop	1-3 mos. before opening	Hands-on experience
Build out of Space	0-3 mos. before opening	Guidance from us
Attend Training	0-3 mos. before opening	Lectures & Manuals

The factors that may increase or decrease the time periods discussed above are: the amount of time and effort you commit to the site selection process and the construction of your Workshop; the availability of acceptable sites within the geographical area you choose; your ability to obtain a lease, financing and building permits; your credit and personal financials, and zoning and licensing requirements. Delays or a lack of effort by you, your contractors or your prospective landlord will increase these time periods. If you change your employment, business or financial status before the opening of your Workshop, you do so at your own risk. Any and all such changes should be made only as a result of careful thought and advanced planning after obtaining advice from appropriate professional advisors.

## **ITEM 12. TERRITORY**

You will receive an exclusive territory (“Protected Area”). Your Protected Area may vary from other franchisees’ territories in size or shape, depending on demographics, population density, competition, and/or presence of other similar workshops in the area. Your Protected Area will, at a minimum, consist of the lesser of a 3 mile radius around your authorized location or an area around your authorized location containing a residential population of 40,000. Your Protected Area is protected only to the extent that we will not establish or operate, or license any other person to establish or operate an AR WORKSHOP business under the System and the Trademarks at any physical, brick-and-mortar location within your Protected Area. We cannot modify your territorial rights during the term of the Franchise Agreement, but we can modify your Protected Area upon renewal.

You lose your Protected Area only if you fail to open your Workshop in a timely fashion, fail to operate it for any period of 7 days or more, excluding “Acts of God,” without our prior written permission, fail to offer at least 5 classes a week at your Workshop, or if your Franchise Agreement is terminated due to defaults by you that are not timely cured. Otherwise, the protection of your Protected Area is not dependent on any other contingencies, including your achieving a certain sales volume or market penetration, and we cannot alter or modify your territorial rights.

Opening the Workshop in a timely fashion means within 9 months of signing the Franchise Agreement, plus such extensions, if any, as we may agree to in writing. You may not relocate the business premises without our written approval. You must offer at least 5 classes at your Workshop a week according to our Brand Standards on the days and times we may require in order to maintain your Protected Area, unless we give you prior written approval to offer fewer classes. If you fail to do so, then we have the right to open or license others to open additional locations within your Protected Area. If your landlord terminates your right to possession of your approved business premises before the Franchise Agreement's term expires, then you and we must agree on a new location within 60 days. You may not relocate the site of the original Workshop without our express written permission. Should you relocate the Workshop without such permission the new location will be treated as an entirely new franchise sale subject to new initial franchise fees as provided in Section 3(a) of the Franchise Agreement and to such other provisions as would apply to new franchise sales.

All Workshops may sell or market their products and services to any customer. The Workshop, however, is to be operated solely as an art workshop, and you agree not to sell any items through telemarketing, mail order catalogs, computer and/or internet marketing, traveling carts or trucks, or any other such system. You shall have no right to sell your products or goods by mail order catalog sales, computer and/or internet marketing, including mobile apps, or by any other fashion other than retail sales at your specific business location or at approved off-site events.

Regardless of either proximity to your Protected Area or your Workshop or any actual or threatened impact on sales of your Workshop, we retain all rights not expressly granted to you, including, among others, to: (a) use the Trademarks and System in connection with establishing and operating AR WORKSHOP businesses at any location outside the Protected Area; (b) use the Trademarks or other marks in connection with selling or distributing any goods (including branded merchandise or product) or services anywhere in the world (including within the Protected Area), whether or not you also offer them, through channels of distribution other than a brick-and mortar AR WORKSHOP workshop, including, for example, other permanent or

temporary retail locations, kiosks, carts, trucks, catalogs, mail order, or the Internet or other electronic means; (c) acquire, establish or operate, without using the Trademarks, any business of any kind at any location anywhere in the world (including within the Protected Area); and (d) use the Trademarks in connection with soliciting or directing advertising or promotional materials to customers anywhere in the world (including within the Protected Area).

If we decide to exercise these rights, we will not be obligated to compensate you for such sales made inside or outside your Protected Area.

You may not establish more than one AR WORKSHOP business in your Protected Area without entering into a separate Franchise Agreement. We do not grant under this disclosure document any option, right of first refusal, or similar right to acquire additional franchises.

### **ITEM 13. TRADEMARKS**

The primary trademarks, service marks and trade names you are to use in operating your Workshop are the “AR WORKSHOP,” “ANDERS RUFF WORKSHOP,” and “ANDERS RUFF” service marks, trademarks and trade names (collectively, the Proprietary Marks). We own the Proprietary Marks and all other trademarks used by us and our franchisees. Upon execution of our Franchise Agreement, we will sublicense to you the limited right to use the following Trademarks:

We own a federal trademark registration for “A R WORKSHOP” as follows:

1. No. 5231897 entered on the Principal Register on June 27, 2017, for do-it-yourself arts and crafts studio that provides instruction based classes and the use of supplies and equipment to individuals for making their own arts and crafts.

We own a federal trademark registration for “ANDERS RUFF WORKSHOP” as follows:

2. No. 5231895 entered on the Principal Register on June 27, 2017, for do-it-yourself arts and crafts studio that provides instruction based classes and the use of supplies and equipment to individuals for making their own arts and crafts.

We own a federal trademark registration for “ANDERS RUFF” as follows:

3. No. 4532287 entered on the Principal Register on May 20, 2014, for Design and development of printable paper goods.

We own a federal trademark registration for “AR WORKSHOP” as follows:

4. No. 5620195 entered on the Principal Register on December 4, 2018, for online and retail store featuring decorative housewares for sale, namely, accent furniture, wall art, tabletop accessories, bath accessories, picture frames, craft accessories, jewelry accessories and holders.

We have filed, on the Supplemental Register, a federal trademark registration for “CHUNKY KNIT BLANKET WORKSHOP” as follows:

5. Serial No. 88156894 filed on October 16, 2018, for educational services, namely, providing classes, workshops, crafting events in the field of knitting.

The chart below shows the above marks as they are used in commerce.

REGISTRATION/ SERIAL NUMBER	EFFECTIVE DATE OF REGISTRATION/ FILING	MARK
5231897	June 27, 2017 (registered on the Principal Register)	
5231895	June 27, 2017 (registered on the Principal Register)	ANDERS RUFF WORKSHOP
4532287	May 20, 2014 (registered on the Principal Register)	anders ruff
5620195	December 4, 2018 (registered on the Principal Register)	AR WORKSHOP
88156894	October 16, 2018 (filed for registration on the Supplemental Register)	CHUNKY KNIT BLANKET WORKSHOP

The last of the Proprietary Marks listed above does not have a federal registration. Therefore, this trademark does not have as many legal benefits and rights as federally registered trademarks. If our right to use that Proprietary Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

All necessary affidavits of use and renewal applications have been timely filed. We intend to file all necessary affidavits of use and renewal applications when they become due. None of the registrations is due for renewal. There are no currently effective material determinations of

the Patent and Trademark Office, the Trademark Trial and Appeal Board, or the Trademark Administrator of any state or any court; nor are there any pending infringement, opposition, or cancellation proceedings or material litigation, involving the above Proprietary Marks.

A federal or state trademark or service mark registration does not necessarily protect the use of the concerned mark against a prior user in a given relevant market area. Prior to entering into the Franchise Agreement, you should check and be sure that there are no existing uses of our marks or names or any marks or names confusingly similar to any of them within the market area where you want to do business. If you find any similar names or marks, you must immediately notify us. Any action to be taken in that event is strictly within our discretion.

You must follow our rules and regulations with respect to the use of the Proprietary Marks. You cannot use any of the Proprietary Marks or any other marks, names, or indicia of origin that are or may be confusingly similar to the Proprietary Marks as part of a corporate name or other legal name.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We will indemnify and reimburse you for damages obtained by a third party based on your use of the Proprietary Marks provided you have at all times fully complied with Article 7 of the Franchise Agreement. However, you would be responsible for any rebranding expenses. If there is any litigation relating to your use of the Proprietary Marks, you must sign all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action.

We reserve the right to substitute different proprietary marks for use in identifying the System and the business operating under it if we, in our sole discretion, determine that substitution of different marks as Proprietary Marks will be beneficial to the System. You must comply with such change, revision, or substitution and bear all expenses associated with them.

Your right to use the Marks is derived solely from Franchise Agreements entered into between you and us for the purpose of operating an AR WORKSHOP business. All usage of the Proprietary Marks by you and any goodwill established from this usage is to our exclusive benefit. After the termination or expiration of the Franchise Agreement, you may not, except with respect to Workshop businesses operated by you according to Franchise Agreements granted by us, at any time or in any manner identify yourself or any business as a franchisee or former franchisee of, or otherwise associated with, us or use in any manner or for any purpose any Proprietary Mark or other distinguishing signs of our Workshops or any colorable imitation of same.

You may not use any Proprietary Mark as part of any corporate name or with modifying words, terms, designs, or symbols except for those licensed by us. You may not use any Mark in connection with any business or activity, other than the business conducted by you according to Franchise Agreements entered into between you and us, or in any other manner not explicitly authorized in writing by us. You must immediately notify us in writing of any claim of apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark or similar trade name, trademark, or service Mark of which you become aware. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We will take any action we determine appropriate and will have

complete control of any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding caused by any infringement, challenge, or claim or otherwise relating to any Mark.

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

You do not receive the right to use an item covered by a patent or copyright registration, other than what is discussed below, but you can use the proprietary information in our Brand Standards Manual, our proprietary decor designs, our business method, and business processes all of which are trade secrets owned by us.

We claim a copyright in the art used and created in our classes, whether such art is created by us or our franchisees, and whether such copyrights have been registered or not. Our founder and owner Maureen Anders registered the copyright to the 2-D artwork entitled “Home for the Holidays,” with the US Copyright Office effective on August 30, 2017 with Registration No. VA 2-073-122. Adria Ruff registered the copyright to the Visual Material entitled “Pumpkin Patch,” with the US Copyright Office effective September 6, 2017 with Registration No. VA 2-074-647 and licensed this copyright to us. Both copyrights have been licensed to us for use by our franchisees. The Franchise Agreement gives you the right to use our copyrights in the classroom setting in your Workshop. However, certain designs contain third-party intellectual property and you may have to license that intellectual property and pay the associated expenses to use those designs. We may cease to have the right to use and sublicense to you the rights to use certain designs, including the designs owned by our owners, in which case you will be required to cease using such designs and use alternative designs we provide. You will receive no other rights with respect to the artwork for which we claim or have registered copyrights. There are significant copyrights and trademarks that are material to this franchise and we will protect the proprietary nature of those items to the full extent of the law.

The Brand Standards Manual is described in Item 11. Although we have filed no applications for a copyright registration for the Brand Standards Manual, we claim a copyright and the information is proprietary. Item 11 describes limitations on the use of this manual by you and your employees.

If you or your Principals, officers, managers, or employees conceive, invent, create, design and/or develop any ideas, techniques, methods, processes or procedures, artwork, designs, formulae, products, packaging or other concepts and features relating to Workshop operations, business practices, or related goods in connection with the Workshop (the “Innovations”), you (or they) will be deemed to have assigned all of your (or other) rights, title and interests in the Innovations, including any intellectual property rights, to us. You and your Principals, officers, managers and employees also must cooperate with us in connection with protecting the Innovations.

If you reproduce any items or materials suitable for copyright protection, you must make sure that each item bears a copyright notice in the form specified by us. You must use the proprietary information only in the manner required by us and in no other manner. This information is strictly confidential, and you may not disclose to any person, or use any of that information for any purposes, except disclosure to a person who has signed and delivered to us a confidentiality agreement and only as necessary in connection with the operation of your Workshop. In addition, you must fully and strictly comply with all security measures required by us for maintaining the confidentiality of all information designated by us as trade secrets.

You will not have the exclusive right to use the Innovations or any of our patents or patent applications, copyrights or proprietary information, nor will you acquire, by use or otherwise, any right, title or interest in or to the Innovations, the copyrights or the proprietary information, other than as expressly contained in, and limited by, the Franchise Agreement. Your right to use the Innovations, the claimed subject matter of any patents or patent applications, the copyrights and the proprietary information is limited and temporary. Upon expiration or termination of the Franchise Agreement, you may not, directly or indirectly, use the Innovations, the claimed subject matter of any patents or patent applications, the copyrights or the proprietary information in any manner or for any purpose whatsoever.

You must immediately notify us of any conduct that could constitute infringement of or challenge to the Innovations, the patents or patent applications, the copyrights and the proprietary information. We will decide, in our sole discretion, whether to institute any action in connection with infringement of or challenge to the Innovations, the patents or patent applications, the copyrights and the proprietary information, and will control any proceedings and litigation. We are not required to protect your right to use the Innovations, the patents or patent applications, the copyrights or the proprietary information. We will indemnify you for all damages for which you are held liable in any lawsuit arising out of your use of our Innovations, claimed subject matter of any patents or patent applications, copyrights and proprietary information provided you use such Innovations in compliance with the Franchise Agreement.

We may, in our sole discretion, modify or discontinue use of the Innovations, the claimed subject matter of any patents or patent applications, the copyrights and the proprietary information and/or use other information and/or rights in their place. If we decide to do so, you must do so also, at your expense. However, if we require you to modify or discontinue use of any material Innovation, the claimed subject matter of any patents or patent applications, the copyrights or proprietary information and/or use other information and/or rights in their place at any time other than upon renewal of the franchise, and that requirement is a direct result of proceedings or litigation that determined that we and our franchisees' use of such Innovation, claimed subject matter of any patents or patent applications, copyright or preparatory information infringed upon a third party's rights, we will bear the cost of those modifications or discontinuances.

During the term of the Franchise Agreement, you must maintain, to the extent collected, a current list of the names, home addresses, work addresses, e-mail addresses and telephone numbers of the customers who supply you this information (the "Customer List"). You must provide the Customer List to us upon request. The Customer List will be our property at all times, and you must not disclose the Customer List to any person or entity other than us, or sell the Customer List (or any portion of it) to any person or entity without our express written consent.

You and each of your principals, officers, managers and employees will be bound by certain provisions protecting our proprietary rights.

You must strictly limit access to the confidential information to your employees, to the extent they have a "need to know" to perform their jobs. All persons to whom you grant access to the Brand Standards Manuals or any other confidential information, any person who attends any training program we conduct, and all of your employees must sign our form of confidentiality agreement. If you are a partnership, limited liability company or corporation, all of your owners, officers, or directors and any of these individuals' spouses are bound by the confidentiality provisions in the Franchise Agreement.

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

We require you to have at least one owner who will personally supervise the franchised business (“Operations Principal”). We strive to select franchisees who favor and appear committed to a “hands on” and well-informed approach to the business. We strongly recommend that your Operations Principal devote a substantial amount of time to your Workshop, whether or not you hire a manager. Franchisees where the Operations Principal does not devote their full time efforts to the establishment and operation of their Workshops may have lower gross sales, higher operating costs and lesser name recognition in their areas than those franchisees whose Operations Principal’s devote their full efforts to the business. Examples of the types of functions which you might perform include supervisions of employees, staffing, inventory checks, review of sales and costs, bookkeeping and all reasonable efforts to ensure smooth and efficient operations. The business must be directly supervised and managed by the Operations Principal, identified to us and approved by us, who has undergone our training program or for whom, based on his or her experience, we have waived this requirement.

If you own multiple franchised businesses, you must have a manager for each franchised business. A manager or Operations Principal who has successfully completed our training program must be present in each franchised business at all times when the Workshop is open. This manager must satisfy our criteria for qualified managers. You are not obligated to offer any equity interest to the manager.

You, if the Franchisee is an individual, or the shareholders, officers, directors, partners, and members, if the Franchisee is a legal entity, and all such persons’ spouses, must sign our form of non-competition and non-disclosure agreements, as well as personal guarantees of performance in which they will guarantee the performance of the Workshop’s obligations to us. We also require you, if the Franchisee is an individual, or the owners of Franchisee, if Franchisee is a legal entity, to agree to be bound personally by the terms and conditions of the Franchise Agreement. We may also require that your managers sign non-competition and non-disclosure agreements in the form we require. All of your employees, contractors, or agents who have access to our confidential information must sign non-disclosure agreements in the form we require.

The people you retain to work in your Workshop will be your agents and employees. They are not our agents or employees and we are not a joint employer of such persons. You will be solely responsible for recruiting and hiring the persons you employ to operate the Workshop and must determine whom to hire, how many people to hire, retain, and train, and how you will compensate such persons. You are responsible for your employees’ and agents’ training, wages, taxes, benefits, safety, schedules, work condition, assignments, discipline, and termination. You must comply with all applicable employment laws. We will not operate your Workshop, direct your employees, or oversee your employment policies or practices. All personnel employed by you in connection with the operation of your Workshop must maintain the brand standards we require.

You must abide by, and require that your employees abide by, any minimum safety standards we establish for the System, including the requirement to wear safety goggles at all times that you or your employees use a saw or drill press. The Franchise Agreement will require you to acknowledge that there are certain risks and dangers inherent in the Workshop due to the use of saws, drill presses, hammers, paint, and other tools and equipment, and the sawdust and fume inhalation that results from such use, and you must assume all liability associated with such

risks and danger. You must require that all customers who visit the Workshop and all of your employees sign safety waivers before using tools or equipment at the Workshop.

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

You are limited to providing our approved products and services according to our Brand Standards, unless otherwise authorized by us. You may sell approved products and services to any customer. However, you must operate the Workshop solely as a brick and mortar service business, and you agree not to sell any items through telemarketing, computer marketing, internet sales, including mobile apps, mail order catalogs or any other such system, other than sales made through our website and according to our policies. We have the right to add, delete, or change the types of authorized goods and services offered by you in operation of your Workshop.

You will be obligated to offer and sell those new products and to participate in all national, regional, and local promotional program initiatives, campaigns, and giveaways adopted by us in which we require you to participate, and you may bear certain expenses and costs associated with such promotional initiatives, campaigns, and giveaways. You may be required to provide discounted or free classes, products, or other services as part of the promotional initiatives, campaigns, or giveaways, and we will not be required to reimburse you for your costs in providing such discounts or free products or services. We reserve the right to designate which of our franchisees may, or will be required to, participate in new product or service tests, new or modified product or service offerings and other programs and initiatives that we may, from time to time, develop. If we designate you for participation in any such program, initiative or campaign, you must participate when and as required by us. There are no limits on rights to require you to offer and sell those new products or to participate in those programs, initiatives and campaigns.

**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.**

<b>PROVISION</b>	<b>SECTION IN AGREEMENT</b>	<b>SUMMARY</b>
a. Length of the franchise term	Franchise Agreement § 2(a)	Initial term is 10 years
b. Renewal or extension of the term	Franchise Agreement § 2(b)	One 5-year renewal term provided you remain a franchisee in good standing and comply with any other requirements including refurbishment, renovation and/or relocation, if required.

PROVISION	SECTION IN AGREEMENT	SUMMARY
c. Requirements for Franchisee to renew or extend	Franchise Agreement § 2(b)	You must be in good standing and exercise your option within a window of time. You must agree to the terms of the Franchise Agreement then being offered, make required upgrades to your Workshop, secure a sufficiently long lease term, sign a release, and pay your renewal fee of \$5,000. You must agree to the terms of the Franchise Agreement then being offered. You may be asked to sign a contract with materially different terms and conditions than your original contract. The royalty rate and protected territory could be different, but will be no greater than the royalty and protected territory we then impose on similarly situated renewing franchisees. You must acknowledge by returning a receipt that you have received the then-current Franchise Disclosure Document.
d. Termination by Franchisee	Franchise Agreement §§ 2(c) and 17(e)	For cause, if we breach a material provision of the contract and fail to cure 90 days after written notice then you can terminate with 30 days' notice if you are compliant with the terms of your agreement. Also upon expiration of the franchise term if you do not exercise your option to renew.
e. Termination by Franchisor without cause	Franchise Agreement N/A	We cannot terminate except for cause.
f. Termination by Franchisor with cause	Franchise Agreement §§ 17(a) and (b)	Section 17(a) describes causes for termination upon notice, including your cure rights. Section 17(b) deals with automatic termination.  The laws of your state may provide additional rights to you concerning termination of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
g. "Cause" defined – defaults that can be cured	Franchise Agreement §§ 17(a), (b), and (c)	Non-compliance, non-payment, late reporting, non-willful under-reporting, and the like. Unless we have been through this 2 times already within 12 months, you have 15 (or perhaps more if truly required) days to totally cure after we deliver you a notice of default.

PROVISION	SECTION IN AGREEMENT	SUMMARY
h. "Cause" defined – defaults that cannot be cured	Franchise Agreement §§ 17(a), (b), and (c)	2 otherwise curable defaults within 12 months; willful and material falsification, Material underpayment of royalties, multiple occurrences of same event of default in 6 months, willful and repeated customer deception; non-compliance purported or attempted assignment; default under a security interest; loss of right to possess Workshop premises; bankruptcy, receivership, attachment and the like. A provision in the Franchise Agreement that terminates the franchise upon the bankruptcy of the franchise may not be enforceable under Title 11, U. S. Code Section 101.
i. Franchisee's obligations on termination/ non-renewal	Franchise Agreement §§ 11(j), 14, 15, and 18	Pay us sums due without set-off; return our property including Brand Standards Manuals and business data; discontinue use of Licensed Marks and copyrighted artwork; cooperate with our lease assignment rights, if any; unless we take over the premises, remove all signs with Marks immediately; cease representing self as a present or past franchisee; destroy or surrender marks, names, indicia; discontinue ads; assign us phone numbers; sell us such inventory and other business assets as we request. We will have a security interest in certain business assets to secure payment.
j. Assignment of contract by franchisor	Franchise Agreement § 13(a)	We may freely assign our rights and duties under the Agreement.
k. "Transfer" by franchisee – definition	Franchise Agreement § 13(b) through (g)	Broadly defined to include bequests, fractional interests, shares, death, incapacity etc.; our consent is always required; but you must pay us transfer fees only for certain transfers. See also the Addendum to Franchise Agreement containing changes to the Conditions of Transfer and Transfer of License in the event you are using Small Business Administration financing.
l. Franchisor's approval of transfer by franchisee	Franchise Agreement § 13(c)	Our prior written agreement is required for all transfers. The franchise can be terminated for non-compliance. We will not unreasonably withhold approval.

PROVISION	SECTION IN AGREEMENT	SUMMARY
m. Conditions for franchisor's approval of transfer	Franchise Agreement § 13(d)	<p>Transferee must assume your obligations under the Franchise Agreement, attend and successfully complete our training program, sign a franchise and collateral agreements in the then current form and update, refurbish and/or renovate as we may require. You must release us of all claims. Guarantees and share restriction agreements are required if to a corporation or LLC. If a sale is involved, you must offer us a 45-day right of first refusal and a transfer fee must be paid as follows:</p> <ul style="list-style-type: none"> <li>• Greater of 50% of then-current initial franchise fee or \$15,000 to transfer to a new AR WORKSHOP owner</li> <li>• Greater of 25% of then-current initial franchise fee or \$7,500 to transfer to existing owner in good standing</li> <li>• \$2,000 for intercompany transfers of ownership that result in no change to the controlling owner</li> </ul> <p>A purchaser must have a credit rating, moral character, reputation and business qualifications satisfactory to us, and meet all then current requirements of new franchisees.</p>
n. Franchisor's right of first refusal to acquire franchisee's business	Franchise Agreement § 13(c)	45 days. We may assign it to another.
o. Franchisor's option to purchase franchisee's business	Franchise Agreement §§ 13(c), 18(i) and (k)	<p>We have an option to purchase your Workshop upon termination or expiration of the Franchise Agreement.</p> <p>Upon termination you may have to assign your lease and phone numbers to us without compensation and allow us to purchase your other assets at their current published prices with us offsetting.</p>
p. Franchisee's death or disability	Franchise Agreement § 13(g)	Your qualifying heirs may take the franchise by assignment under normal rules; or estate may sell; the business must be kept open. No transfer fee.

PROVISION	SECTION IN AGREEMENT	SUMMARY
q. Non-competition covenants during the term of the franchise	Franchise Agreement § 14(a) and (b)	You must not own or otherwise engage in any other business that (i) offers classes or programs for the creation of home décor and home accessory items, (ii) receives at least twenty percent (20%) of its revenue from the sale of home décor and home accessory items, or (iii) offers do-it-yourself kits for the creation of home décor and home accessory items. You will be required to get your managerial staff and artists/instructors to agree to follow a substantially similar non-competition covenant.
r. Non-competition covenants after the franchise is terminated/ expires	Franchise Agreement § 14(a) and (b)	Franchise Agreement: For 2 years after termination or expiration of the franchise, you must not own or engage in any business that offers classes or programs for the creation of home décor and home accessory items, (ii) receives at least twenty percent (20%) of its revenue from the sale of home décor and home accessory items, or (iii) offers do-it-yourself kits for the creation of home décor and home accessory items that is located within 15 miles of your Workshop or any business location licensed by us that sells the same or similar services as those sold by Workshops. You will be required to get your managerial staff and artists/instructors to agree to follow a substantially similar non-competition covenant.
s. Modification of the agreement	Franchise Agreement §§ 11(q) and 23(e)	Franchise Agreement. We reserve the right to amend this Agreement if a Franchise Agreement change is agreed to by 75% of the then-current Franchisees and approved by us. Otherwise no modifications to the Agreement other than in writing and signed by both parties.
t. Integration/ merger clause <sup>1</sup>	Franchise Agreement § 23(e)	Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. Nothing in any franchise agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	Franchise Agreement § 21(a)	Except for certain claims, all disputes not first settled informally must be arbitrated in Charlotte, North Carolina, under rules of the American Arbitration Association, subject to applicable state laws.

PROVISION	SECTION IN AGREEMENT	SUMMARY
v. Choice of forum	Franchise Agreement §§ 21(a), (b), and (c)	AAA, Charlotte, North Carolina; North Carolina courts (if any), which provision is subject to state law.
w. Choice of law	Franchise Agreement § 21(h)	North Carolina law, except federal Lanham Act and federal Arbitration Act, which choice of law is subject to state law.

## ITEM 18. PUBLIC FIGURES

We use no public figures to promote the 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/or 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 this Item may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item, for example, by providing information about possible performance at a particular location or under particular circumstances.

### Franchised Locations Results - 2019

The following financial performance representations disclose the annual average, median, high, and low Gross Sales for the period beginning January 1, 2019 and ending December 31, 2019 ("Measurement Period") for 62 of the 95 franchised locations which were in operation for at least twelve (12) months ("Reporting Workshops"). Only 95 franchised locations were in operation during the entirety of the Measurement Period. One franchisee ceased operations during the Measurement Period and is for that reason not a Reporting Workshop. Additionally, 33 of the franchised locations which were in operation during the entirety of the Measurement Period are not included below because: (i) they did not report their gross sales to us, (ii) they reported gross sales to us for only a portion of the Measurement Period due to the transfer of the business during the Measurement Period, or (iii) they failed for at least 3 weeks of the Measurement Period to comply with our minimum requirement of offering at least 5 classes a week on the days we designate. The Workshops included in this financial performance representation are substantially similar to the Workshops for which we are offering franchises in this disclosure document, and their services are substantially similar to those to be offered and sold by franchised Workshops.

**Table 1**

The following table illustrates the average Gross Sales for all 62 Reporting Workshops during the Measurement Period.

Average Gross Sales	Low Gross Sales	Median Gross Sales	High Gross Sales
\$246,026.02	\$105,490.70	\$224,748.41	\$468,256.86

**Table 2**

The following table illustrates the average Gross Sales earned by the 10 Reporting Workshops with the highest Gross Sales during the Measurement Period and the average Gross Sales earned by the 10 Reporting Workshops with the lowest Gross Sales during the Measurement Period.

	<b>Average Gross Sales</b>	<b>Low Gross Sales</b>	<b>Median Gross Sales</b>	<b>High Gross Sales</b>
<b>Top 10 Reporting Workshops</b>	\$403,051.12	\$338,117.25	\$387,814.21	\$468,256.86
<b>Bottom 10 Reporting Workshops</b>	\$135,915.40	\$105,490.70	\$140,097.74	\$155,670.76

**Affiliate-Owned Locations Results - 2019**

The following financial performance representation discloses the total Gross Sales for the Measurement Period for the 3 affiliate-owned locations which were in operation for the entirety of the Measurement Period. The Workshops included in this financial performance representation are substantially similar to the Workshops for which we are offering franchises in this disclosure document, and their services are substantially similar to those to be offered and sold by franchised Workshops.

	<b>Gross Sales for Measurement Period</b>
Affiliate-Owned Store 1	\$158,106.64
Affiliate-Owned Store 2	\$213,655.00
Affiliate-Owned Store 3	\$343,045.00

**Notes**

For purposes of the charts above, “Gross Sales” means the total amount of revenue derived from the sale of goods or services that was derived from the operation of the Workshop, including, but not limited to, revenue from the sale of classes and merchandise, less sales tax, discounts, allowances, and returns. No part of the Gross Sales reflects payment of Royalty payments, Brand Fund Contributions, local advertising expenditures, or similar payments you must make under your Franchise Agreement. As for group buying services sales, Gross Sales shall include the total gross amount paid by the customer, whether or not such amount is ultimately paid to you or the group buying service.

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

We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable, and consult with an attorney and other advisors prior to executing the franchise agreement.

We have not audited these results, which have been reported to us by our affiliate and franchisees but we have no reasonable basis to question their reliability. There are no material differences in the gross sales of franchise and affiliate outlets.

**Some outlets sold this amount. Your individual results may differ. There is no assurance you will sell as much.**

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing 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 Chief Executive Officer, in writing at 315 Main Street, Suite AA, Pineville, North Carolina 28134, (919) 824-8609, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**Table 1  
Systemwide Outlet Summary for years 2017, 2018, and 2019**

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
<b>Franchised<sup>1</sup></b>	2017	3	43	+40
	2018	43	96	+53
	2019	96	130	+34
<b>Company Owned</b>	2017	1	2	+1
	2018	2	3	+1
	2019	3	3	0
<b>Total Outlets</b>	<b>2017</b>	<b>4</b>	<b>45</b>	<b>+41</b>
	<b>2018</b>	<b>45</b>	<b>99</b>	<b>+54</b>
	<b>2019</b>	<b>99</b>	<b>133</b>	<b>+34</b>

**Table 2  
Transfers from Franchisees to New Owners (Other than the Franchisor)  
for years 2017, 2018, and 2019**

STATE	YEAR	NUMBER OF TRANSFERS
<b>California</b>	2017	<b>0</b>
	2018	<b>0</b>
	2019	<b>2</b>
<b>Florida</b>	2017	0
	2018	0
	2019	3

<sup>1</sup> Prior to May, 2017, our affiliate ANDERS RUFF, LLC offered license agreements instead of franchise agreements. Thereafter, our affiliate converted its licensing program to franchising. For purposes of this disclosure document, franchised outlets include our affiliate's licensed outlets. Our affiliate has two licensees remaining: one in Temple, Texas (opened in 2017) and one in Ferndale, Michigan (opened in 2016).

STATE	YEAR	NUMBER OF TRANSFERS
Georgia	2017	0
	2018	0
	2019	1
New Jersey	2017	0
	2018	0
	2019	1
North Carolina	2017	0
	2018	1
	2019	2
Pennsylvania	2017	0
	2018	0
	2019	1
Totals	2017	0
	2018	1
	2019	10

**Table 3**  
**Status of Franchised Outlets**  
**For years 2017, 2018, and 2019**

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
Alabama	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	1	0	0	0	0	2
Arizona	2017	0	1	0	0	0	0	1
	2018	1	1	0	0	0	0	2
	2019	2	1	0	0	0	0	3
California	2017	0	3	0	0	0	0	3
	2018	3	5	0	0	0	0	8
	2019	8	3	0	0	0	0	11
Colorado	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	1	0	0	0	0	2
Connecticut	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Florida	2017	0	4	0	0	0	0	4
	2018	4	5	0	0	0	0	9
	2019	9	2	0	0	0	0	11
Georgia	2017	0	3	0	0	0	0	3
	2018	3	3	0	0	0	0	6
	2019	6	0	0	0	0	0	6
Iowa	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1

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
Idaho	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Illinois	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
Indiana	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
Kansas	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
Kentucky	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
Maryland	2017	0	2	0	0	0	0	2
	2018	2	1	0	0	0	0	3
	2019	3	0	0	0	0	0	3
Michigan	2017	1	3	0	0	0	0	4
	2018	4	2	0	0	0	0	6
	2019	6	1	0	0	0	0	7
Missouri	2017	0	2	0	0	0	0	2
	2018	2	1	0	0	0	0	3
	2019	3	2	0	0	0	0	5
Montana	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
Nevada	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
New Hampshire	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
New Jersey	2017	0	2	0	0	0	0	2
	2018	2	3	0	0	0	0	5
	2019	5	1	0	0	0	1	5
New York	2017	0	0	0	0	0	0	0
	2018	0	3	0	0	0	0	3
	2019	3	2	0	0	0	0	5
North Carolina	2017	2	5	0	0	0	0	7
	2018	7	3	0	0	0	0	10
	2019	10	2	0	0	0	0	12
Ohio	2017	0	3	0	0	0	0	3
	2018	3	2	0	0	0	0	5
	2019	6	2	0	0	0	0	8

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
Oklahoma	2017	0	1	0	0	0	0	1
	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Oregon	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
Pennsylvania	2017	0	1	0	0	0	0	1
	2018	1	4	0	0	0	0	5
	2019	5	2	0	0	0	0	7
South Carolina	2017	0	2	0	0	0	0	2
	2018	2	5	0	0	0	0	7
	2019	7	1	0	0	0	0	8
South Dakota	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Tennessee	2017	0	1	0	0	0	0	1
	2018	1	2	0	0	0	0	3
	2019	3	3	0	0	0	0	6
Texas	2017	0	1	0	0	0	0	1
	2018	1	1	0	0	0	0	2
	2019	2	3	0	0	0	0	5
Utah	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Virginia	2017	0	2	0	0	0	0	2
	2018	2	5	0	0	0	0	7
	2019	7	1	0	0	0	1	7
Washington	2017	0	1	0	0	0	0	1
	2018	1	1	0	0	0	0	2
	2019	2	2	0	0	0	0	4
Wisconsin	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
<b>Totals</b>	<b>2017</b>	<b>3</b>	<b>40</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>43</b>
	<b>2018</b>	<b>43</b>	<b>53</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>96</b>
	<b>2019</b>	<b>96</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>130</b>

**Table 4**  
**Status of Company-Owned Outlets**  
**For years 2017, 2018, and 2019**

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
North Carolina	2017	1	1	0	0	0	2
	2018	2	1	0	0	0	3
	2019	3	1	0	0	1	3
<b>Totals</b>	<b>2017</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
	<b>2018</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>
	<b>2019</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>3</b>

**Table 5**  
**Projected Openings as of December 31, 2019**  
**For Year 2020**

STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED	PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR
Alabama	1	1	0
Alaska	0	1	0
Arizona	0	1	0
Arkansas	0	1	0
California	1	4	0
Colorado	1	1	0
Connecticut	0	1	0
Delaware	0	1	0
Florida	0	2	0
Georgia	0	3	0
Hawaii	0	1	0
Idaho	0	1	0
Illinois	0	3	0
Indiana	0	2	0
Iowa	0	1	0
Kansas	0	1	0
Kentucky	1	2	0
Louisiana	1	1	0
Maine	0	0	0
Maryland	2	1	0
Massachusetts	0	1	0

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
Michigan	0	2	0
Minnesota	0	2	0
Mississippi	0	1	0
Missouri	1	0	0
Montana	0	0	0
Nebraska	0	1	0
Nevada	1	1	0
New Hampshire	0	1	0
New Jersey	0	1	0
New Mexico	0	1	0
New York	0	1	0
North Carolina	0	1	0
North Dakota	0	0	0
Ohio	0	1	0
Oklahoma	0	1	0
Oregon	0	1	0
Pennsylvania	1	2	0
Rhode Island	0	1	0
South Carolina	0	1	0
South Dakota	0	0	0
Tennessee	0	1	0
Texas	0	3	0
Utah	0	1	0
Vermont	0	1	0
Virginia	2	2	0
Washington	0	1	0
West Virginia	0	1	0
Wisconsin	0	1	0
Wyoming	0	0	0
<b>TOTALS</b>	<b>12</b>	<b>60</b>	<b>0</b>

Among the attached Exhibits you will find:

Exhibit B-1 WORKSHOP DIRECTORY/Listing of Current Franchisee/Licensees lists the names of all current franchisees and licensees and the addresses and telephone numbers/emails of their outlets as of March 1, 2019.

Exhibit B-2 LISTING OF CERTAIN PAST FRANCHISEES lists the name, city, state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had a Workshop terminated, canceled, not renewed, or

otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this FDD. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have signed confidentiality clauses with some current and former franchisees. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no independent franchisee organizations that have asked to be included in this disclosure document. We have not created, sponsored, or endorsed any trademark specific franchisee organization.

#### **ITEM 21. FINANCIAL STATEMENTS**

Exhibit C of this Disclosure Document contains our audited financial statements through December 31, 2019, December 31, 2018 and December 31, 2017. Our fiscal year ends December 31.

#### **ITEM 22. CONTRACTS**

Copy of the following contracts or documents are also attached as Exhibits to the Disclosure Document:

Exhibit A AR WORKSHOP FRANCHISE AGREEMENT with Franchise Rider, Lease Rider, Personal Guaranty, Nondisclosure and Noncompetition Agreement, Telephone Listing and Internet Authorization Agreement.

#### **ITEM 23. RECEIPT**

You will find copies of a detachable receipt in Exhibit M at the very end of this disclosure document. Please sign both acknowledging receipt of this disclosure document and return one of them to us for our files.

**EXHIBIT A**

**AR WORKSHOP FRANCHISING, LLC  
FRANCHISE AGREEMENT**

**OHIO FRANCHISEE NOTICE OF RIGHT TO CANCEL**

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day following \_\_\_\_\_ . See the attached notice of cancellation for an explanation of this right.

Notice of cancellation

\_\_\_\_\_  
(Enter effective 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 twenty 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, or send a telegram, to AR WORKSHOP FRANCHISING, LLC, 315 Main Street, Suite AA, Pineville, North Carolina 28134, (919) 824-8609, not later than midnight of the fifth business day following \_\_\_\_\_.

I hereby cancel this transaction.

\_\_\_\_\_  
(Purchaser's Signature)

(Date) \_\_\_\_\_

**FRANCHISE AGREEMENT  
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**THIS FRANCHISE AGREEMENT** (the “Agreement”) is made and entered into as of \_\_\_\_\_ by and between AR WORKSHOP FRANCHISING, LLC, a South Carolina limited liability company (“Franchisor”), with its principal office located at 315 Main Street, Suite AA, Pineville, North Carolina 28134, and \_\_\_\_\_, a \_\_\_\_\_ (the “Franchisee”), whose principal business address is \_\_\_\_\_. If the Franchisee is a corporation, partnership, limited liability company or other legal entity, certain provisions to this Agreement also apply to its owners.

**RECITALS:**

**A.** Franchisor has expended time, money and effort to develop a unique system for operating a boutique do-it-yourself (“DIY”) creative workshop (“Workshop”) offering hands-on classes to create customizable home decor pieces out of raw materials including wood, canvas and other media, as well as offering for sale to patrons on-trend curated home décor accessories, jewelry and other items. (The methods of operation are referred to herein as the “System”; the chain of current and future **AR WORKSHOPS** are referred to herein as the “Chain”).

**B.** The distinguishing characteristics of the System include the names “**AR WORKSHOP**” and “**ANDERS RUFF WORKSHOP**,” copyrighted home décor and other designs, an integrated website to streamline registration and payment processing, distinctive décor scheme and a detail oriented interior design plan, including eye-catching and custom functional décor through the workshop that was designed with re-purposing in mind that encompasses Franchisor’s values and mission of being truly DIY, standards, specifications, and procedures for operations, training and assistance, advertising and promotional programs, and consistency and uniformity of products and services, all of which may be improved, amended and further developed by Franchisor from time to time.

**C.** Franchisor identifies its goods and services with certain service marks, trade names and trademarks, including, but not limited to, the “**AR WORKSHOP**” trademark (federal trademark registered on December 4, 2018, registration number 5620195), as well as certain other trademarks, service marks, slogans, logos and emblems which have been and which may hereafter be designated by Franchisor for use in connection with the System (the “Marks”).

**D.** Franchisee desires to obtain a license from Franchisor for use of the Marks and the System solely for the operation of a business at the location listed below (the “Workshop”), and Franchisee desires to use the Marks and the System, and to obtain and use the methods, know how, experience and form of operation acquired, devised and/or established by Franchisor and other benefits derived from this license relationship strictly in accordance with the provisions set forth below.

NOW, THEREFORE, in consideration of the recitals and the mutual agreements set forth below and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

**1. Grant.** Franchisor hereby grants to Franchisee, on the terms and conditions contained in this Agreement, and Franchisee accepts from Franchisor, a license (“License”) to establish, own, and operate under the System, one Workshop at the location (“Location”) specified in the Franchise Rider attached hereto as Attachment 1. Franchisee agrees to identify the Workshop and all of the items Franchisee sells or offers for sale only by the Marks. Franchisee has no right to use the System or the Marks for any purpose other than as expressly provided herein.

Pursuant to this grant, Franchisee, at its own expense, shall construct or remodel, and equip, staff, open and operate the Workshop at the Location, in accordance with this Agreement. Unless otherwise agreed in a writing executed by Franchisor, Franchisee shall (i) lease the Location within six (6) months following the execution of the Agreement and (ii) commence operating the Workshop within ninety (90) days after the execution of the lease agreement for the Location, and shall diligently operate such business in accordance with this Agreement for the Term stated herein. Failure to timely open the Workshop shall constitute an event of default under the Agreement.

Franchisor and Franchisor's affiliates reserve any and all rights not expressly granted to Franchisee under this Agreement, including, without limitation, the right to sell anywhere (including within the protected Territory) products and services (including to Franchisee's customers) under the "AR WORKSHOP" name, or under any other name, through any channel of distribution other than a brick-and-mortar workshop.

## **2. Term, Expiration, and Additional License Period.**

(a) **Initial Term.** The initial term of this Agreement shall commence upon the execution of this Agreement, and shall expire at midnight on the day preceding the tenth (10<sup>th</sup>) anniversary date of execution of this Agreement (the "Term" or the "Initial Term"), unless this Agreement has been sooner terminated in accordance with the terms and conditions herein.

(b) **Additional License Period.** Upon expiration of the Initial Term, Franchisee will have the right to be granted a renewal of the License for one (1) additional consecutive period of five (5) years from date of expiration on the Initial Term (the "Renewal Term"), provided the following conditions have been met:

(i) Franchisee has given Franchisor written notice of its intent to renew the License not less than six (6) months nor more than nine (9) months prior to the expiration of the Initial Term; provided that if Franchisor has not received notice from Franchisee of its desire to renew within such period, Franchisor will notify Franchisee in writing and Franchisee shall have a period of ten (10) days from the date notice is given to provide Franchisor with notice of its intent to renew;

(ii) Franchisee is not in default of any of the provisions of this Agreement both at the time Franchisee gives notice of its intent to exercise its rights under the terms of this Section 2(b) and at the commencement of the Renewal Term;

(iii) All debts and obligations of Franchisee under this Agreement shall be current, including but not limited to Franchisee's obligations to make contributions to the Brand Fund (as defined hereinbelow) and each Cooperative (as defined herein) of which Franchisee is a member;

(iv) Franchisee has not received more than three (3) notices of default during any consecutive twelve-month (12) month period during the Initial Term;

(v) Franchisee executes and delivers to Franchisor, within thirty (30) days after delivery to Franchisee, the form of the AR WORKSHOP Franchise Agreement being offered to new franchisees on the date Franchisee gives the notice under Section 2(b)(i), including all exhibits and Franchisor's other then-current ancillary agreements,

which agreements shall supersede this Agreement in all respects, and the terms and conditions of which may substantially differ from this Agreement (“Renewal Agreement”);

(vi) Franchisee secures the right to continue possession of the Premises (as defined herein) for a period at least equal to the term of the Franchise Agreement to be executed as provided in Section 2(b)(v), or alternatively Franchisee secures premises at another location approved by Franchisor for the same period.

(vii) Franchisee has paid to Franchisor a renewal fee equal to Five Thousand Dollars (\$5,000.00), which fee shall be due in immediately available funds upon the execution of the Franchise Agreement to be executed as provided in Section 2(b)(v);

(viii) Franchisee and its guarantors execute and deliver to Franchisor a general release, in the form prescribed by Franchisor, releasing, to the fullest extent permitted by law, all claims that Franchisee may have against Franchisor and its affiliates and subsidiaries, and their respective officers, directors, shareholders, members and employees in both their corporate and individual capacities;

(ix) Franchisee shall make or provide for in a manner satisfactory to Franchisor, such renovation and re-equipping of the Workshop as Franchisor may require, including, without limitation, renovation, replacement, and/or upgrading of signs, equipment, furnishings, technology, computer hardware or software, fixtures and decor, to reflect the then-current standards and image of the System; and

(x) Franchisee presents satisfactory evidence that Franchisee has the right to remain in possession of the Premises for the duration of the renewal term, unless Franchisor determines that the location of Franchisee’s business is no longer viable for the operation of Franchisee’s Workshop, in which case Franchisor may condition Franchisee’s right to renew on Franchisee’s obtaining a new site for Franchisee’s Workshop that Franchisor approves.

(c) If Franchisee fails to perform any of the acts set forth in subsections (i) through (x) of Section 2(b) in a timely fashion, such failure will be deemed an election by Franchisee not to exercise its right to enter into a Renewal Agreement, and will cause Franchisee’s right to enter into a Renewal Agreement to expire without further notice or action by Franchisor.

(d) Expiration. Renewal of the License after the Initial Term shall not constitute a renewal or extension of this Agreement, but shall be conditioned upon satisfaction of the above provisions and shall, upon expiration of the Initial Term, be governed by the Renewal Agreement then executed by Franchisee. If Franchisee fails to meet any of the conditions under this Section 2 with respect to renewal of the License, then the License shall automatically expire at the end of the Initial Term.

(e) Continued Operation Following Expiration. Unless Franchisee exercises its option to renew the License granted under this agreement in accordance with this Section, Franchisee has no right to continue to operate the Workshop after the expiration date. If Franchisor permits Franchisee to continue to operate the Workshop after the expiration date, but before the execution by Franchisee of a Renewal Agreement for a new term as required by Section 2(c) above, then the temporary continuation of the Workshop will be on a month-to-month basis, and will be terminable at Franchisor’s will by giving Franchisee written notice of termination

at least thirty (30) days before the termination is effective. If Franchisor allows Franchisee to continue to operate the Workshop on a month-to-month basis after termination, non-renewal, or expiration of this Agreement for any reason, then Franchisee must pay to Franchisor weekly an additional fee equal to the greater of One Thousand Dollars (\$1,000) or One Hundred Fifty Percent (150%) of the Continuing Royalty due for the same week for every week of month-to-month operation after the Expiration Date, up to Franchisor's then-current initial franchise fee, which fee shall be in addition to Continuing Royalty, Brand Fund contributions, and any other payments due to Franchisor under this Agreement. If applicable law requires a longer notice period, the thirty (30) day period will be deemed modified to be the shortest notice period required by such laws.

### **3. Franchise Fees and Payments.**

(a) Initial Franchise Fee, Royalties, and Other Payments. In consideration of Franchisor's execution of this Agreement and the services that Franchisor will perform, Franchisee agrees to pay to Franchisor, at its principal office as set forth on the first page of the Agreement, or at such other place as Franchisor may from time to time designate, the following fees:

(i) An initial franchise fee in the amount set forth on Attachment 1 hereto ("Initial Franchise Fee"). The Initial Franchise Fee shall primarily compensate Franchisor for Franchisor's pre-opening obligations under this Agreement, which include, but are not limited to, assistance in site selection, training of Franchisee's personnel in operating the Workshop, establishment of vendor relationships, providing Franchisee with a copy of Franchisor's Brand Standards manual, and other consulting and support associated with pre-opening expenses ("Pre-Opening Services"). The parties recognize the value of the Initial Franchise Fee approximates the market value of the Pre-Opening Services. The Initial Franchise Fee shall be deemed earned upon receipt.

(ii) In further consideration of the grant of the License and in consideration of Franchisor's ongoing services to Franchisee, Franchisee agrees to pay to Franchisor a monthly continuing royalty fee (the "Continuing Royalty"), as set forth on Attachment 1 attached hereto. The Continuing Royalty is due and payable in one (1) installment on or before the Seventh (7<sup>th</sup>) day of each month during the Term or such other date as may be determined by Franchisor with sixty (60) days' advanced written notice to Franchisee ("Due Date"). If Franchisee fails to pay the full amount of the Continuing Royalty when due or Franchisee has insufficient funds to cover the electronic transfer when initiated by Franchisor, Franchisee shall pay interest on the amount due and unpaid at an interest rate equal to the lower of eighteen percent (18%) or the maximum interest rate allowed by law.

(iii) On each Due Date, Franchisee will be required to pay Franchisor's then-current monthly Technology Fee for the development and maintenance of the function, design and ongoing development of Franchisor's website, including IT training and costs associated with that support. The website allows Franchisee to perform scheduling functions and access new designs and projects. Franchisor has the right to increase the Technology Fee with thirty (30) days' notice to Franchisee based on supplier pricing increases, modification to or upgrades of the technology used in the System, and introduction of new technology.

(iv) On or before the dates Franchisor designates, Franchisee shall be required to pay to Franchisor a fee for marketing software ("Marketing Software Fee"). The Marketing Software Fee is currently Five Hundred Dollars (\$500) per year, but Franchisor has the right to increase the Marketing Software Fee with thirty (30) days' notice to Franchisee.

(b) Franchisee's Account. On each Due Date, Franchisee must pay Franchisor the fees set forth above, as well as any other amounts due to Franchisor under this Agreement or any other agreement between Franchisor and Franchisee. Franchisor may instead transfer these amounts due from the Franchisee's bank operating account ("Account"). Franchisee's sales report, in the form designated by Franchisor, shall be submitted to Franchisor on or before the fifth (5<sup>th</sup>) day of each month during the Term or such other date determined by Franchisor with sixty (60) days' advanced written notice to Franchisee. If a transfer from Franchisee's Account is refused, an administrative fee of Fifty Dollars (\$50) will be assessed, as well as reimbursement to Franchisor of any fee its bank charges for uncollected deposit funds. If Franchisee has not reported Gross Sales to Franchisor for any fiscal period, Franchisor will transfer from the Account an amount calculated in accordance with its estimate of the Gross Sales during the fiscal period. If, at any time, Franchisor determines that Franchisee has underreported its Gross Sales, or underpaid the royalty fee or other amounts due to Franchisor under this Agreement, or any other agreement, Franchisor shall initiate an immediate transfer from the Account in the appropriate amount in accordance with the foregoing procedure, including interest as provided in this Agreement. Any overpayment will be credited to the Account effective as of the first reporting date after Franchisor and Franchisee determine that such credit is due. Alternatively, Franchisor shall have the right in lieu of the royalty report submission procedure outlined above to obtain Gross Sales data derived directly from electronic communication with any point of sale system established by Franchisee.

Franchisor may, but is not obligated to, require Franchisee to remit payment of the Continuing Royalty and other fees by electronic funds transfer ("EFT"). In connection with payment of the royalty fee by EFT, Franchisee shall: (1) comply with procedures specified by Franchisor in the Manuals; (2) perform those acts and sign and deliver those documents as may be necessary to accomplish payment by EFT as described in this Section; (3) give Franchisor an authorization in the form designated by Franchisor to initiate debit entries and/or credit correction entries to the Account for payments of the royalty fee and other amounts payable under this Agreement, including any interest charges; and (4) make sufficient funds available in the Account for withdrawal by EFT no later than the Due Date for payment thereof; and (5) maintain a single bank account to make all payments required by this Agreement. Franchisee must advise Franchisor at least fifteen (15) business days prior to any change in Franchisee's bank account or financial institution; no such change will be permitted without the prior written authorization of Franchisor. To ensure the orderly electronic transfer of the royalties and all other fees as outlined in this Section, Franchisee will enter into and maintain a banking agreement with the financial institution which will be responsible for the transfer and payment of the fees owed by Franchisee to Franchisor, and a copy of that agreement will be submitted to Franchisor prior to the effective date of this Agreement. Franchisee shall not withhold any payments required to be made under this Agreement on any grounds, including any allegations of Franchisor's non-performance.

Failure by Franchisee to have sufficient funds in the Account shall constitute a default of this Agreement and may subject this Agreement to termination for cause as hereinafter set forth.

(c) Application of Fees. If Franchisee is delinquent in the payment of any obligation to Franchisor, its subsidiaries, affiliates or designees, then Franchisor (or such

subsidiaries, affiliates or designees), will have the right to apply any payment from Franchisee to any obligation due, including the oldest obligation due, whether under this Agreement or otherwise, notwithstanding any contrary designation by Franchisee as to such application.

(d) Inflation Adjustments. Franchisor and its affiliates reserve the right to increase the amount of any fee provided for hereunder, including, without limitation, the Continuing Royalty or Brand Fund Fee, due Franchisor or an affiliate under this Agreement or a related agreement ("Inflation Adjustment"). An Inflation Adjustment shall be in relation to the changes in the Consumer Price Index (U.S. Average, all items) maintained by the U.S. Department of Labor, the cost-of-living-adjustment ("COLA") using the COLA factors determined by the United States Department of Labor, or such other measure determined reliable by Franchisor. Franchisor will notify Franchisee of the amount or percentage adjustment thirty (30) days prior to their effective date.

(e) No Offset or Retention of Funds. Franchisee may not offset or withhold payments owed to Franchisor or any of its affiliates for amounts purportedly due to Franchisee or its affiliates as a result of any dispute of any nature or otherwise, but will pay such amounts to Franchisor or its affiliates and only thereafter seek reimbursement.

(f) Late Fee. In the event that the Franchisee fails to pay to Franchisor any required fee by the date that such fee is due, Franchisor shall have the right to charge Franchisee an additional late fee in the amount of One Hundred Dollars (\$100).

**4. Franchisor Services.** During the Term, Franchisor agrees to provide to Franchisee the following services:

(a) Franchisor shall provide specifications for the design of the Workshop and related facilities to be used in the operation of the Workshop.

(b) Franchisor shall provide specifications for fixtures, furnishings, decor, signs, equipment, computer hardware and software, products and materials to be used in the operation of the Workshop.

(c) Franchisor shall provide, at no expense to Franchisee, a list of equipment, supplies, products and services for the Workshop, a list of recommended or required vendors of suppliers of such, provided that Franchisor reserves the right to amend and/or modify such list(s) at any time.

(d) Franchisor shall provide a single pre-opening management and operations training program for the owner, and one (1) additional staff member approved by Franchisor, Franchisee shall be responsible for all expenses incurred by such persons in connection with training, including, without limitation, all cost of travel, lodging, meals and wages; provided that tuition fee for the training program for the owner and one (1) additional staff member is included in the Initial Franchise Fee, so long as both individuals attend training at the same time.

(e) Franchisor shall provide such other training for employees of Franchisee at the locations and for such periods as may be designated by Franchisor from time to time; provided that Franchisee shall be responsible for all expenses incurred by such persons in connection with training, including, without limitation, all cost of travel, lodging, meals and wages and for any further fees required by Franchisor.

(f) At Franchisee's reasonable request, Franchisor will promptly provide such advice and information as it considers reasonably appropriate to assist Franchisee with all methods and procedures associated with the System marketing and advertising; management and administration, and the use and application of Products and Services. Franchisee understands and agrees that such advice and information may be rendered by phone, electronically, through the Brand Standards Manuals, training and/or by such other means as Franchisor deems appropriate in its sole discretion. Franchisor may, in its discretion, convene meetings of franchisees as it considers necessary or appropriate, in its discretion.

(g) Franchisee hereby grants Franchisor and its agents the right to enter the Premises and/or the Workshop at any time prior to occupancy by Franchisee in order to inspect, photograph, and/or videotape on-going new construction or leasehold improvements, designs, purchased and installed equipment, operations and the performance of any and all services by Franchisee and/or Franchisee's employees, invitees or agents. Franchisee shall cooperate with Franchisor's representatives with those inspections by rendering whatever assistance they may reasonably request, including assistance necessary to enable Franchisor to contact and interview any architect, designer, vendor, contractor, subcontractor or Franchisee employee. Upon reasonable notice from Franchisor, and without limiting Franchisor's other rights under this Agreement, Franchisee, at its sole expense, shall take such steps as deemed to be necessary by Franchisor to immediately correct any and all deficiencies detected during any such inspection, including without limitation, correcting construction deficiencies or defects, replacing equipment and supplies, and requiring Franchisee to desist from the further use of any equipment, designs, advertising materials, products, and/or supplies that do not conform with Franchisor's then-current plans and specifications, standards or requirements.

(h) Franchisor's supervision and periodic inspections and evaluations of Franchisee's operation as described more fully in Section 11(s), which supervision, inspections and evaluations shall be conducted at such times and in such manner as shall be reasonably determined by Franchisor.

(i) Franchisor shall communicate to Franchisee information relating to the operation of a Workshop, and to the extent necessary or pertinent to the operation of the Workshop, Franchisor's know-how, new developments, techniques and improvements in the areas of management, employee training, marketing, classes and customer service.

(j) Franchisor may in certain situations incur legal expenses while providing assistance to Franchisee with respect to, without limitation, lease negotiations, or other legal compliance issues. Such assistance may be at the request of Franchisee or required by Franchisor and may be provided by Franchisor in-house or by outside counsel; provided however, that Franchisor shall have the sole discretion as to whether or not to provide legal assistance. In the event Franchisor does incur legal expenses on behalf of Franchisee, Franchisee shall reimburse Franchisor for such expenses immediately upon notice from Franchisor. Franchisor may, at its option, be reimbursed by EFT.

**FRANCHISEE AGREES THAT FRANCHISOR IS NOT OBLIGATED TO PROVIDE ANY TRAINING OR ASSISTANCE TO FRANCHISEE'S PARTICULAR LEVEL OF SATISFACTION, BUT AS A FUNCTION OF FRANCHISOR'S EXPERIENCE, KNOWLEDGE AND JUDGMENT. FRANCHISEE ALSO ACKNOWLEDGES THAT FRANCHISOR IS NOT OBLIGATED TO PROVIDE ANY SERVICES TO FRANCHISEE THAT ARE NOT SET FORTH IN THIS AGREEMENT. IF FRANCHISEE BELIEVES FRANCHISOR HAS FAILED TO ADEQUATELY PROVIDE ANY PREOPENING SERVICES TO FRANCHISEE OR TO FRANCHISEE'S**

**EMPLOYEES, WHETHER WITH RESPECT TO SITE SELECTION, SELECTION AND PURCHASE OF EQUIPMENT AND SUPPLIES, TRAINING, OR ANY OTHER MATTER AFFECTING THE ESTABLISHMENT OF FRANCHISEE'S WORKSHOP, FRANCHISEE MUST NOTIFY FRANCHISOR IN WRITING WITHIN THIRTY (30) DAYS FOLLOWING THE OPENING OF FRANCHISEE'S OUTLET OR FRANCHISEE WILL BE DEEMED TO CONCLUSIVELY ACKNOWLEDGE THAT ALL PRE-OPENING AND OPENING SERVICES REQUIRED TO BE PROVIDED BY FRANCHISOR WERE SUFFICIENT AND SATISFACTORY IN FRANCHISEE'S JUDGMENT, AND COMPLIANT WITH ALL REPRESENTATIONS MADE TO FRANCHISEE. IF FRANCHISEE FAILS TO SO NOTIFY FRANCHISOR, FRANCHISEE WILL BE DEEMED TO HAVE WAIVED ALL CLAIMS RELATING TO OR ARISING FROM FRANCHISOR'S OBLIGATIONS TO PROVIDE PRE-OPENING ASSISTANCE.**

**5. Territorial Provisions.**

(a) Territory. Subject to the provisions of this Section 5, provided Franchisee is in compliance with its obligations under this Agreement, Franchisor agrees that during the Term it will not locate nor license another to locate a Workshop within the territory set forth on Attachment 1 hereto (the "Territory"). Until such time as the Location is identified and agreed upon in the Lease Rider or in the Site Selection Approval Letter (as defined in the Franchise Rider), no Territory will be granted to Franchisee and Franchisor shall have the right to locate other franchises anywhere Franchisor determines without interfering with any territorial rights of Franchisee. Franchisee expressly acknowledges that all workshops (whether owned by Franchisor, Franchisee or other System franchisees) may solicit business from customers without regard to the customers' geographic location. Franchisor does not warrant or represent that no other workshop will solicit or make any sales within the Territory, and Franchisee hereby expressly acknowledges and agrees that such solicitations or sales may occur within the Territory. Franchisor shall have no duty to protect Franchisee from any such sales, solicitations, or attempted sales. Franchisee recognizes and acknowledges that (i) it will compete with other workshops which are now, or which may in the future be, located near or adjacent to Franchisee's Territory, and (ii) that such workshops may be owned by Franchisor, its affiliates, and/or third parties. Franchisee further acknowledges that only Franchisor shall be permitted to solicit business from customers by means of computerized or other electronic remote-entry ordering systems (such as, for example, the internet, phone, or mobile applications) capable of accepting orders placed from within or outside the Territory. Franchisee further acknowledges that only Franchisor shall be permitted to solicit business from customers by means of traveling to the customers' locations or businesses by means of, for example, trailers or trucks, whether within or outside the Territory.

(b) Reservation of Rights. Franchisor grants franchises and the rights to develop and operate a Workshop only pursuant to the express terms of written agreements and not orally. All rights that are not granted to Franchisee in this Agreement are specifically reserved to Franchisor, and Franchisor will not be restricted in any manner from exercising them nor will Franchisor be required to compensate Franchisee should Franchisor exercise them. This includes the right, directly or through others and regardless of either (a) proximity to Franchisee's Workshop or Territory or (b) any actual or threatened impact on sales of Franchisee's Workshop to:

(i) use the Marks and System in connection with establishing and operating Workshops at any location outside the Territory;

(ii) use the Marks or other marks in connection with selling or distributing any goods (including branded merchandise) or services anywhere in the world (including within the Territory), whether or not Franchisee also offers them, through channels of distribution other than a brick-and-mortar Workshop (including, for example, other permanent or temporary retail locations, kiosks, carts, trucks, catalogs, mail order, or the internet or other electronic means);

(iii) acquire, establish or operate, without using the Marks, any business of any kind at any location anywhere in the world (including within the Territory);

(iv) use the Marks in connection with soliciting or directing advertising or promotional materials to customers anywhere in the world (including within the Territory).

(c) Alternate Channels of Distribution. Franchisee may offer and sell approved products and services only from the Workshop, except as Franchisor otherwise approves in advance, and in such event only in accordance with the requirements of this Agreement and the procedures set forth in the Manuals. Franchisee may not offer or sell products through any other means or locations, including via the internet. Franchisee shall only offer or sell products and services to retail customers for their use and consumption and not for resale.

## **6. Premises.**

(a) Leased Premises. Franchisor is not obligated to assist Franchisee in locating a site location. Within ninety (90) days after the Effective Date of this Agreement, Franchisee shall acquire or lease, at Franchisee's expense, commercial real estate that is properly zoned for the operation of the Workshop. Failure by Franchisee to acquire or lease a site for the Workshop within the time required herein shall constitute a default under this Agreement, and Franchisor, in its sole discretion, may terminate the Franchise Agreement pursuant to the terms of Section 18 of this Agreement. If Franchisee intends to lease the premises where the Workshop will be operated (the "Premises"), Franchisee shall submit up to three (3) site locations for Franchisor's approval, which approval shall not be unreasonably withheld. Franchisee shall submit to Franchisor executed copies of all such leases immediately after execution and at such other times as Franchisor may request. The term of the leases plus all options for Franchisee to renew shall together equal or exceed the Term. All leases pertaining to the Premises shall also include an Addendum in the form of Attachment 2 hereto, or shall contain terms and conditions substantially similar to those contained in Attachment 2 which Franchisor has approved in writing. At Franchisee's request, Franchisor shall offer assistance to Franchisee in selecting a site for the location and advising Franchisee in negotiating an acceptable lease agreement for the site. Franchisor shall not represent Franchisee in a legal capacity and advises Franchisee to seek independent legal counsel in the review and negotiation of its lease agreement. **FRANCHISEE EXPRESSLY ACKNOWLEDGES AND AGREES THAT FRANCHISOR'S APPROVAL OF A SITE FOR FRANCHISEE'S OUTLET IS NOT AND SHALL NOT BE CONSTRUED AS A GUARANTEE OR ASSURANCE THAT THE BUSINESS WILL BE PROFITABLE.**

(b) Owned Premises. If Franchisee intends to own the Premises, Franchisee shall obtain approval of the Premises from Franchisor and furnish Franchisor proof of ownership prior to the date Franchisee commences any construction, build-out or remodeling of the Premises. In the event that the Franchisee proposes to lease the Premises from any owner, member, manager, partner, director, officer or other Principal of Franchisee, or from any person

or entity related to or affiliated with Franchisee or one or more of Franchisee's owners, partners, directors, officers or other Principals (the "Related Party"), Franchisor may require the Related Party to sign this Agreement and/or separate agreements for the purpose of binding the Related Party to applicable provisions of this Agreement, as determined by Franchisor. Franchisee shall also execute a written lease agreement approved by Franchisor with the Related Party and deliver a copy to Franchisor.

(c) Premises Identification. Regardless of whether the Premises are owned or leased, Franchisee shall remove all signs and other items and indicia which serve, directly or indirectly, to identify the Premises as a Workshop within ten (10) days of the expiration, non-renewal, or termination of this Agreement for any reason. In the event Franchisee does not comply with this requirement, Franchisor may enter the Premises, without being guilty of trespass and without incurring any liability to Franchisee, to remove all signs and other items identifying the Premises as a Workshop and to make such other modifications as are reasonably necessary to protect the Marks and AR WORKSHOP, and to distinguish the Premises from AR WORKSHOP workshops. Provided, however, that this obligation of Franchisee shall be conditioned upon Franchisor giving Franchisee prior written notice of the modifications to be made and the items to be removed.

(d) Suitability of Premises. Regardless of whether the Premises are owned or leased, it shall be the responsibility of Franchisee to determine that the Premises can be used, under all applicable laws and ordinances, for the purposes provided herein and that the Premises can be constructed or remodeled in accordance with the terms of this Agreement. Franchisee shall obtain all permits and licenses that may be required to construct, remodel and operate the Workshop, including any necessary alcoholic beverage licenses. Franchisee agrees that the Premises will not be used for any purpose other than the operation of the Workshop in compliance with this Agreement.

(e) Relocation; Assignments. Franchisee shall not, without first obtaining Franchisor's written consent, which shall not be unreasonably withheld: (i) relocate the Workshop; or (ii) renew or materially alter, amend or modify any lease, or make or allow any transfer, sublease or assignment of its rights pertaining to the Premises. If Franchisee receives Franchisor's written consent to relocate the Workshop, which consent Franchisor may withhold in its sole discretion, Franchisee shall pay Franchisor Two Thousand Dollars (\$2,000) as a relocation fee.

## **7. Proprietary System and Marks; Franchisor Property Rights.**

(a) Ownership; Use by Others. Franchisor and its affiliates shall have and retain all rights associated with the Marks other than those expressly licensed herein, including, but not limited to the following: (a) to use the Marks in connection with selling products and services; (b) to grant licenses to others for the Marks, in addition to those licenses already granted to existing franchisees; and (c) to develop and establish other systems using the Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to Franchisee. Franchisee acknowledges that any unauthorized use of the System or the Marks is and shall be deemed an infringement of Franchisor's rights. Franchisee shall execute any documents deemed necessary by Franchisor or its counsel for the protection of the System and the Marks or to maintain their validity or enforceability, or to aid Franchisor in acquiring rights in or in registering any of the System and the Marks or any trademarks, trade names, service marks, slogans, logos and emblems subsequently adopted by Franchisor. Franchisee shall give notice to Franchisor of any

knowledge that Franchisee acquires regarding the use by others of the same or similar names or marks or of any claim or litigation instituted by any person or legal entity against Franchisee involving the System or any of the Marks. Franchisee shall cooperate with Franchisor in any suit, claim or proceeding involving the System or the Marks or their use to protect Franchisor's rights and interest in the System and the Marks. In the event of any settlement, award or judgment rendered in favor of Franchisor relating to the use or ownership of the System or the Marks, such settlement, award or judgment shall be the sole property of Franchisor and Franchisee shall not be entitled to or make any claim for all or any part of it.

(b) Use of Marks. During the term of this Agreement or thereafter, directly or indirectly, Franchisee shall not commit any act of infringement or contest or aid in contesting the validity or ownership of the System or the Marks, or take any other action to disparage them. Franchisee shall use the Marks only in connection with the operation of the Workshop at the Location specified herein, and shall use them only in the manner authorized by Franchisor. Franchisee has no right to use the Marks online except as Franchisor shall expressly allow and in accordance with Franchisor's Brand Standards Manual. Franchisee shall prominently display the Marks in the manner prescribed by Franchisor on all signs, products, and other supplies and packaging materials designated by Franchisor. Franchisee shall not fail to perform any act required under this Agreement, or commit any act which would impair the value of the Marks or the goodwill associated with the Marks. Franchisee shall not at any time engage in any business or market any products or service under any name or mark which is confusingly or deceptively similar to any of the Marks. Franchisee shall not use any of the Marks as part of its corporate or trade name and shall not use any trademark, trade name, service mark, logo, slogan or emblem in connection with the Workshop that has not been authorized by Franchisor. Franchisee shall obtain such fictitious or assumed name registrations as may be required by Franchisor or applicable state law. Franchisee shall not attempt to register or otherwise obtain any interest in any Internet domain name, website or URL containing or utilizing any of the Marks or any other word, name, symbol or device which is likely to cause confusion with any of the Marks. Franchisee also acknowledges that its use of the Marks pursuant to this Agreement does not give Franchisee any ownership or other interest in or to the Marks, except the license granted by this Agreement.

(c) Designation as Franchisee. Franchisee shall take such additional action as may be necessary under the laws of the state in which the Workshop is operated to make clear to the public that Franchisee is an independent franchisee of Franchisor and not owned by Franchisor. Franchisee shall post in a conspicuous location at the business premises, as well as on invoices, purchase orders, marketing materials and the like that "This AR WORKSHOP Franchise is independently owned and operated by Franchisee under license from AR Workshop Franchising, LLC."

(d) Discontinuance of Use: Additional Marks. Franchisor has the right to change, revise, or substitute different Marks for use in identifying the System, the Workshop, and the products or services sold or offered for sale through the Workshop, if Franchisor, in its sole discretion, determines that change, revision, or substitution of different Marks will be beneficial to the System. In such circumstances, the use of the substitute proprietary marks shall be governed by the terms of this Agreement. Franchisee shall comply with each such change, revision, or substitution and bear all expenses associated therewith. In the event that a court of competent jurisdiction should order, or if Franchisor in its sole discretion should deem it necessary or advisable, Franchisee shall modify or discontinue use of any Mark. Franchisee shall comply with Franchisor's directions regarding any such Mark within thirty (30) days after receipt of notice from Franchisor or, if such modification or discontinuance is court-ordered, immediately. Franchisor

shall not be obligated to compensate Franchisee for any costs or expenses incurred by Franchisee in connection with any such modification or discontinuance. Franchisee shall also use such additional or substitute Marks as Franchisor shall direct.

(e) Changes in Law Affecting Marks. In the event that the trademark law is amended so as to render inapplicable any of the provisions of this Agreement, Franchisee shall sign any documents and do such other act and thing as in the opinion of Franchisor may be necessary to effect the intent and purpose of the provisions of this Agreement.

(f) Copyrights. Franchisee acknowledges that as between Franchisee and Franchisor, any and all present or future copyrights relating to the System or the AR WORKSHOP concept, including, but not limited to, home décor and other designs and artwork, the Manuals, construction plans and specifications and marketing materials, (collectively, the "Copyrights") belong solely and exclusively to Franchisor, whether or not developed by Franchisee or Franchisor. Franchisee has no interest in the Copyrights beyond the nonexclusive License granted in this Agreement.

(g) Ideas and Innovations. All artwork, home décor and designs, inventions, ideas, applications, trademarks, service marks, enhancements, modifications, improvements or other processes, methods and designs, technologies, computer software, electronic code, original works or authorship, formulas, patents, copyrights, marketing and business plans and ideas, and all improvements and enhancements thereto that Franchisee may develop, invent, discover, conceive or originate, alone or in conjunction with any other person or persons during the Term that relate in any way, either directly or indirectly, to the Workshop and/or the System (collectively referred to as "Inventions and Ideas") developed by the Franchisee and/or any personal guarantors, or their employees, agents or representatives, either in whole or in part during the Term, shall be the exclusive property of Franchisor. Franchisee must promptly disclose the existence of any and all Inventions and Ideas to Franchisor. Franchisee and all guarantors of this Agreement hereby assign to Franchisor, without compensation, all right, title and interest in such Inventions and Ideas, and agree that they will execute any and all instruments and do any and all acts necessary or desirable to establish and perfect in Franchisor the entire right, title and interest in such Inventions and Ideas.

(h) Customer and Other Data. Franchisee shall maintain a current list of the names, home addresses, work addresses, e-mail addresses and telephone numbers of the customers and past customers who have provided such information to the Workshop (the "Client List"). Franchisee shall provide the Client List to Franchisor upon request. The Client List shall be the property of Franchisor. Franchisee shall not disclose such information to any person or entity other than Franchisor, or sell such list(s) or any portions thereof to any person or entity without the express written consent of Franchisor. Likewise, other data collected by Franchisee or Franchisee's information technology system (Customer Data and the other data collectively referred to herein as "Franchisee Data") is deemed to be owned by Franchisor, and Franchisee agrees to furnish the Franchisee Data to Franchisor at any time that Franchisor requests it. Franchisor hereby grants Franchisee a limited license to use Franchisee Data while this Agreement or a successor franchise agreement is in effect, but only in accordance with the policies that Franchisor establishes periodically and applicable law. Upon termination, non-renewal, transfer, or expiration of this Agreement for any reason, Franchisor shall be the exclusive owner of Franchisee Data, and Franchisee shall not use or disclose Franchisee Data in any form or manner. Franchisee shall not be due any compensation based upon Franchisor use of the Franchisee Data. Franchisee may not sell, transfer, or use Franchisee Data for any purpose other than marketing AR WORKSHOP products and services.

(i) Indemnification With Respect to Use of Proprietary Marks. Provided Franchisee complies at all times with Article 7, Franchisor shall indemnify Franchisee against and reimburse Franchisee for damages assessed against Franchisee, if any, based on Franchisee's use of the Marks. Otherwise, Franchisor shall not be required to indemnify Franchisee against or reimburse Franchisee for any loss or damages arising out of Franchisee's use or misuse of any Mark. Franchisor shall not indemnify Franchisee for any use or misuse of Franchisor's Copyrights, Patents, Customer Lists, or Indicia.

## **8. Advertising.**

(a) Contributions and Expenditures. Recognizing the value of advertising and the importance of the standardization of advertising to the furtherance of the brand, goodwill and public image of the System, Franchisor and Franchisee agree as follows:

(i) Grand Opening Advertising. Franchisee is required to spend a minimum of Three Thousand Five Hundred Dollars (\$3,500) on pre-opening advertising and Two Thousand Dollars (\$2,000) on the grand opening events, which advertising shall be in such form designated by Franchisor and which shall be conducted prior to commencement of and during the first two (2) months of operation of the Workshop. Franchisee may expend additional amounts on such advertising, provided the form and content is approved by Franchisor as provided in Section 8(e).

(ii) Monthly Contributions and Expenditures.

(A) Each month during the Term for which a brand fund ("Brand Fund") has been established, Franchisee shall contribute to the Brand Fund such amount as Franchisor may designate from time to time, which amount is as of the date of this Agreement one percent (1%) of Gross Sales (as defined in Attachment 1) of the Workshop. Franchisor may increase the maximum required contribution to the Brand Fund to two percent (2%) of Gross Sales, provided such increase is approved by the majority of owners of the Workshops required to contribute to the Brand Fund (including both Franchisor-owned and franchised Workshops). Franchisee shall make its monthly contribution to the Brand Fund on the date and in the manner as Franchisor may designate from time to time. Franchisee agrees to make such contributions by EFT or in such other manner as the Franchisor may require, on or before each Due Date based on Franchisee's Gross Sales from the prior month, or such other date(s) identified by Franchisor with thirty (30) days' prior written notice.

(B) In addition to the grand opening requirements of Section 8(a)(i), Franchisee shall spend at least Four Hundred Dollars (\$400) per month ("Minimum Local Advertising Spend") on local advertising in accordance with Franchisor's standards as set forth in the Manuals. Franchisor has the right to require Franchisee to use the Minimum Local Advertising Spend to pay for specific advertising services, from suppliers approved by Franchisor. Franchisor may require Franchisee to remit the Minimum Local Advertising Spend to the Franchisor or its affiliates in exchange for local advertising services the Franchisor or its affiliate will provide to Franchisee. All local advertising shall either have been prepared by Franchisor or approved by Franchisor pursuant to Section 8(e).

(b) Brand Fund.

(i) Use. The Brand Fund, all contributions thereto, and any earnings thereon shall be used to increase recognition of the Marks and to further the public image and acceptance of the System, including to meet all costs of maintaining, administering, or directing, and preparing promotional and/or advertising activities and technological development and enhancements for the brand. Franchisor has the sole discretion to determine how and where the Brand Fund contributions are spent to promote, enhance, or further the growth of the System, including, but not limited to, promotional marketing, public relationships, and advertising expenses, hiring marketing, public relations and advertising agencies and in-house personnel to assist in developing the AR WORKSHOP brand name and average unit volumes, expenses associated with listings in online search engines, subsidies of premiere/marquis workshops designed to garner media attention and promote the brand name, travel expenses in connection with promotions and marketing meetings, training, development of trademarks and trademarked materials, production of circulars, media, advertisements, coupons, and promotional materials (including point of purchase materials), technology development and enhancements for the brand, and for any other use Franchisor determines. Additionally, Franchisor can use the Brand Fund to pay for expenses incurred in developing and maintaining the AR WORKSHOP website and SEO software and services for the brand. Sums paid by Franchisee shall not be used to defray any of Franchisor's expenses, except for such reasonable administrative costs and overhead, if any, that Franchisor may incur in activities reasonably related to the administration or direction of the Brand Fund and promotion and advertising programs for franchisees and the System, including, among other things, the cost of personnel for creating and implementing advertising, promotional, and marketing programs.

(ii) Administration. The Brand Fund is not and shall not be an asset of Franchisor or its designee. The Brand Fund is not audited. Franchisee will be able to obtain upon ninety days' written notice a Franchisor-prepared, unaudited accounting annually upon written request to Franchisor. At Franchisor's option, Franchisor can create a separate entity to be the recipient of Franchisee's Brand Fund contributions and Franchisee agrees, upon Franchisor's request, to tender Brand Fund payments to said entity. Franchisor, in Franchisor's sole discretion, may spend in any fiscal year an amount greater or less than the aggregate contributions to the Brand Fund in that year, and the Brand Fund may borrow from Franchisor or other lenders to cover deficits of the Brand Fund or cause the Brand Fund to invest any surplus. Franchisee acknowledges that other franchisees may not be required to contribute to the Brand Fund or may be required to contribute at a different rate than Franchisee. Franchisor is not obligated to maintain the Brand Fund contributions or income earned in a separate account from other Franchisor funds.

(iii) Monthly Payment Option. For administrative convenience and at Franchisor's option, in lieu of collecting the Brand Fund percentage designated in Section 8(a)(ii)(A), Franchisor, at its option, may designate an amount certain as a monthly payment, which will be drafted instead of the variable amount. Franchisor will use commercially reasonable efforts to have the amount certain reasonably relate to the anticipated annual Brand Fund contribution which would otherwise be due if the exact percentage were calculated. Upon delivery by thirty (30) days' prior written notice by Franchisee to Franchisor, Franchisee can thereafter elect to abandon the sum certain

contribution in lieu of the Brand Fund contribution percentage designated in Section 8(a)(ii)(A).

(iv) No Proportionality. Franchisee agrees and acknowledges that contributions to the Brand Fund are intended to increase recognition of the Marks and to further the public image and acceptance of the System and that Franchisor does not undertake any obligation to ensure that expenditures from the Brand Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Brand Fund by franchisees operating in such geographic area or that Franchisee or the Workshop will benefit directly or in proportion to its contribution to the Brand Fund.

(v) Liability. NEITHER FRANCHISOR NOR ANY OF ITS RESPECTIVE OFFICERS, DIRECTORS, AGENTS OR EMPLOYEES, SHALL BE LIABLE TO FRANCHISEE WITH RESPECT TO THE MAINTENANCE, DIRECTION OR ADMINISTRATION OF THE BRAND FUND, INCLUDING WITHOUT LIMITATION, WITH RESPECT TO CONTRIBUTIONS, EXPENDITURES, INVESTMENTS OR BORROWING, EXCEPT FOR ACTS CONSTITUTING WILLFUL MISCONDUCT. THE BRAND FUND IS NOT A TRUST FUND. FRANCHISOR SHALL HAVE NO FIDUCIARY DUTY TO FRANCHISEE IN CONNECTION WITH THE COLLECTION OR USE OF THE BRAND FUND MONIES OR ANY ASPECT OF THE OPERATION OF THE BRAND FUND. FRANCHISEE ACKNOWLEDGES AND AGREES THAT FRANCHISOR WILL HAVE NO LIABILITY TO FRANCHISEE FOR ANY DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES ARISING OUT OF OR IN ANY WAY CONNECTED TO THE BRAND FUND OR ANY ADVERTISING PROGRAMS OR FRANCHISOR'S MODIFICATION OR DISCONTINUANCE FOR ANY REASON OF THE BRAND FUND OR ANY MARKETING, BRANDING, OR ADVERTISING PROGRAMS, OR FRANCHISEE'S PARTICIPATION THEREIN.

(c) Regional Cooperative Advertising. Franchisee agrees that Franchisor shall have the right, in its sole discretion, to designate from time to time a geographical area in which the Workshop is located for the purpose of establishing an advertising cooperative (the "Cooperative"). If a Cooperative has been established applicable to the Workshop at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Cooperative. If a Cooperative applicable to the Workshop is established at any later time during the Term, Franchisee shall become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation. In no event shall the Workshop be required to contribute to more than one Cooperative. The following provisions shall apply to each Cooperative:

(i) Each Cooperative shall be organized and governed in a form and manner, and shall commence operation on a date, approved in advance by Franchisor in writing.

(ii) Each Cooperative shall be organized for the purposes of producing and conducting general advertising programs and activities for use in and around the applicable geographic area and developing standardized promotional materials for use by the members.

(iii) Franchisor shall make contributions to each Cooperative of which it is a member on the same basis as required of comparable franchisees within the System.

(iv) No advertising programs or materials may be used by the Cooperative or furnished to its members, and no advertising or promotional activities may be conducted by the Cooperative, without the prior written approval of Franchisor. All such programs, materials and planned activities shall be submitted to Franchisor for approval in accordance with the procedure set forth in Section 8(e).

(v) Each cooperative shall have the right to require its members to make contributions to the Cooperative in such amounts as are determined by the governing body of the Cooperative.

(vi) Franchisee shall make its contributions to the Cooperative on the date and in the manner designated by the Cooperative. Franchisee shall also submit such statements and reports as may be designated from time to time by the Cooperative. The Cooperative shall submit to Franchisor such statements and reports as Franchisor may designate from time to time.

(vii) Notwithstanding the foregoing, Franchisor, in its sole discretion, may, upon written request of a franchisee stating reasons supporting such request, grant to any franchisee an exemption from the requirement of membership in a Cooperative. Such an exemption may be for any length of time and may apply to one or more Workshop owned by such franchisee. If an exemption is granted to a franchisee, such franchisee may be required to expend on local advertising the full amount that would otherwise be payable to the Cooperative. Franchisor, in its sole discretion, may also exempt one or more Workshop owned or controlled by Franchisor from the requirement of membership in a Cooperative for such periods as Franchisor deems appropriate.

(viii) The Cooperative is not a trust fund. Franchisor shall have no fiduciary duty to Franchisee in connection with the collection or use of the Cooperative monies or any aspect of the operation of the Cooperative.

(d) Supplemental Advertising. Franchisee shall have the right to conduct, at its separate expense, supplemental advertising in addition to the expenditures specified in this Section 8. All such supplemental advertising shall either have been prepared by Franchisor or approved by Franchisor pursuant to Section 8(e).

(e) Approval by Franchisor. Any and all advertising and promotional materials Franchisee uses must be approved by the Franchisor. Prior to their use by the Cooperative or by Franchisee, all advertising and promotional materials not prepared or previously approved by Franchisor within the 90-day period preceding their intended use shall be submitted to Franchisor for approval. If disapproval is not received within twenty (20) days from the date of receipt by Franchisor of such materials, the materials shall be deemed approved by Franchisor. Franchisor may disapprove of any advertising or promotional materials at any time. Neither the Cooperative nor Franchisee shall use any disapproved advertising or promotional materials regardless of whether any such items had been previously approved by Franchisor.

(f) Franchisor Advertising. Franchisor will from time to time offer to provide to Franchisee such approved advertising and promotional plans and materials as Franchisor deems desirable. In any advertising conducted solely by or for Franchisor, Franchisor shall have the sole discretion to determine the products and geographical markets to be included, and the medium employed and Franchisor shall not have any duty or obligation to supply Franchisee with any advertising or promotional materials produced by or for Franchisor at its sole expense. Franchisor

disclaims and Franchisee hereby acknowledges that Franchisee has not received or relied upon any warranty regarding the success of any advertising and/or promotional plans or materials recommended by Franchisor for use by Franchisee. Further, Franchisee acknowledges and agrees that all advertising and promotional plans and materials created in whole or in part by Franchisor are and remain the exclusive property of Franchisor. Franchisor shall have the right to include promotion of available franchises in all marketing and advertising materials, including, but not limited to, signage in Workshop, websites, print media, and TV or radio spots. Franchisor may from time to time expend its own funds to produce such promotional materials and conduct such advertising as it deems necessary or desirable. In any advertising conducted solely by or for Franchisor, Franchisor shall have the sole discretion to determine the products and geographical markets to be included, and the medium employed and Franchisor shall not have any duty or obligation to supply Franchisee with any advertising or promotional materials produced by or for Franchisor at its sole expense.

(g) Ownership of Advertising. Franchisor shall be the sole and exclusive owner of all materials and rights which result from advertising and marketing program produced and conducted, whether by Franchisee, Franchisor, the Cooperative or the Brand Fund. Any participation by Franchisee in any advertising, whether by monetary contribution or otherwise, shall not vest Franchisee with any rights in the Marks employed in such advertising or in any tangible or intangible materials or rights, including, copyrights, generated by such advertising. If requested by Franchisor, Franchisee shall assign to Franchisor any contractual rights or copyright it acquires in any advertising.

(h) Use of Website. Franchisee will not, directly or indirectly, establish or operate a website, web page, domain name, internet address, blog, forum or e-mail address that in any way concerns, discusses or alludes to the Franchisor, the System or the Franchisee's Workshop without Franchisor's written consent, which Franchisor is not obligated to provide. Further, the Marks may not be used as part of, in conjunction with, to establish or to operate any domain names, internet addresses, blogs, forums or social media sites, unless specifically approved by the Franchisor, which approval Franchisor is not obligated to provide. Franchisee will not post, and will take such steps as necessary to ensure that its employees do not post, any information to a social media relating to the Franchisor, the System, the Marks, or the Workshop that (a) does not comply with the Franchisor's then-current social networking guidelines described in the Manuals, (b) is derogatory, disparaging, or critical of the Franchisor, the System or the Marks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the System and/or the Marks. Franchisee shall not establish or permit or aid anyone else to establish any links to any website or any other electronic or computer generated advertising or communication arrangement which Franchisor may create. Franchisee specifically acknowledges and agrees that, except for social media site postings (which will be subject to this Section), any website will be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval under this Agreement. Franchisor alone has the right, but not the obligation, to establish, maintain, modify or discontinue all internet and electronic commerce activities pertaining to the System, including through websites or profiles on social media websites and applications (all websites and profiles controlled by the Franchisor collectively referred to as the "Website"). Franchisor shall not be liable for downtime that may occur to any such Website, whether such downtime is caused by Franchisor or a third-party. Franchisor alone will be, and at all times remain, the sole owner of the copyrights to all material which appears on any Website, including any and all material Franchisee may furnish to Franchisor for use on the Website. Ownership of all URLs and other identifiers with any such Website shall vest exclusively in Franchisor. Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Workshops, with such web page(s) to be located

within Franchisor's Website. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance and content of any such web page(s); and Franchisor shall have the right to refuse to post and/or discontinue posing any content and/or the operation of any webpage. Franchisee shall not establish a separate website, without Franchisor's prior written approval (which franchisor shall not be obligated to provide). If approved to establish a website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such website. Franchisor shall have the right to modify the provisions of this Section relating to websites as Franchisor shall solely determine is necessary or appropriate.

(i) Online Use of Marks. Franchisee shall not use the Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any e-mail address, domain name, and/or other identification of Franchisee in any electronic medium, except as permitted by Franchisor's then-current policies. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without Franchisor's prior written consent as to Franchisee's plan for transmitting such advertisements.

(j) Social Media. Franchisor may from time to time maintain one or more social media sites (e.g., www.twitter.com; www.facebook.com, or such other social media sites). Franchisee shall not establish or maintain any social media sites utilizing any user names, or otherwise associating with the Marks, without Franchisor's advance written consent. Franchisor may designate from time to time regional or territory-specific user names/handles to be maintained by Franchisee. Franchisee must adhere to the social media policies established from time to time by Franchisor and Franchisee will require all of Franchisee's employees to do so as well.

**9. Telephone Number.** Franchisee shall establish a local telephone number for the Workshop. Franchisee shall keep Franchisor notified as to the current telephone number for the Workshop. In no event shall Franchisee use such number for any other business. Franchisee further covenants that in the event it obtains any additional or substitute telephone service or telephone number at the Workshop, it will promptly notify Franchisor and such additional or substitute number shall be subject to the terms of this Section 9.

**10. Construction, Design, Appearance, and Equipment.**

(a) Construction. Franchisee is solely responsible for the construction of the Premises and the Workshop. Franchisee will commence any required construction promptly after execution of a lease for or closing on the purchase of the Premises. Franchisee shall maintain continuous construction of the Workshop and Premises until completion. Franchisee will complete construction in accordance with the plans and specifications for the Workshop which have been approved in advance by Franchisor and will not deviate, except as permitted below, from such plans and specifications without the prior written consent of Franchisor. Franchisee agrees that it will construct or remodel the Premises at the approved Location in accordance with Franchisor's construction or remodel plans and design, layout and other physical characteristics, rentals, lease terms including duration, and general conditions for use as an AR WORKSHOP Franchise ("Standard Plans") or in accordance with plans approved by Franchisor. Additionally, Franchisor may provide Franchisee with Franchisor's specifications for the construction and design of the Workshop ("Spec. Sheet"). The Standard Plans, if provided, will be provided by Franchisor at no cost to Franchisee. Franchisee shall purchase or lease all equipment, displays, fixtures, and furnishings that Franchisor designates. Such Standard Plans shall not contain the

requirements of any federal, state or local law, code or regulation, including those concerning the Americans With Disabilities Act (“ADA”) or similar rules governing public accommodations for persons with disabilities, nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation as may be necessary to obtain permits or authorization to build a specific Workshop (“Applicable Law”). It is Franchisee’s sole responsibility to make sure that the design and construction of the Workshop and the Premises are in compliance with all Applicable Laws including without limitation, the Americans with Disabilities Act. Franchisee shall indemnify and hold Franchisor harmless against any and all claims, actions, causes of action, costs, fees, fines and penalties, of every kind and nature, should the design and/or construction of the Workshop fail in any way to comply with any Applicable Laws, including, without the limitation, the Americans with Disabilities Act. If provided, Franchisee shall make no changes to any building plan, design, layout or decor, Spec Sheet, or any equipment or signage except as necessary to comply with Applicable Law without the prior written consent of Franchisor. Franchisee shall maintain the interior and exterior decor in such manner as may be prescribed from time to time by Franchisor. Franchisee acknowledges the specifications on the Spec. Sheet may exceed the requirements of Applicable Law.

In the event of Franchisee’s delay, refusal, or failure to make repairs or modifications to the Premises as specified by this Section, Franchisor or its agents may enter the Premises, without further notice and without liability for trespass or other tort and with Franchisee’s complete cooperation, and remove, repair, and/or replace, at Franchisee’s expense, any items which do not conform to Franchisor’s then-current standards and specifications or which are not in conformity with Franchisee’s obligation to maintain the Workshop and the Premises in the highest degree of repair and condition. In addition to any and all other remedies that Franchisor may have in law or in equity, Franchisee shall reimburse Franchisor for all out-of-pocket expenses incurred by Franchisor in connection with any refurbishing work performed by Franchisor pursuant to this Section, plus an administrative fee of fifteen percent (15%) of the total aggregate amount of expenses incurred by Franchisor. In the event that Franchisee fails to reimburse Franchisor within seven (7) days of the date Franchisee is billed for all such amounts, Franchisee authorizes Franchisor to collect all amounts due, including interest, at the rate of eighteen percent (18%) per annum or the maximum amount permitted by law, whichever is lower, and an additional ten percent (10%) late fee on the entire amount due, through electronic banking transfers as specified in this Agreement.

(b) Signs. Franchisee shall prominently display, at its own expense, both on the interior and exterior of the Premises, advertising signs in such form, color, number, location and size, and containing such Marks, logos and designs as Franchisor shall designate. Franchisee will be responsible for ordering any required signage, including an exterior sign, for the Workshop from an approved vendor at Franchisee’s expense. Franchisor may, on Franchisee’s behalf and at Franchisee’s expense, direct and control placement of the exterior sign on Franchisee’s location, working with Franchisee’s landlord or tenant association, if necessary. Franchisee shall obtain all permits and licenses required for such signs and shall also be responsible for ensuring that all signs comply with all laws and ordinances. Franchisee shall not display in or upon the premises any sign or advertising of any kind to which Franchisor objects.

(c) Remodeling and Re-equipping. Franchisor reserves the right to require Franchisee to generally refurbish the Workshop and/or the Premises at Franchisee’s expense, in order to conform to the building design, trade dress, color schemes and presentation of the Marks in a manner consistent with the then-current image for AR WORKSHOP franchises and may include, without limitation, structural changes, installation of new materials and equipment,

remodeling, redecoration, changing color schemes, and modifications and/or repairs to existing improvements.

Such remodeling and re-equipping may include, without limitation, replacing worn out, obsolete, or dated equipment, fixtures, furnishings and signs; structural modifications, redecorating; or purchasing more efficient or improved equipment. Franchisor may require Franchisee to perform remodeling and to purchase equipment at such times as Franchisor, in its sole discretion, deems necessary and reasonable. FRANCHISEE ACKNOWLEDGES THAT EQUIPMENT, ALTERATIONS AND RENOVATIONS REQUIRED BY FRANCHISOR MAY INVOLVE SUBSTANTIAL ADDITIONAL INVESTMENT BY FRANCHISEE DURING THE TERM OF THIS AGREEMENT.

In the event of Franchisee's delay, refusal, or failure to make repairs or modifications to the Premises as specified by this Section, Franchisor or its agents may enter the Premises, without further notice and without liability for trespass or other tort and with Franchisee's complete cooperation, and remove, repair, and/or replace, at Franchisee's expense, any items which do not conform to Franchisor's then-current standards and specifications or which are not in conformity with Franchisee's obligation to maintain the Workshop and the Premises in the highest degree of repair and condition. In addition to any and all other remedies that Franchisor may have in law or in equity, Franchisee shall reimburse Franchisor for all out-of-pocket expenses incurred by Franchisor in connection with any refurbishing work performed by the Franchisor pursuant to this Section, plus an administrative fee of fifteen percent (15%) of the total aggregate amount of expenses incurred by Franchisor. In the event that the Franchisee fails to reimburse Franchisor within seven (7) days of the date Franchisee is billed for all such amounts, Franchisee authorizes Franchisor to collect all amounts due, including interest, at the rate of eighteen percent (18%) per annum or the maximum amount permitted by law, whichever is lower, and an additional ten percent (10%) late fee on the entire amount due, through electronic banking transfers as specified in this Agreement.

## **11. Operations, Standards of Quality, Inspections.**

(a) Operations Principal; Manager. Franchisee covenants that during the term of this Agreement, except as otherwise approved by Franchisor in writing, to employ or otherwise retain a key owner approved by Franchisor who shall devote, to the satisfaction of Franchisor, substantial time, energy, and best efforts to the management, supervision, and operations of the Workshop franchised hereunder ("Operations Principal"). Initially the Operations Principal approved by Franchisor shall be the person so identified on Attachment 1. Additionally, to the extent Operations Principal is not so serving, Franchisee shall designate an individual to serve as the "Manager" for the Workshop, which may be Franchisee, an owner of Franchisee or another Franchisee employee. If Franchisee owns multiple Workshops, a Manager must be designated for each Workshop in addition to the Operations Principal. The Manager shall meet the following qualifications:

(i) The Manager shall devote full time and best efforts to the supervision and conduct of the development and operation of the Workshop and shall agree in writing to be bound by non-compete and confidentiality provisions substantially similar to those contained in Sections 13, 14, 15 and 23 of this Agreement.

(ii) The Manager shall be approved by Franchisor and shall complete Franchisor's initial training requirements and shall participate in and complete to Franchisor's satisfaction all additional training as may be reasonably required by

Franchisor. If at any time for any reason the Manager no longer qualifies to act as such, Franchisee shall promptly designate another Manager subject to the same qualifications set forth in this Section 11.

(b) Management of the Workshop. The manager and one or more competent managers approved by Franchisor (who, if required by Franchisor, shall have completed Franchisor's initial training program to Franchisor's satisfaction) shall personally devote their full time and best efforts to the management and operation of the Workshop in order to ensure compliance with this Agreement and to maintain Franchisor's high standards. Management responsibility shall include, without limitation, presence of the Manager, or an assistant manager who has successfully completed any training required by Franchisor before being designated as a Manager, or assistant manager at the Workshop during all hours of operation; maintaining the highest standards of service and product quality and consistency; maintaining the Workshop in the highest condition of sanitation, cleanliness and appearance; and supervising employees to ensure that the highest standard of service is provided and to ensure that Franchisee's employees deal with customers, suppliers, Franchisor, and all other persons in a courteous and polite manner. Franchisor shall receive advanced written notice of any change in the Manager or assistant manager.

(c) Compliance with Franchisor's Standards. Franchisee shall operate the Workshop through strict adherence to Franchisor's standards, specifications and policies as they now exist, and as they may from time to time be modified. Such standards and policies include, without limitation: (i) specifications and standards for classes, including home décor and other designs for classes; (ii) specifications and standards for inventory (ii) services and products offered; and (iii) use of specified emblems and Marks. Franchisee agrees to follow the instructions of Franchisor as well as Franchisor's employees, agents, and representatives. Franchisee shall hold at least five (5) classes per week at its Workshop. Franchisee's failure to hold at least five (5) classes per week at its Workshop shall constitute a default under this Franchise Agreement.

(d) Training. It will be solely Franchisee's responsibility to ensure that all new employees and current employees are trained to perform their duties in a proper manner at the Workshop and Franchisee shall implement and maintain an employee training program, at Franchisee's expense, pursuant to all specifications, standards and procedures prescribed by Franchisor. Franchisee shall ensure that all employees have all necessary certifications and credentials as required by applicable state laws and licensing regulations, and that all employees must satisfy all continuing educational training requirements as may be specified by applicable laws and regulations. In the event that Franchisee is unable to, or fails to, provide the employee training required by this Section, Franchisor may train Franchisee's employees at Franchisee's then-current training rates, and Franchisee shall reimburse Franchisor for all expenses, including reimbursement for mileage at the then-current IRS reimbursement rate, living and travel expenses incurred by Franchisor as a result of such training. Training by Franchisor will be at reasonable times and subject to availability of Franchisor's representatives. In the event that Franchisor provides training to Franchisee's employees upon Franchisee's request, Franchisee hereby releases, indemnifies and holds harmless Franchisor and its affiliates, agents and employees from all claims, causes of action, expenses, costs, debts, fees, liabilities and damages of every kind arising out of or related to the training and/or the continuing education of Franchisee's employees as set forth herein.

(e) Compliance with Specifications and Procedures. Franchisee acknowledges that the Brand Standards Manuals are designed to protect Franchisor's Marks, brand image, goodwill, and standards and systems, and not to control the day-to-day operation

of the business. Franchisee shall comply with all rules, regulations, and directives specified by Franchisor, as well as all mandatory standards, specifications and procedures contained in the Brand Standards Manuals, as amended from time to time.

(f) Franchisee Control. Franchisee acknowledges that it is responsible for the day-to-day operation of its Workshop, including hiring, setting the conditions of employment, supervision, discipline and termination of all personnel, purchases and maintenance of equipment and supplies, preparing Franchisee's own marketing plans and funding and implementing those marketing plans, maintenance of employment records, and daily maintenance, safety, security and the achievement of compliance with the Brand Standards Manuals. Franchisor's ability to approve certain matters, to inspect the Workshop and its operations and to enforce its rights, exists only to the extent necessary to protect its interest in the System and the Marks. Neither the retention nor the exercise of these rights is for the purpose of establishing any control, or the duty to take control, over those matters that are clearly reserved to Franchisee.

(g) Employment Matters. Franchisee's employees are not Franchisor's agents or employees and Franchisor is not a joint employer of these individuals. Franchisee is solely responsible for performing all administrative functions at the Workshop, including payroll and providing workers' compensation insurance. Franchisee acknowledges that it is not economically dependent on Franchisor, and that Franchisor does not provide facilities, equipment, housing or transportation Franchisee's employees or provide to Franchisee's employees tools or materials required for Franchisee's employees to perform services for Franchisee. Franchisee shall comply with all employment laws and regulations.

(h) Employer Acknowledgment. Franchisee shall obtain from each of its employees an acknowledgment signed by such persons providing that such individual understands, acknowledges, and agrees that (i) he or she is an employee of Franchisee and not Franchisor and (ii) he or she shall look solely to Franchisee, and not to Franchisor or its affiliates, agents, or employees, for his or her compensation and for all other employment matters.

(i) Evidence of Relationship. Franchisee shall hold itself out to the public as an independent contractor by, without limitation: (i) clearly identifying itself in all dealings with third parties as a franchised, independently owned and operated entity, including on all public records, checks, stationery, contracts, receipts, marketing materials, envelopes, letterhead, business cards, employment applications, and other employment documents, invoices and other communications, electronic or otherwise; and (ii) displaying a sign in the Workshop so as to be clearly visible to the general public indicating that the Workshop is independently owned and operated as a Workshop.

(j) Brand Standards Manuals. Franchisor will provide Franchisee with one or more manuals which shall contain (i) the mandatory and suggested specifications, standards and operating procedures prescribed from time to time by Franchisor and (ii) information relative to other obligations of Franchisee hereunder and the operation of the Workshop, which manual includes the AR Workshop Brand Standards Manual (the "Manuals"). The Manuals shall at all times remain the sole property of Franchisor and shall promptly be returned to Franchisor upon the expiration, non-renewal, or other termination of this Agreement for any reason. Franchisor may, from time to time, revise the contents of the Manuals. To the extent that Franchisor shall deem it necessary or appropriate, Franchisor will provide Franchisee with policy and procedure statements or other written notice of specifications standards and procedures, policies, and other standards and specifications contained in the Manuals, policy and procedure statements and other written notices as issued from time to time by Franchisor. Franchisee acknowledges and

agrees that all information in the Manuals, policy and procedure statements and other notices constitute confidential information and trade secrets, and shall not be disclosed at any time by Franchisee. Franchisee shall not copy, disclose, duplicate, record or otherwise reproduce, in whole or in part, for whatever reason, the Manuals or any other communication or information provided by Franchisor. Franchisor shall have the right to modify the policies and procedures of the Manuals at any time, which modifications shall be binding upon Franchisee.

(k) Variations in Standards. Because complete and detailed uniformity under varying conditions may not be possible or practical, Franchisor specifically reserves the right, in its sole discretion and as it may deem in the best interests of Franchisee or the Chain, to vary standards within the Workshop or any other Workshop in the Chain based upon peculiarities of particular locations or circumstances, including, but not limited to, density of population and other demographic factors, size of Franchisee's Territory, business practices or customs, or any other condition which Franchisor deems to be of importance to the operation of such Workshop or the Chain. Franchisee acknowledges that because of these factor and others, there may be variations from standard specifications and practices throughout the Chain and that Franchisee shall not be entitled to require Franchisor to grant like or similar variations or privileges to Franchisee.

(l) Franchisee Developments. Franchisor shall be deemed the owner and have the right to use and incorporate into the System for the benefit of other franchisees and Franchisor any modifications, ideas or improvements, including, without limitation, home décor and other designs for classes, in whole or in part, developed or discovered by Franchisee or Franchisee's employees or agents, without any liability or obligation to Franchisee or the developer thereof. Franchisee or its employee or agent hereby irrevocably assigns such modification, idea or improvement to Franchisor, and, to the extent required by Franchisor, agrees to execute such documentation related to the assignment in the form designated by Franchisor.

(m) Compliance with Laws. Franchisee shall at all times during the Term comply with all laws, ordinances, rules and regulations of all applicable governmental bodies, and pay any and all taxes, assessments, fines and penalties arising out of the operation of the Workshop, including state and federal unemployment taxes and sales taxes.

(n) Courtesy, Cooperation, Fair Dealing and Ethical Business Practices. In all dealings with customers, suppliers, Franchisor and others, Franchisee will act according to the highest standards of honesty, integrity, fair dealing and ethical conduct. At all times and under all circumstances, Franchisee and its employees shall treat all customer and other persons, including Franchisor's agents, officers, and employees with the utmost respect and courtesy, and shall fully cooperate with Franchisor and its agents, officers, and employees in all aspects of the franchise relationship. Franchisee will operate Franchisee's business in full compliance with all applicable laws, ordinances and regulations, including all licensing requirements. Franchisee will not engage in any illegal discriminatory practices. Franchisor makes no representations as to what (if any) licenses, permits, authorizations or otherwise will be required in connection with Franchisee's establishment or operation of Franchisee's business. Franchisee is solely responsible for determining what licenses, permits, authorizations or otherwise are required and to obtain them, all at Franchisee's expense. Franchisee will refrain from any practice which may injure the goodwill associated with the Marks. Franchisee will notify Franchisor in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which relates to, or which may affect the operation or financial condition of, Franchisee, Franchisee's business and/or the Marks.

Franchisee agrees to comply with and/or assist Franchisor in Franchisor's compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise. Franchisee agrees to comply with and assist Franchisor in Franchisor's compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to anti-terrorist activities, including, without limitation, the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, Franchisee agrees not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to Franchisee's business as may be required by Franchisor or by law. Franchisee confirms that Franchisee is not listed in the Annex to Executive Order 13224 and agrees not to hire any person so listed or have any dealing with a person so listed (the Annex is currently available at <http://www.treasury.gov>). Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such laws, orders and/or regulations, and Franchisee specifically acknowledges and agrees that Franchisee's indemnification responsibilities as provided in Section 19(b) of this Agreement pertain to Franchisee's obligations hereunder.

(o) Business Relations. Franchisee shall at all times operate the Workshop in a financially sound, prudent and business-like manner and, without limiting the generality of the foregoing, pay all its bills and accounts promptly when due and shall take no action, or omit to take any action, the result of which would be to tend to disrupt, damage or jeopardize Franchisee's relationship with suppliers or customers, Franchisor's good reputation, or the good reputation of Franchisor's other licensees. Franchisee will not engage in any trade practice or other activity which is harmful to the goodwill or reflects unfavorably on the reputation of Franchisee, Franchisor, the Workshop, the Marks, the services and/or products sold at the Workshop, or constitutes deceptive or unfair competition or otherwise is in violation of any applicable laws.

(p) Crisis Situations. Franchisee shall notify Franchisor immediately upon the occurrence of any situation that may have a material impact on Franchisee, Franchisor, Workshop, or which could have a deleterious effect on the AR WORKSHOP brand, Marks or System (a "Crisis"). Franchisee shall follow all of Franchisor's policies, procedures, and instructions in every such situation, including, without limitation, managing public relations and communications, as directed by Franchisor or as specified in the Manuals, whether or not Franchisee has retained outside counsel or a public relations firm to assist with such matters.

Crisis means any event that occurs at or about the Workshop that has or may cause harm or injury to customers or employees. Examples include, but are not limited to, contagious diseases, natural disasters, terrorist acts, shootings, or any other circumstance which may damage the System, Marks, or image or reputation of the Workshop, the System or Franchisor. Franchisee will cooperate fully with Franchisor with respect to Franchisor's response to the Crisis. In the event of the occurrence of a Crisis, Franchisor may establish emergency procedures which may require Franchisee to temporarily close the Workshop to the public, in which event Franchisor shall not be liable to Franchisee for any loss or costs, including consequential damages or lost profits occasioned thereby.

(q) Change in Marital Status. If Franchisee or one of its owners or guarantors has a change in marital status during the Term of this Agreement, Franchisee shall promptly inform Franchisor of that change and Franchisee agrees that any new spouse will sign Franchisor's form guaranty, non-compete, and confidentiality agreements.

(r) Books and Records: Financial Reporting.

(i) Books and Records. Franchisee shall maintain during the term of this Agreement, and shall preserve for at least five (5) years from the dates of their preparation, and shall make available to Franchisor at Franchisor's request and at Franchisee's expense, full, complete and accurate books, records, and accounts in accordance with generally accepted accounting principles. Franchisee shall maintain such records at the Premises, unless otherwise authorized by Franchisor. Franchisee agrees at all times to use the chart of accounts and accounting procedures established from time to time by Franchisor.

(ii) Submission of Performance Reports. Franchisee shall submit to Franchisor, for review or auditing, financial statements, including a balance sheet and income statement prepared on a monthly basis, Gross Sales reports and performance reports for monthly periods, and such forms, reports, records, information, and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor, including without limitation, by electronic telecommunications data transmission methods, upon request and as specified from time to time in the Manuals or otherwise in writing. If Franchisee prepares and submits to Franchisor monthly profit and loss statements, Franchisor may require Franchisee to have a certified public accountant review such statements on a quarterly basis, the expense of which shall be borne entirely by Franchisee, and then submit such quarterly reviews to Franchisor. Franchisee also shall immediately notify Franchisor in writing when one or more liens or judgments are filed against Franchisee, the Workshop and/or any of the personal guarantors (if any) under this Agreement. If Franchisee fails to timely submit a performance report, Franchisor reserves the right to charge Franchisee a late fee in the amount of One Hundred Dollars (\$100) per late submission.

(iii) Submission of Financial Statements and Tax Returns. Franchisee shall submit, within sixty (60) days following the close of business of Franchisee's fiscal year, copies of a balance sheet, profit and loss statement and cash flow report prepared and certified by a certified public accountant which cover the previous twelve (12) months of operations of the Workshop. The statements shall include a statement of income and a balance sheet certified by Franchisee as true and correct and shall be furnished within forty-five (45) days after the end of each fiscal year of the Workshop. The fiscal year of the Workshop must coincide with the calendar year. Franchisee also shall submit, within five (5) days of their filing, its federal and state tax returns for each year during the term of this Agreement; provided, however, that if Franchisee is not a corporation or partnership, Franchisee may, at its option, submit only those schedules to its personal tax filings which reflect the revenues and expenses of the Workshop.

(iv) Audit of Franchisee's Records. Franchisor or its designated agents shall have the right at all reasonable times to examine and copy, at Franchisor's expense, the books, records, and tax returns of the Workshop and remove copies thereof from the Workshop premises. Franchisor shall also have the right at any time, at Franchisor's expense, to have an independent audit made of the Workshop books, records and accounts. If any inspection or audit reveals that an underpayment exists, Franchisee shall immediately pay to Franchisor the amount owing to Franchisor, as determined by the inspection or audit. Upon discovery of an understatement of two percent (2%) or more, in addition to prompt payment of the underreported amount, Franchisee shall reimburse Franchisor for any and all expense connected with such inspections or audits, including

by not limited to reasonable accounting and legal fees as well as interest as provided for in Section 3(b) of this Agreement. Such payments shall be without prejudice to any other remedies Franchisor may have under this Agreement or otherwise at law. If a discrepancy of less than two percent (2%) is revealed, Franchisor will bear the costs of the audit.

(v) Forms. Franchisee will use only such forms, including, without limitation, those used in and generated by the software required by Franchisor, as are approved by Franchisor in the Manuals or otherwise in writing. Franchisee will obtain all forms specified by Franchisor and/or the required software, at Franchisee's expense, from suppliers approved by Franchisor. Franchisor may maintain and make available to Franchisee all or a portion of such forms on the intranet system, if any exists, in addition to, or in lieu of, providing hard copies to Franchisee.

(vi) Payroll. At Franchisor's request, Franchisee will use a payroll service designated by Franchisor, or another service approved in writing by Franchisor, at Franchisor's discretion, which will include as part of its service the impounding and payment of all employee withholding taxes payable to the Internal Revenue Service and state and local taxing authorities. Franchisee will be responsible for all charges related to the payroll service. In addition, upon Franchisor's request Franchisee must submit copies of all quarterly form 941s and all proofs of payment related thereto to Franchisor within ten (10) days of the date such forms and payments are submitted to pertinent governmental agencies.

(s) Inspections. Franchisor and its agents have the right to enter the Workshop, with or without notice, in person or remotely via communications technology, in order to inspect, photograph, and/or videotape on-going new construction or leasehold improvements, equipment and operations, and the performance of any and all services provided in and around the Workshop and/or the Premises to ensure compliance with all requirements of this Agreement. Franchisee will cooperate with Franchisor's representatives in those inspections by rendering whatever assistance Franchisor may reasonably request, including using communications or audiovisual technology, such as a smartphone, to facilitate the remote inspection by Franchisor or Franchisor's agents and providing the assistance necessary to enable Franchisor to contact and interview contractors, vendors and suppliers, as well as Franchisee's customers and former customers. Upon reasonable notice from Franchisor, and without limiting Franchisor's other rights under this Agreement, Franchisee will take such steps as may be necessary to correct the deficiencies detected during any such inspection, including without limitation immediately correcting any problems with construction or leasehold improvements, and immediately desisting from the further use of any equipment, advertising materials, products, or materials that do not conform to Franchisor's then-current plans and specifications, the Manuals, or other standards or requirements, and to repair or replace anything in the Workshop that does not so conform. Franchisee acknowledges and agrees that any and all inspections by Franchisor and all demands made by Franchisor to correct deficiencies and conform to Franchisor's standards and specifications will not constitute a representation or warranty by Franchisor that the Workshop or its accounting practices comply with applicable laws, codes, ordinances, regulations or governmental standards. Upon reasonable written notification from Franchisor of a scheduled inspection, one of Franchisee's Owners (defined below) must be present during such inspection.

(t) Computer/Design Software/POS System. Franchisee, at its expense, shall purchase or lease and thereafter maintain such computer hardware and software, including design software, broadband high-speed internet service, active e-mail account, required dedicated telephone and power lines, modem(s) printer(s), and other computer-related

accessories or peripheral equipment as Franchisor specifies, for the purpose of, among other functions, recording sales and other record keeping and central functions as well as training and promotion or compliance with system standards. While Franchisor does not currently require any specific Computer/POS system, or any POS system, Franchisor has the right to do so in the future. Franchisor has the right to require Franchisee to connect to its computer system, if applicable. If required, Franchisee shall provide such assistance as may be required to connect its computer/POS system with Franchisor's computer system. Franchisor shall thereafter have the right from time to time and at any time to retrieve and use for any purpose such data and information from Franchisee's computer/POS system or from any third party or Franchisor provided computer/POS system that Franchisor, in its sole and exclusive discretion, deems necessary or desirable. In view of the contemplated interconnection of computer/POS systems and the necessity that such systems be compatible with each other, Franchisee expressly agrees that it will strictly comply with Franchisor's standards and specifications for all item(s) associated with Franchisee's computer/POS systems. Franchisor shall have no liability to Franchisee as a result of Franchisor access or failing to access the computer/POS system.

(u) Maintenance of Telephone/Computer/Design Software/POS System.

Franchisee will secure and maintain separate business telephone lines for telephone and email use at the Workshop as specified by Franchisor in the Manuals or otherwise. Franchisee will also secure and maintain a high speed Internet connection at the Workshop as specified by Franchisor in the Manuals or otherwise. Franchisee will provide continuous telephone answering coverage by an employee whenever the Workshop is open for business. Franchisee will be solely responsible for the payment of all bills which result from the use and/or maintenance of the telephone lines and Internet connections at the Workshop and the operation of all computer hardware and software associated with the computer/POS System. Franchisee will additionally acquire and maintain a computer system, as well as all software and telecommunications infrastructure as required by the Manuals, for maintaining the computer/POS System. The computer system shall meet or exceed the minimum requirements periodically prescribed by Franchisor, including all hardware, software, and Internet, Intranet and e-mail connections specified by Franchisor. Such requirements will be updated from time to time as deemed necessary by Franchisor in accordance with changing technology and industry standards. Franchisee must periodically update, as required by Franchisor and/or the software manufacturer, all software purchased for and installed on the computer system, solely at Franchisee's expense. Franchisor shall have the right to access all information related to the operation of the Workshop from a remote location, without the need for Franchisee's consent, at the times and in the manner prescribed by Franchisor.

(v) Gift Cards. Franchisee shall sell or otherwise issue gift cards or certificates (together "Gift Cards") that have been prepared utilizing the standard form of Gift Card provided or designated by Franchisor and only in the manner specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor regardless of whether a Gift Card was issued by Franchisor via its website, Franchisee or another franchisee. Franchisee shall sell, issue, and redeem (without any offset against any Continuing Royalties) Gift Cards in accordance with procedures and policies specified by Franchisor in the Manuals or otherwise in writing, including those relating to procedures by which Franchisee shall request reimbursement for Gift Cards issued by other franchisees and for making timely payment to Franchisor, other operators of franchises, or a third-party service provider for Gift Cards issued by Franchisee that are honored by Franchisor or other franchise operators.

(w) Group Buying Services. Franchisee agree not to use any group buying services, including, without limitation, Groupon or Living Social, without first obtaining express written permission of Franchisor. As with all advertising, advertisements placed with a group buying service are subject to Franchisor's prior written approval. As for Continuing Royalties, Gross Sales shall include the total gross amount paid by the customer, whether or not such amount is ultimately paid to Franchisee or the group buying service.

(x) Credit Card Processing. Franchisee agrees to use such credit card processing services approved by Franchisor and to purchase and maintain, at Franchisee's expense, any equipment necessary to permit such credit card processing functionality. Notwithstanding the credit card processing requirement, Franchisor does not represent, nor does it certify or warrant, to Franchisee or Franchisee's customers that the credit card processing service approved by Franchisor is compliant, whether or not certified as such, with the PCI Data Security Standards.

(y) Data Protection; Privacy.

(i) Data Protection and Security Policies. Franchisee shall comply with, or, as applicable, adopt policies consistent with the then-current version of Franchisor's data protection and security policies as may be described in Franchisor's Manuals ("Data Protection and Security Policies"). Such policies may govern how Franchisee Data and Personal Information (as defined below) contained in such data shall be accessed, shared, stored, protected, disposed of, or destroyed. Franchisor has the right, but not the obligation to create such Data Protection and Security Policies. Franchisee acknowledges that Franchisor may supplement, modify or amend the Data Protection and Security Policies from time to time in its sole discretion, and that Franchisee shall comply with such modifications or amendments within thirty (30) days of notice from Franchisor. Franchisor may require Franchisee to institute a data privacy policy for its Workshop. Franchisee shall not publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent as to said policy.

(ii) Privacy Laws. Franchisee warrants and represents and covenants that it shall comply with (i) applicable prevailing industry standards concerning privacy, data protection, confidentiality and information security, including, without limitation, the then-current Payment Card Industry Data Security Standard of the PCI Security Standards Council (the "PCI-DSS"), (ii) Children's Online Privacy Protection Act, (iii) those Security and Data Protection Policies mandated by the Manuals, if any, and (iv) all applicable international, federal, state, and local laws, rules, and regulations, as the same may be amended or supplemented from time to time, pertaining in any way to the privacy, confidentiality, security, management, disclosure, reporting, and any other obligations related to the possession or use of Personal Information (collectively, "Privacy Laws").

(iii) Marketing; Consumer Protection. Franchisee warrants and represents not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without first obtaining Franchisor's written consent as to: (a) the content of such e-mail advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee shall be solely responsible for compliance with all laws pertaining to e-mails, including, but not limited to, the U.S. Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003"), and to use of automatic dialing systems, SMS text messages, and artificial or

prerecorded voice messages, including but not limited to the Telephone Consumer Protection Act of 1991 (“TCPA”). Franchisee must comply with the Fair and Accurate Credit Transactions Act (FACTA) and all other consumer protection laws and regulations.

(iv) Security Breach. Franchisee shall cooperate with Franchisor in any audit that Franchisor may conduct from time to time of its data storage and management systems and Franchisee’s storage of Personal Information. In addition, if Franchisee becomes aware of any actual or suspected unauthorized access, processing, loss, use, disclosure, alteration, destruction or other compromise or acquisition of or access to any information, whether such information is stored in paper or electronic form, (i) that can be used to identify, locate or contact an individual, including but not limited to Franchisee’s employees and customers (collectively, “Personal Information”); (ii) that is subject to any of the Privacy Laws and/or PCI-DSS; or (iii) that might reasonably expose Franchisor to any harm or prejudice of any type or actual or suspected intrusion by an unauthorized third party into Franchisee’s or Franchisor’s computers, networks, servers, IT resources, or paper files (a “Security Breach”), Franchisee shall immediately notify the Franchisor’s President via telephone of such matter and shall thereafter cooperate with Franchisor to investigate and remedy such matter. Except to the extent required by applicable law, no public disclosure of any instance of such unauthorized access or breach shall be made by Franchisee unless Franchisor has authorized the provision of notice and the form of such notice in writing. Franchisee shall reimburse Franchisor for all reasonable Notification and Remediation Related Costs (hereinafter defined) incurred by Franchisor arising out of or in connection with any such Security Breach that is directly or indirectly caused by Franchisee or its personnel. “Notification and Remediation Related Costs” shall include Franchisor’s internal and external costs associated with addressing and responding to the Security Breach, including but not limited to: (i) preparation and mailing or other transmission of legally required notifications to affected individuals, regulators and attorneys general; (ii) preparation and mailing or other transmission of such other communications to customers, agents or others as Franchisor deems reasonably appropriate; (iii) establishment of a call center or other communications procedures in response to such Security Breach (e.g., customer service FAQs, talking points and training); (iv) engagement of information technology consultants, public relations and other similar crisis management services; (v) payment of legal and accounting fees and expenses associated with Franchisor’s investigation of and response to the Security Breach; and (vi) payment of costs for commercially reasonable credit reporting services that are associated with legally required notifications or are advisable under the circumstances. Franchisee agrees to hold harmless, defend and indemnify Franchisor and its officers, directors, agents, and employees from and against any and all losses, expenses, judgments, claims, attorney fees and damages arising out of or in connection with any claim or cause of action in which Franchisor shall be a named defendant and which arises, directly or indirectly, out of the operation of, or in connection with a Security Breach or Franchisee’s or Franchisee’s officers, directors, agents or employees’ violation of any Privacy Law or regulation, consumer protection-related law or regulation, e-mail marketing and other marketing laws and regulations, and the PCI-DSS.

(v) Inspection. Franchisor, through its employees and/or any agents designated by Franchisor from time to time, may at any time during business hours, and without prior notice to Franchisee enter upon and inspect the Workshop premises and examine Franchisee’s computer hardware, software, databases, business records and other supporting records and documents in order to verify compliance with its Data Protection and Security Policies, Children’s Online Privacy Protection Act, and Privacy

Laws. Any such inspection shall be made at Franchisor's expense, provided that if such inspection is necessitated by Franchisee's repeated or continuing failure to comply with the Data Protection and Security Policies, Privacy Laws, this Agreement or the Franchise Agreement, Franchisor may charge Franchisee for the costs of making such inspection, including without limitation, travel expenses, room and board, and compensation of Franchisor's employees and/or agents.

(vi) Personal Information Requests. Franchisee shall fully comply with Data Protection and Security Policies as they relate to requests regarding individuals' personal information, as it may be defined under international, federal, state, and local law. If requested by Franchisor, Franchisee must cooperate or coordinate with Franchisor to identify personal information Franchisee has accessed, collected, retained, or used in any way.

(vii) Use of Personal Information. Franchisee shall not use, disclose, retain, transfer, share, or sell Personal Information, or personal information as it may be defined under international, federal, state, and local law, unless such action is permitted by (i) the terms of this Agreement, (ii) the terms of the Data Protection and Security Policies, (iii) the standards in the Manuals, or (iv) written approval of Franchisor.

(z) Secret Shoppers; Toll-Free Number; Etc. Franchisor may, at its sole discretion, institute various programs for verifying customer satisfaction and/or Franchisee's compliance with all operational and other aspects of the System, including, without limitation, marketing research surveys, a toll-free number, customer comment cards, secret shoppers, or otherwise. Franchisor will share with Franchisee the results of such programs as they pertain to Franchisee's business and Franchisee agrees to reimburse Franchisor for all costs associated with any and all such programs, which cost may be drafted by EFT at the sole discretion of Franchisor.

(aa) Franchise Advisory Council. Franchisor may, but is not obligated to, form a Franchise Advisory Council selected by Franchisor in Franchisor's sole discretion, which shall provide Franchisor input as Franchisor may request from time to time ("FAC"). The FAC exists at Franchisor's pleasure, and Franchisor is not obligated or bound by any input provided by the FAC. The FAC will consist of franchisees in full compliance with this Agreement and/or Franchisor's representatives. Franchisor has the right to add or remove members of the FAC in Franchisor's sole discretion.

(bb) Safety. Franchisee must abide by, and require that its employees abide by, any minimum safety standards Franchisor establishes for the System, including the requirement to wear safety goggles at all times that Franchisee or its employees uses a saw or drill press. Franchisee acknowledges that the nature of the Workshop and the use of saws, drill presses, hammers, paint, and other tools and equipment, and the sawdust and fume inhalation that results from such use, involves a high degree of risk and danger. Franchisee knowingly and voluntarily accepts and assumes responsibility for each of these risks and dangers, and all other risks and dangers that could arise out of, the Workshop or Franchisee's or its owners', agents', employees', invitees', or customers' use of such products or equipment. Franchisee agrees to hold harmless, defend and indemnify Franchisor and its officers, directors, agents, and employees from claims arising out of or related to the Workshop or Franchisee's or its owners', agents', employees', invitees', or customers' use of such products or equipment. Franchisee shall require that all customers who visit the Workshop and all of Franchisee's employees sign safety waivers before using tools or equipment at the Workshop.

## 12. Products; Services.

(a) Suppliers, Products and Supplies. In the operation of the Workshop, Franchisee shall use and sell only those products, materials, supplies, equipment, technology, and services that have been specifically designated or approved by Franchisor. Franchisee shall obtain all products, materials, supplies, equipment, and services that are used in operation of the Workshop from suppliers that Franchisor shall have specifically designated or approved. Franchisee may be required to purchase from Franchisor certain products or services, or Franchisor may designate an affiliate as the designated supplier of any products, materials, supplies, equipment, technology, or service used in the operation of the Workshop. Franchisor may designate exclusive suppliers for any products, materials, supplies, equipment and service. Franchisor or its affiliates may receive payments or other compensation from suppliers on account of the suppliers' dealings with Franchisor, Franchisee, or other franchised businesses in the System. Franchisor may use any amounts that it receives from suppliers for any purpose that Franchisor deems appropriate. Franchisor and its affiliates may negotiate supply contracts with its suppliers under which Franchisor is able to purchase products, equipment, supplies, and services at a price lower than that at which franchisees are able to purchase the same items. Franchisor may, from time to time, amend the list of approved products, services, and suppliers, and Franchisee must comply with any such changes within 30 days after receiving notice of the change. If an alternate supplier is approved by Franchisor at the request of Franchisee, Franchisee shall pay Franchisor at the time of approval and prior to ordering from the alternate supplier, an administrative fee equal to fifteen percent (15%) of the value of the item(s) purchased. Franchisor may, from time to time, amend the list and this section of approved products and suppliers.

(b) Novelty Items. Franchisee may offer for retail sale such novelty items bearing the Marks as approved in writing by Franchisor (the "Items"), which may include, but are not limited to, in Franchisor's sole discretion, t-shirts, hats, and beverage containers. Franchisee must purchase the Items from Franchisor. Franchisee shall sell only Items purchased by Franchisee from Franchisor or such other approved supplier. Provided further, Franchisor has the right, in its sole discretion and upon thirty (30) days written notice to Franchisee, to require Franchisee to sell only Items purchased by Franchisee from any approved supplier, and to discontinue the sale of any Items purchased from a non-approved supplier.

(c) Services/Products and Inventory. Franchisee agrees that it will only offer those products and services specifically designated or approved by Franchisor. Franchisee agrees that it shall maintain such inventory levels at the Workshop as designated by Franchisor in accordance with its then-current standards. Franchisee must submit a list of all products for sale to customers at the Workshop at such times and in such a manner as determined by Franchisor.

(d) Pricing. Franchisee shall have right during the Term to set prices provided that, subject to applicable antitrust laws, such pricing: (1) complies with any minimum or maximum prices set by Franchisor; and (2) complies with any prices specified by Franchisor; and (3) conforms to any bona fide promotional programs or national or regional accounts programs periodically established by Franchisor. Any pricing policies established by Franchisor will apply to all franchisees within Franchisee's market. Franchisor retains the right to modify its pricing policies from time to time in its sole discretion. Franchisee must provide to Franchisor a price list containing all of the prices charged for the products supplied by the Workshop. The price list must be updated and supplied to Franchisor every time Franchisee alters its prices and, in any event, at least annually.

(e) System Changes. Franchise acknowledges that the System, the services, and products offered by the Workshop may be modified (such as, but not limited to, the addition, deletion, and/or modification of operating procedures, products, and services) from time to time by Franchisor; and Franchisee agrees to comply, at its expense, with all such modifications, including, without limitation, all requirements needed to implement the modifications. Franchisee agrees there is no limit to Franchisor's ability to modify the System. Franchisee may be required to pay additional or increased fees to Franchisor, its affiliates, or third-party vendors, as a result of these System changes.

(f) Technology Changes. Franchisee acknowledges and agrees that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and Franchisee agrees that it will abide by those reasonable new standards established by Franchisor, at Franchisee's sole cost and expense. Franchisee may be required to pay additional or increased fees to Franchisor, its affiliates, or third-party vendors, as a result of these changes to technology.

(g) Promotional Requirements. Franchisor has the right to require Franchisee to participate in national, regional, and local giveaways and promotions. Franchisee may be required to provide free or discounted classes or other free or discounted products or services as a result of such giveaways or promotions. Franchisor is not required to reimburse Franchisee for Franchisee's costs and expenses incurred as a result of these giveaways and promotions.

### **13. Transfer; Franchisor's Right of First Refusal.**

(a) Transfers by Franchisor. This Agreement, and any and/or all of Franchisor's rights and/or obligations under it, are fully transferable by Franchisor in Franchisor's sole discretion and will inure to the benefit of any person or entity to whom Franchisor transfers it, or to any other legal successor to Franchisor's interest in this Agreement. If Franchisor transfers this Agreement, or any and/or all of Franchisor's rights and/or obligations under it, all past, current and future obligations of Franchisor to Franchisee will cease and be forever extinguished. Franchisor shall be released from all obligations and liabilities arising or accruing in connection with this Agreement after the date of such transfer or assignment, and Franchisee's obligations and duties shall be and will remain the same notwithstanding any such assignment. Franchisor may be sold and/or Franchisor may sell any or all of its assets to a competitive or other entity; or Franchisor may participate in an initial, or other, public offering or private placement of Franchisor's stock; may merge, acquire other entities and/or assets (competitive or not); may be acquired by a competitive or other entity; and/or may undertake any refinancing, leveraged buy-out and/or other transaction. Franchisee waives any and all claims, demands and/or damages with respect to any transaction or otherwise allowed under this section or otherwise.

(b) Transfers by Franchisee. The rights and interest of Franchisee under this Agreement are and shall remain personal to Franchisee. Franchisee recognizes that Franchisor has granted the License in reliance on the business, financial capacity, personal skill, qualifications, and representations of the owners of Franchisee (the "Owners") and in reliance upon Section 13, 14, 15 and 23 of this Agreement and the Owners' agreement to be bound thereby. Therefore, neither Franchisee's interest, rights or privileges in the Agreement, the License or the Workshop, nor the Owner's interest in Franchisee or the Owners, in whole or in part, voluntarily or involuntarily, by operation of law or otherwise, in any manner, except as provided in this Section 13. Notwithstanding the foregoing, an Owner may transfer all or a portion

of his interest in Franchisee to another Owner or to Franchisee (such person or entity being referred to as a “Permitted Transferee”) and such a transfer shall not be subject to the restrictions of this Section 13; provided, however, Franchisee shall promptly notify Franchisor and shall pay Franchisor Two Thousand Dollars (\$2,000) in the event of any such a transfer. For purposes of this Agreement, the term “transfer” shall mean any issuance, sale, assignment, gift, pledge, mortgage or any other encumbrance (other than a lien against Franchisee’s assets to secure a loan for the construction, remodeling, equipping or operation of the Workshop), transfer by bankruptcy, transfer by judicial order, merger, consolidation share exchange, transfer by operation of law or otherwise, whether direct or indirect, voluntary or involuntary.

(c) Franchisor’s Right of First Refusal. Franchisee or Owner, as applicable, shall give Franchisor forty-five (45) days prior written notice of any intended transfer of any of its rights or interest in the Workshop or Franchisee. Such notice shall set forth the name of the proposed transferee and a detailed statement of all the terms and conditions of such intended or proposed transfer. Irrespective of the qualifications or acceptability of any prospective transferee, Franchisor shall have the first right and option to purchase the interest at a price equal to the fair market value of such non-cash consideration plus the amount, if any, of the consideration using fair and reasonable methods. Franchisor shall make such determination as promptly as practicable, but in no event later than thirty (30) days after it has received the notice of the intended transfer. If Franchisee disagrees with the value as determined by Franchisor, then Franchisee and Franchisor shall each hire an appraiser (or a single appraiser, if they so agree) to value the non-cash consideration offered by the intended transferee. If the appraisals are within twenty percent (20%) of each other, then the difference between the two shall be equally divided to establish the price at which Franchisor may exercise its first right and option. If the difference between the appraisals is greater than twenty percent (20%), then the issue of the fair market value of such consideration shall be determined by a third appraiser selected by the other two appraisers and whose decisions shall be final, except that it may not be lower or higher than the lowest appraisal and highest appraisal, respectively, determined by the first two appraisers. Within thirty (30) days after Franchisor receives notice of a proposed transfer for no consideration or solely for cash, or if the proposed transfer will not be solely for cash, within ten (10) days after a determination is made of the fair market value of the non-cash consideration, Franchisor will notify Franchisee and the Owner, if applicable, in writing that it is (a) exercising its right of first refusal, (b) approving the transfer pursuant to Section 13(c)(i) or (c) denying approval of the transfer pursuant to Section 13(c)(i).

(i) Approval of Transfers. If Franchisor decides not to exercise its right of refusal, Franchisor shall have the right to approve or disapprove the proposed transfer; provided, however, Franchisor’s consent shall not be unreasonably withheld as provided in Section 13(d). If Franchisor approves the transfer in writing, Franchisee (or Owner, as applicable) may make the proposed transfer on the exact terms and conditions specified in Franchisee’s notice to Franchisor within sixty (60) days after the expiration of Franchisor’s right of first refusal. If the transfer is not consummated within such 60-day period, Franchisee may not thereafter transfer such interest without again complying with this Section 13.

(d) Conditions on Transfer. Franchisor agrees that it will not unreasonably withhold its consent to a proposed transfer if all the following conditions are satisfied:

(i) Franchisor shall have decided not to exercise its right of first refusal as provided in Section 13(c).

(ii) Franchisee is in full compliance with this Agreement and there are no uncured defaults by Franchisee hereunder, and all debts and financial obligations of Franchisee under this Agreement are current, including Franchisee's obligations to the Brand Fund, each Cooperative of which Franchisee is a member, and all vendors, including, if applicable, Franchisor.

(iii) The proposed transferee executes such documents as Franchisor may reasonably require to evidence that it has assumed the obligations of Franchisee under this Agreement, including, but not limited to, the then current version of the Franchise Agreement, and if required by Franchisor, the proposed transferee executes, and in appropriate circumstances, causes such other parties as Franchisor may require to execute, Franchisor's then-current ancillary agreements to this Agreement, which documents may be substantially different than those executed contemporaneously with the execution of this Agreement provided, however, that the royalty rate, Marketing Fund and advertising expense payable by the transferee will not be increased to an amount which is greater than that which is required to be paid system-wide by Franchisor's new franchisees, the transferee will not be required to pay an additional Initial Franchise Fee and the protected Territory of the Workshop, as designated in this Agreement will remain substantially similar in size. The Franchise Agreement between Franchisor and Franchisee will terminate once an approved transfer is completed.

(iv) Franchisee and all of the personal guarantors of this Agreement, if any, execute a general release, in a form prescribed by Franchisor, releasing Franchisor and its affiliates, predecessors, successors and assigns, and their respective members, managers, officers, directors, shareholders and employees, in their corporate and individual capacities, from any and all claims, causes of action, demands, debts, liabilities, obligations, fees, costs and expenses, including without limitation, claims and causes of action arising under federal, state and local laws, rules, regulations and ordinances, arising prior to and including the date the Transfer becomes effective.

(v) Prior to the date of the proposed transfer, the proposed transferee's principal operators and managers undertake and complete, to the satisfaction of Franchisor, such training and instruction as Franchisor shall deem necessary;

(vi) Franchisor is satisfied that the proposed transferee (and if the proposed transferee is an entity, all owners of any interest in such entity) meets all of the requirement for Franchisor's new franchisees applicable on the date Franchisor receives notice of the proposed transfer and including, but not limited to, good reputation and character, business experience, management experience, and financial strength and liquidity;

(vii) The Owner transferring an interest in Franchisee acknowledges and agrees in writing that it is bound by Section 14, 15 and 23 of this Agreement;

(viii) Franchisee or the Owner, as applicable, pays to Franchisor a transfer fee of (i) the greater of Fifty Percent (50%) of the then-current initial franchise fee or Fifteen Thousand Dollars (\$15,000) if the transferee is a new AR WORKSHOP owner or (ii) the greater of Twenty-Five Percent (25%) of the then-current initial franchise fee or Seven Thousand Five Hundred Dollars (\$7,500) if the transferee is an existing AR WORKSHOP owner in good standing; and

(ix) The proposed transferee and all owners of any interest in a transferee that is an entity provided Franchisor, at least forty-five (45) days prior to the proposed transfer date, copies of financial statements for the preceding three years, and where applicable, its certificate of incorporation and bylaws (and any amendments or modifications thereof), minutes and resolutions and all other documents, records and information pertaining to the transferee's existence and ownership.

(x) Within the time specified by Franchisor, Franchisee, at its expense, shall refurbish the Workshop, as necessary, to conform the Workshop to Franchisor's then-current standards and specifications, including, without limitation, specifications regarding, size, color, trade dress, presentation of the Marks, fixtures, flooring, carpeting, and installed equipment.

(xi) If Franchisee consists of one or more individual(s), Franchisee may Transfer its interest under this Agreement to a corporation, limited liability company or other legal entity so long as: (1) the legal entity is owned entirely by all of the original individual franchisees or personal guarantors hereof; (2) each and all of the obligations of Franchisee and the new legal entity are personally guaranteed by the original individual franchisees or personal guarantors hereof; (3) Franchisor receives prior written notice of the Transfer along with a complete set of the new legal entity's filed, date stamped formation documents; and (4) Franchisee and the new legal entity enter into a written assignment and assumption agreement in a form prescribed by Franchisor pursuant to which the new legal entity assumes and agrees to discharge all of Franchisee's obligations under this Agreement.

(xii) Franchisor's consent to a Transfer of any interest in Franchisee or the Workshop granted through this Agreement will not constitute a waiver of any claims it may have against the transferring party, nor will it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

(e) Transfer of License. Franchisee may not transfer its rights or interest in this Agreement and/or the License without the prior written consent of Franchisor, which consent may be granted or denied in the reasonable discretion of Franchisor. In the event Franchisor approves a transfer pursuant to this Section 13(e), the following requirements shall be met prior to the approved transfer:

(i) The proposed transferee shall execute such documents as Franchisor may reasonably require to evidence that it has assumed the obligations of Franchisee under this Agreement, and any then-current ancillary agreements, which documents may be substantially different than those executed contemporaneously with the execution of this Agreement;

(ii) The Franchisee acknowledges and agrees in writing that it is bound by Sections 14, 15 and 23 of this Agreement; and

(iii) Franchisee pays Franchisor a transfer fee of (i) the greater of Fifty Percent (50%) of the then-current initial franchise fee or Fifteen Thousand Dollars (\$15,000) if the transferee is a new AR WORKSHOP owner or (ii) the greater of Twenty-Five Percent (25%) of the then-current initial franchise fee or Seven Thousand Five

Hundred Dollars (\$7,500) if the transferee is an existing AR WORKSHOP owner in good standing.

(f) Ownership and Structural Changes. Except for transfers between Permitted Transferees, any ownership or structural changes in Franchisee including but not limited to, any merger, reorganization, issuance of additional shares or classes of stock or additional partnership interests, shall constitute and be deemed a transfer and shall be subject to the provisions of Section 13(d). If Franchisee consists of one or more individual(s), Franchisee may Transfer its interest under this Agreement to a corporation, limited liability company or other legal entity so long as: (1) the legal entity is owned entirely by all of the original individual franchisees or personal guarantors hereof; (2) each and all of the obligations of Franchisee and the new legal entity are personally guaranteed by the original individual franchisees or personal guarantors hereof; (3) Franchisor receives prior written notice of the Transfer along with a complete set of the new legal entity's filed, date stamped formation documents; and (4) Franchisee and the new legal entity enter into a written assignment and assumption agreement in a form prescribed by Franchisor pursuant to which the new legal entity assumes and agrees to discharge all of Franchisee's obligations under this Agreement.

(g) Death/Incapacity/Dissolution. Franchisor shall have the right to determine, in its reasonable business judgment, the mental or physical incapacity of Franchisee or of any individual holding an interest in Franchisee. In the event of such a determination of mental or physical incapacity, the holder of such interest or any duly appointed guardianship must promptly decide whether to retain the interest in the Workshop and, if necessary, select a qualified manager to direct its operation. The persons with such interest or such guardian may then apply to Franchisor for the right to retain that interest for the duration of the Term and any renewals of this Agreement. Likewise, if Franchisee is a corporation, partnership or other entity, upon the death or incapacity, determined at Franchisor's sole discretion, of an Owner or dissolution of Franchisee, the executor, administrator, conservator, trustee or other representative of such person or entity shall comply with the right of first refusal and consent provision set forth in Section 13; provided that if the transferee is a Permitted Transferee, Franchisor's right of first refusal and right to consent shall not apply and no transfer fee shall be payable. Further, if the transferee is required to be approved and is approved, and the transfer involves less than twenty-five percent (25%) of the ownership of Franchisee, no transfer fee shall be payable. If a Franchisee is one or more individuals and any such person dies or becomes permanently incapacitated, and if the law of the jurisdiction where the Workshop is located so provides, nothing contained in this Section 13(g) shall deny the spouse, heirs or personal representative of such a Franchisee the opportunity to participate in the ownership of the Workshop for a reasonable time after the death or incapacity of Franchisee, provided that the spouse, heirs or personal representative execute an acknowledgement that this Agreement is valid and in effect. If the transfer fails to occur within nine (9) months of the date of death, incapacity, or dissolution, then the license to operate the Workshop shall terminate.

#### **14. Covenants Against Unfair Competition.**

(a) Franchisee's Covenant Against Unfair Competition – During Term. Franchisee acknowledges it will receive valuable, specialized training and Confidential Information (as defined in Section 14(d)) regarding the production, operational, sales, promotional, and marketing methods of the AR WORKSHOP concept that Franchisor has developed through monetary and other resource expenditures that provide competitive advantages to Franchisor's System. During the Term, Franchisee and its Owners will not, without

Franchisor's prior written consent, for themselves, or through, on behalf of, or in conjunction with any other person or entity:

(i) own, manage engage in, be employed by, advise, make loans to, or have any other interest in, as a partner, owner, officer, executive, managerial employee, director, sales person or consultant for, any business or commercial activity that (i) offers classes or programs for the creation of home décor and home accessory items, (ii) receives at least twenty percent (20%) of its revenue from the sale of home décor and home accessory items, or (iii) offers do-it-yourself kits for the creation of home décor and home accessory items ("Competitive Business");

(ii) offer or grant franchises or licenses for any Competitive Business;  
or

(iii) perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(iv) use any vendor relationship established through Franchisee's association with Franchisor for any purpose other than to purchase supplies, products, equipment, merchandise, or services for use or retail sale in the Workshop.

(b) Franchisee's Covenant Against Unfair Competition – Post-Term. In partial consideration for Franchisor allowing Franchisee to license Franchisor's Marks and Confidential Information, Franchisee and each of the Franchisee's Owners covenant and agree that for a period of two (2) years after the termination, expiration, or non-renewal of this Agreement, regardless of the reason for such termination, expiration, or non-renewal ("Restrictive Period"), Franchisee and its Owners shall not, within the Restrictive Territory (as defined in Section 14(c) below) engage in any of the following:

(i) engage in any Competitive Business as franchisee or licensee; or

(ii) franchise or license any Competitive Business to any person or party; or

(iii) own, manage, operate, or have any operational or management authority in any Competitive Business; or

(iv) engage in any Competitive Business as an employee, consultant, or independent contractor in any capacity in which Franchisee or its Owners would be in a position to use or disclose Confidential Information of Franchisor; or

(v) become interested in any such Competitive Business as an owner, partner, shareholder, member, director, officer, consultant, lender, or principal; provided, that the purchase of a publicly traded security of a corporation engaged in such business or service shall not in itself be deemed violative of this Section 14(b) so long as Franchisee does not own themselves or through their spouses or partners more than one percent (1%) of the securities of such corporation; or

(vi) solicit, divert, or attempt to solicit or divert to any Competitive Business any vendor or supplier with whom Franchisee had a business relationship through Franchisee's association with Franchisor as of the termination, expiration, or non-

renewal of this Agreement or within one (1) year preceding the termination, expiration, or non-renewal of this Agreement; or

(vii) solicit, divert, or attempt to solicit or divert any persons who were employees or independent contractors associated with the Workshop as of the termination, expiration, or non-renewal of this Agreement for, or on behalf of, any Competitive Business to work with any Competitive Business; or

(viii) solicit, divert, or attempt to solicit or divert any persons who were employees and independent contractors of Franchisor, Franchisor's affiliates, or Franchisor's other franchisees at the time of the termination, expiration, or non-renewal of this Agreement for, or on behalf of, any Competitive Business to work for any Competitive Business.

(c) Restrictive Territory. For purposes of this Section 14, the term "Restrictive Territory" means the following:

(i) At the Location of the Workshop; or

(ii) The Territory served by Franchisee (as defined in Attachment 1) as that Territory exists on the date of termination, expiration, or non-renewal of this Agreement; or

(iii) The territories in which Franchisor or its affiliates operate any AR WORKSHOP businesses or locations as of the date of termination, expiration, or non-renewal of this Agreement; or

(iv) The territories of any of Franchisor's other AR WORKSHOP franchisees as those territories exist as of the date of termination, expiration, or non-renewal of this Agreement; or

(v) An area which is within a 15-mile radius of:

(A) The Location of the Workshop as of the date of termination, expiration, or non-renewal of this Agreement, or

(B) The location of any other AR WORKSHOP location owned by Franchisor or its affiliates or franchisees as of the date of termination, expiration, or non-renewal of this Agreement.

(d) Confidential Information. For purposes of this Section 14, the term "Confidential Information" means all knowledge, know-how, standards, methods and procedures related to the establishment and operation of the Workshop not generally known to the public and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, the Workshop including, without limitation, all databases (whether in print, electronic or other form), designs, artwork, all names, addresses, phone numbers, e-mail addresses, customer purchase records, mail lists, manuals, promotional and marketing materials, marketing strategies and any other data and information that the Franchisor or its affiliates designates as confidential including all information contained in the Manuals, which may be provided as one or more separate manuals, written instructional guides, electronic files, or other

communications from the Franchisor or its affiliates, which may be changed or supplemented from time to time.

(e) Reasonableness. The foregoing in-term and post-termination covenants against unfair competition with respect to similar Competitive Businesses shall apply regardless of how or why the Agreement terminates, expires, or does not renew. The parties agree that the foregoing covenants contained in this Section 14 contain 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 Franchisor's goodwill or Franchisor's other business interest and its franchisees and the provisions do not prevent Franchisee or its Owners from earning a living. Franchisee agrees that the scope of activities prohibited in this Section 14, and the length of the term and geographical restrictions in this Section 14, are necessary to protect the legitimate business interests and are fair and reasonable and are not the result of overreaching, duress, or coercion of any kind. Franchisee's full, uninhibited, and faithful observance of each of the covenants in this Section 14 will not cause any undue hardship, financial or otherwise. Enforcement of each of the covenants in this Section 14 will not impair Franchisee's or its Owners' ability to obtain employment commensurate with Franchisee's or its Owners' abilities or on terms fully acceptable to Franchisee or otherwise to obtain income required for the comfortable support of Franchisee and its Owners and their families, and the satisfaction of the needs of all of Franchisee's and its Owners' creditors. Franchisee's and its Owners' special knowledge of the AR WORKSHOP concept (and anyone acquiring this knowledge through Franchisee or its Owners) is such as it would cause Franchisor serious injury and loss if Franchisee or its Owners (or anyone acquiring this knowledge through Franchisee or its Owners) were to use this knowledge to the benefit of a competitor or were to compete with Franchisor or its franchisees. The covenants in this Section 14 are to be construed as independent of any other covenant or provision of this Agreement. The existence of any claim Franchisee or any of its Owners may have against Franchisor or any of its affiliates (regardless of whether arising under this Agreement) is not a defense to the enforcement of these covenants against Franchisee or its Owners. In the event of any violation of the provisions of this Section 14, the Restrictive Period shall be extended by a period of time equal to the period of the violation. Franchisee and Franchisor agree that the running of the applicable post-termination Restrictive Period shall be tolled during any period of such violation.

(f) Managerial and Supervisory Employees. Franchisee covenants that it shall cause all persons who are involved in managerial or supervisory positions with Franchisee to enter into an agreement to be bound by provisions substantially similar to Sections 14 and 15 of this Agreement. Franchisee agrees to provide Franchisor with copies of such executed agreement upon request. If Franchisee has reason to believe that any person has violated any such provisions of this Agreement, Franchisee shall promptly notify Franchisor and cooperate with Franchisor to protect Franchisor against unfair competition, infringement, or other unlawful use of the Marks, trade secrets, design, artwork, or System of Franchisor. Franchisee further grants Franchisor the right, but not the obligation, to prosecute any such lawsuits at Franchisor's expense on behalf of Franchisee.

**15. Trade Secrets and Confidential Information.** Franchisee understands and agrees that Franchisor has disclosed or will hereafter disclose to Franchisee certain confidential or proprietary information and trade secrets. Except as necessary in connection with the operation of the Workshop and as approved by Franchisor, Franchisee shall not, during the Term or at any time after the expiration, non-renewal, transfer, or termination of this Agreement, regardless of the cause thereof, directly or indirectly, use for its own benefit or communicate or divulge to, or use for the benefit of any other person or entity, any trade secrets, confidential

information, knowledge or know-how concerning the services, products, advertising, marketing, designs, copyrighted home décor and other designs or artwork, or methods of operation of the Workshop or the System. Franchisee shall disclose to its employees only such confidential, proprietary or trade secret information as is necessary to operate its business hereunder and then only while this Agreement is in effect. Any and all information, knowledge, or know-how, including without limitation, home décor and other designs, drawings, artwork, materials, equipment, marketing, and other data which Franchisor designates as secret or confidential shall be deemed secret and confidential for purposes of this Agreement.

All ideas, concepts, techniques or materials concerning the Workshop, including home décor and other designs, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Franchisor and will be deemed the exclusive property of Franchisor as works made-for-hire for Franchisor, and no compensation will be due to Franchisee or its owners or employees therefor. Franchisor may incorporate such items into the System. To the extent any item does not qualify as a “work made-for-hire” for Franchisor, Franchisee hereby assigns ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor reasonably requests to assist Franchisor in obtaining or preserving intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall, at Franchisor’s expense, take all actions reasonably necessary to assist Franchisor’s efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not. Franchisee and all guarantors of this Agreement will divulge Confidential Information only to personnel, if any, who must have access to it in order to operate the Workshop. Further, Franchisee will require all personnel having access to any Confidential Information from Franchisor to execute an agreement, of the form attached as Attachment 4, requiring them to maintain the confidentiality of information they receive in connection with their employment at the Franchise. Those agreements will be in a form satisfactory to Franchisor, including without limitation, specific identification of Franchisor as a third-party beneficiary of such agreements, with Franchisor having an independent right to enforce them.

## **16. Insurance.**

(a) Types and Extent of Coverage. Franchisee shall obtain and maintain throughout the Term such insurance coverages with such limits as specified below (or such greater amounts of insurance as may be required by the terms of any lease or mortgage relating to the Premises):

(i) fire, extended coverage, vandalism, malicious mischief and special extended peril insurance at not less than ninety percent (90%) of the actual replacement value of the building (if owned), and contents, and improvement.

(ii) workers’ compensation and other insurance required by law;

(iii) comprehensive general liability insurance on an occurrence basis naming Franchisor and its officers, directors and employees as an additional insured as follows;

(A) Bodily injury to or death of one or more persons with minimum coverage of One Million Dollars (\$1,000,000);

(B) property damage or destruction with minimum coverage of One Million Dollars (\$1,000,000) per occurrence;

(C) public and product liability with minimum coverage of One Million Dollars (\$1,000,000);

(D) dram shop liability with such coverage with minimum coverage of One Million Dollars (\$1,000,000);

(E) non-owned vehicle coverage with minimum coverage of Five Hundred Thousand Dollars (\$500,000); and

(F) Cyber security insurance coverage with minimum coverage of One Million Dollars (\$1,000,000).

(b) Other Insurance Requirements. Franchisee shall obtain from a nationally recognized insurance company and at all times during the term of this Agreement maintain in force and pay the premiums for all types of insurance listed above with complete operations coverage. All policies of insurance required to be maintained hereunder shall: (i) be written as primary policy coverage and not “excess over” or contributory with any other applicable insurance, including Franchisor’s insurance; (ii) shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer(s)’ liability; (iii) shall not contain any special limitations on the scope of coverage afforded to Franchisor; (iv) shall provide that any failure by Franchisee or any of Franchisee’s employees, agents, subcontractors, or suppliers, to comply with any notice, reporting, or other similar provisions of such policies shall not affect the coverage provided to Franchisor. From time to time in Franchisor’s sole discretion, Franchisor may increase or modify such limits of liability or require additional types of coverage. The insurance policies shall name Franchisor and any affiliates, officers, members, owners, subsidiaries, and employees Franchisee designates as an “additional insured” and shall expressly protect both Franchisor and Franchisee (and any other additional insured) on a primary and non-contributory basis and shall require the insurer to defend both Franchisee and Franchisor (and any other additional insured) in any action while reserving Franchisor’s right to involve counsel of Franchisor’s own choosing in protection of its own and system wide interests. Additionally, Franchisee’s insurance policy must waive on behalf of Franchisee’s insurer any right of subrogation by the insurance company against Franchisor and Franchisor’s officers, shareholders, and employees. Franchisee understands that doing so does not necessarily furnish Franchisee with protection levels adequate to Franchisee’s needs and that Franchisee’s obligation to indemnify Franchisor as set forth above in this Agreement may exceed the amount of insurance Franchisee is required to obtain or does obtain. At least thirty (30) days prior to the time any insurance is first required to be carried by Franchisee, Franchisee will deliver or caused to be delivered to Franchisor Certificates of Insurance evidencing the proper coverage with limits not less than those required by this Agreement and evidencing that Franchisor is named as an additional insured under such policy on a primary and non-contributory basis as required in this Agreement. At least thirty (30) days prior to expiration of any such policy, Franchisee shall deliver to Franchisor Certificates of Insurance evidencing that Franchisee has procured proper renewal or replacement coverage with limits not less than those required by this Agreement and reflecting that Franchisor and its affiliates are additional insured under the policy on a primary and non-contributory basis as required herein. All Certificates will expressly provide that at least thirty (30) days’ prior written notice will be given to Franchisor in the event of any alteration to, or cancellation of, the coverage evidenced by the Certificates of Insurance.

(c) Franchisee will acquire and maintain in force cyber liability insurance coverage with single occurrence limits of not less than as set forth in Franchisor's Manual (it being understood that such policy will be in place within thirty (30) days following the Agreement Effective Date).

(d) Franchisor, or its insurer, shall have the right to participate in discussions with Franchisee's insurance company or any claimant (in conjunction with Franchisee's insurance company) regarding any claim of liability, and Franchisee agrees to adopt Franchisor's reasonable recommendations to its insurance carrier regarding the settlement of any such claims.

(e) Should Franchisee for any reason fail to procure or maintain the insurance required by this Agreement, Franchisor will have the right and authority to immediately procure such insurance deemed to be necessary and to charge the amount of the cost to procure and maintain such insurance to Franchisee, along with a reasonable fee for Franchisor's expenses in procuring the insurance, Franchisor is authorized to collect from Franchisee all insurance related expenses paid on behalf of Franchisee through automatic EFT as provided for in Section 3(b) of this Agreement.

## **17. Termination.**

(a) Automatic Termination. Franchisee shall be in default under this Agreement, and this Agreement and all rights granted to Franchisee herein shall automatically terminate without notice to Franchisee in the event, (i) Franchisee makes a general assignment for the benefit of creditors or a petition in bankruptcy is filed by Franchisee; (ii) a petition in bankruptcy is filed against and not opposed by Franchisee; (iii) Franchisee is adjudicated as bankrupt or insolvent; (iv) a bill in equity or other proceeding is filed for the appointment of a receiver or other custodian for Franchisee's business or assets if filed and consented to by Franchisee; (v) a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (vi) proceeding for a composition with creditors under any state or federal law should be instituted by or against Franchisee; (vii) a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless an appeal or supersedeas bond is filed); (viii) Franchisee is dissolved; (ix) any portion of Franchisee's interest in the Workshop becomes subject to an attachment, garnishments, levy or seizure by any credit or any other person claiming against or in the rights of Franchisee; (x) execution is levied against Franchisee's business or property; or (xi) the real or personal property of Franchisee's Workshop shall be sold after levy thereupon by any sheriff, marshal, or constable.

(b) Termination With Notice; No Opportunity to Cure. Franchisee shall be in default and Franchisor may, at its option, terminate this Agreement and all rights granted herein, without affording Franchisee any opportunity to cure the default, effective upon the earlier of receipt of notice of termination by Franchisee, or five (5) days after mailing of such notice by Franchisor, upon the occurrence of any of the following events:

(i) Franchisee at any time ceases to operate or otherwise abandons the Workshop or forfeits the right to do or transact business in the jurisdiction where the Workshop is located or loses the right to possession to the Premises for a period of seven (7) days; provided, however, that if any such loss of possession results from the governmental exercise of the power of eminent domain, or if, through no fault of Franchisee the Premises are damaged or destroyed, Franchisee shall have forty-five (45) days after either such event in which to apply for Franchisor's approval to relocate or

reconstruct the premises (which approval shall not be unreasonably withheld), provided, Franchisee shall either relocate or commence and diligently pursue reconstruction of the Workshop within sixty (60) days after the event;

(ii) Except as otherwise permitted in this Agreement, any owner of more than five percent (5%) interest in Franchisee transfers all or part of such interest or Franchisee transfers any interest in the Workshop, a material portion of the assets of the Workshop or Franchisee;

(iii) Franchisee or any person or entity owning more than fifty percent (50%) of Franchisee is proven to have engaged in fraudulent conduct, or is convicted of, or pleads guilty or no contest to a felony or a crime involving moral turpitude, a crime harming children, or any other crime or offense that is reasonably likely to have an adverse effect on the Chain, the Marks or the goodwill associated therewith; provided, that if the act or conviction involves an owner of Franchisee, Franchisor will not terminate this Agreement if Franchisee notifies Franchisor promptly after it learns of the event constituting the default, and within fifteen (15) days of the date of the notice, either (a) the person or entity that committed the wrongful act divests his or its entire interest in Franchisee, or (b) Franchisee obtains Franchisor's consent for such owner to maintain his or its ownership interest;

(iv) An approved transfer is not affected within nine (9) months of the death or incapacity of any individual Franchisee; or the death, incapacity or dissolution of any owner of an interest in Franchisee;

(v) Franchisee is given two (2) or more notices of being in default under any of the terms or requirements of this Agreement within any twelve (12)-month period, whether or not such defaults are timely cured after notice;

(vi) Franchisee fails to comply with any of the covenants of Franchisee set forth in this Agreement, or makes any material misrepresentation to Franchisor or breaches any warranty of representation made to Franchisor, whether in this Agreement or otherwise;

(vii) Franchisee knowingly or intentionally maintains false books or records or submits any false records, statement or report to Franchisor; or

(viii) Franchisee, by act or omission, materially impairs the value of, or the goodwill associated with, the Chain, any of the Marks or the System;

(ix) Franchisee takes, withholds, misdirects, or appropriates for Franchisee's own use any funds from Franchisee's employees' wages for employees' taxes, FICA, insurance or benefits, or generally fails to deal fairly and honestly with Franchisee's employees or customers;

(x) Franchisee loses or is denied any federal, state or local license Franchisee must possess in order to operate the Workshop;

(xi) Franchisee fails to execute a lease (or purchase a location) within six (6) months following the execution of this Agreement, or Franchisee fails to open the

Workshop within ninety (90) days following the execution of the Lease without the written consent of Franchisor;

(xii) Franchisee is convicted of or pleads guilty or nolo contendere to a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is injurious to the Chain, the Marks, or the goodwill associated therewith, or Franchisor has proof Franchisee has committed such a felony, crime or offense, including, but not limited to, abuse, abuse of customers, use of employees who do not meet Franchisor's then-current standards and training requirements, health or safety hazards, drug or alcohol problems, or permitting unlawful activities at Franchisee's business;

(xiii) Franchisee is found liable by any judicial, administrative, or arbitral body for violation of federal, state, or local laws barring discrimination on the basis of race, sex, national origin, age or sexual orientation, or is found liable for any common law civil claim the facts of which are grounded in allegations of discrimination on the basis of race, sex, national origin, age, or sexual orientation;

(xiv) Franchisee, after curing a default pursuant to Sections 2 or 17 of this Agreement, commits the same act of default again within six (6) months.

(xv) Franchisee is in default under Sections 2 or 17 of this Agreement more than twice in any calendar year or more than three (3) times during any three (3) year period for failure to substantially comply with any of the requirements imposed by this Agreement.

(xvi) During the period prior to the opening date: (a) any representations or warranties of Franchisee, any of the Owners, and/or the Manager prove to be inaccurate or false, (b) the Manager, Franchisee, and/or Operations Principal fails to take or pass any of Franchisor's required training, (c) the Manager and/or Franchisee fails to pass any credit or character check performed by or on behalf of Franchisor, and/or (d) Manager and/or Franchisee fail to timely or diligently perform any duties or obligations during the period prior to the opening Date. If Franchisee terminates this Agreement pursuant to this Subsection 17(b)(xvi), Franchisor shall refund Franchisee the Initial Franchise Fee that has been paid to Franchisor less the greater of (i) Ten Thousand Dollars (\$10,000.00) or (ii) the expenses incurred by Franchisor in training the Franchisee or its representatives and employees.

(c) Termination with Notice. Except for those defaults provided for under Section 17(a) or 17(b), Franchisee shall be in default hereunder for any failure to maintain or comply with any of the terms, covenants, specifications, standards, procedures or requirements imposed by this Agreement or in any Manual, policy and procedure statement or other written document provided by Franchisor, or to carry out the terms of this Agreement in good faith. For such defaults, Franchisor will provide Franchisee with written notice and fifteen (15) days to cure or, if a default cannot reasonably be cured within fifteen (15) days, to initiate within that time substantial and continuing action to cure such default and to provide Franchisor with evidence of such actions. If the defaults specified in such notice are not cured within the fifteen (15) day period, or if substantial and continuing action to cure has not been initiated, Franchisor may, at its option, terminate this Agreement upon written notice to Franchisee. Such defaults shall include, without limitation, the occurrence of any of the following events:

(i) Franchisee fails to construct or remodel, or to commence operating the Workshop in accordance with this Agreement;

(ii) Franchisee fails, refuses, or neglects to promptly pay any monies owing to Franchisor or its affiliates any fee or Brand Fund contribution when due or to submit the financial or other information required under this Agreement;

(iii) Any person or entity owning five percent (5%) or more of Franchisee makes a transfer of such interest in violation of this Agreement; provided, however, that Franchisee's right to cure such a default shall be conditioned upon Franchisee immediately notifying Franchisor of the improper transfer and taking all actions necessary to either (a) obtain Franchisor's approval thereof, or (b) if approval is not desired or the transfer or transferee is not approved by Franchisor, to re-acquire the interest so transferred;

(iv) A threat or danger to public health or safety results from the construction, maintenance, or operation of the Workshop;

(v) Franchisee misuses or makes any unauthorized use of the System or the Marks; or

(vi) Franchisee maintains false books or records, or knowingly submits any false reports to Franchisor;

(vii) Franchisee submits to Franchisor on two (2) or more separate occasions at any time during the Term or any renewal hereof, any reports or other data, information or supporting records which understate the Gross Revenues of the Workshop, the royalty fees and/or any other sums owed to Franchisor for any period of, or periods aggregating, three (3) or more weeks, and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error; or

(viii) If Franchisee fails to maintain a good credit rating by failing to make prompt payment of undisputed bills, invoices or statements from suppliers of products and services.

Franchisee hereby authorizes Franchisor to notify any lender, creditor, customer, vendor or landlord of Franchisee or the Workshop upon the occurrence of any default under this Section, or any event or circumstances which the giving or notice or passage of time or both would constitute an event of default under this Section, and to otherwise communicate with such lenders, creditors, customers, vendors or landlords with respect to any such default, or any such event or circumstance.

(d) Relief in Equity. Franchisee agrees that neither termination of this Agreement, nor an action at law, nor both, would be an adequate remedy for a breach or default by Franchisee, or by any other persons bound by this Agreement, in the performance of any obligation relating to Franchisor's Marks or indicia, the trade secrets revealed to Franchisee in confidence pursuant to this Agreement or the obligations of Franchisee and such other persons upon and after termination of this Agreement. The parties therefore agree that in the event of any such breach or default, in addition to all other remedies provided elsewhere in this Agreement or by law, Franchisor shall be entitled to relief in equity from a judge or arbitrator, at its option, (including a temporary restraining order, temporary or preliminary injunction and permanent

mandatory or prohibitory injunction) to restrain the continuation of any such breach or default or to compel compliance with such provisions of this Agreement.

(e) Termination by Franchisee. This Agreement shall automatically terminate upon delivery of notice of termination to Franchisor, if Franchisor fails to perform any material obligation imposed upon it by this Agreement, and such failure is not cured within ninety (90) days after Franchisee delivers written notice of such failure to Franchisor. In such case, Franchisee may terminate this Agreement at any time thereafter by delivering thirty (30) days' written termination notice to Franchisor provided Franchisee is otherwise compliant with Franchisee's obligation under this Agreement and any other agreement with Franchisor.

(f) Limitation of Services or Benefits. Franchisor shall have the right, but not the obligation, to temporarily or permanently limit or remove certain services or benefits provided or required to be provided to Franchisee hereunder in lieu of exercising its right to terminate this Agreement pursuant to the terms hereof, including, without limitation, eliminating Franchisee's right to use Franchisor's website free of charge, restricting or removing Franchisee's right to purchase products directly or indirectly from Franchisor or its affiliates, limiting Franchisor's advertising and promotional assistance, and restricting or removing Franchisee's right to use Franchisor's proprietary computer software, if any. Nothing in this Section constitutes a waiver of any other right or remedy of Franchisor under this Agreement. Franchisee acknowledges that Franchisor's exercise of its rights pursuant to this Section shall not be deemed a constructive termination. Any services or benefits removed or limited pursuant to this Section may be reinstated at any time in Franchisor's sole discretion.

(g) Cross-Defaults. Any default by Franchisee under this Agreement shall be a default under any other agreement between Franchisor (or any of Franchisor's affiliates) and Franchisee (or any owner or affiliate of Franchisee). Any default by Franchisee (or its affiliates or owners) under any lease, sublease, loan agreement, or security interest related to the Workshop may be regarded as a default under this Agreement.

(h) Extended Cure Period. Notwithstanding anything to the contrary in this Agreement, Franchisor reserves the right to grant to Franchisee in Franchisor's sole discretion an extended cure period for any breach. Franchisee acknowledges that Franchisor's decision to grant such an extended cure period shall not operate as a waiver of any of Franchisor's rights and that Franchisor can choose to condition such an extension upon requiring Franchisee and its owners, guarantors, and affiliates to sign a general release.

(i) Noncompliance. Without waiving Franchisor's rights that Franchisor may have, and in Franchisor's sole discretion, Franchisor may elect not to terminate Franchisee's Franchise Agreement as a result of a default. In the event a default occurs, Franchisor may elect to give written notification (a "Notice of Noncompliance") to Franchisee that its Workshop (or more than one Workshop, if applicable) is not in compliance with the terms and conditions of this Agreement. Such Notice of Noncompliance shall state a period for Franchisee to cure the noncompliance, which shall be a period not less than thirty (30) days. For a period of six (6) months from and after the date of such Notice of Noncompliance, Franchisee shall reimburse Franchisor for reasonable costs that Franchisor incurs with respect to the Workshop (es) identified in such notice, including without limitation the costs of any audit or inspection of such Workshop (s) in excess of Franchisor's normal audit program, any mystery shopping for such Workshop during such six (6) month period in excess of Franchisor's normal mystery shopping program applied to all franchised businesses, additional training that Franchisor determines is required to bring the Workshop up to Franchisor's standards, and any personnel costs incurred by Franchisor

at the Workshop site to ensure the proper management and operation of such Workshop(s). Nothing in this section shall limit Franchisor's termination rights as otherwise set forth in this Agreement, which Franchisor reserves the right to exercise at any time.

**18. Obligations Upon Termination or Expiration.** Upon termination, non-renewal, or expiration of this Agreement for any reason, all rights granted hereunder to Franchisee shall terminate and revert to Franchisor, and Franchisee shall have the following obligations with respect to the Workshop franchised under this Agreement:

(a) Franchisee shall immediately cease to operate the business licensed under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as an AR WORKSHOP franchisee with respect to such business;

(b) Franchisee shall immediately and permanently cease to use, in any manner whatsoever, all confidential information, methods, procedures and techniques used by or associated with the System, and the proprietary Marks AR WORKSHOP and all other Marks and distinctive forms, slogans, signs, symbols, logos and devices associated with the AR WORKSHOP Chain;

(c) Franchisee shall immediately return to Franchisor any property held or used by Franchisee which is owned by Franchisor and shall cease to use, and either destroy or convey to Franchisor, all signs, advertising materials, copyrighted artwork displays, stationery, forms and any other materials that bear or display the Marks;

(d) Franchisee shall take such actions as may be necessary to cancel any assumed name or similar registration which contains the mark AR WORKSHOP or any other Marks of Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with its obligation within thirty (30) days after termination, non-renewal, or expiration of this Agreement;

(e) Franchisee shall, if Franchisor so requests, assign to Franchisor any interest which Franchisee has in any lease for the Premises. In the event Franchisor does not elect to exercise its option to acquire any lease for the Premises, and unless otherwise directed by Franchisor, Franchisee shall, within ten (10) days after termination, non-renewal, or expiration of this Agreement, make such modifications and alterations to the Premises as may be necessary to distinguish the appearance of the Premises from that of other Workshops and shall make such specific additional changes thereto as Franchisor may reasonably request;

(f) Franchisee shall promptly pay all sums owed to Franchisor. Such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default and the termination. Any outstanding obligations to Franchisor shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures and inventory owned by Franchisee located on the Premises on the date this Agreement is terminated;

(g) Franchisee shall pay to Franchisor all damages, costs and expenses including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any term, covenant or provision of this Agreement;

(h) Franchisee shall immediately deliver to Franchisor all Manuals, policy and procedure statements, instructions, and other materials related to operating the Workshop, including, without limitation, copyrighted artwork and home décor and other designs, brochures, charts and any other materials provided by Franchisor and all copies thereof, and shall neither retain nor convey to another any copy or record of any of the foregoing;

(i) Franchisor shall have the option, to be exercised within thirty (30) days of termination, non-renewal, or expiration, to assume Franchisee's assumed name or equivalent registration and business licenses, telephone numbers, telephone directory listings and advertisements (whether in print or part of an Internet directory), and e-mail addresses and/or Internet domain names which contain the Mark of Franchisor or its affiliates, and Franchisee shall sign all documents necessary to permit Franchisor to assume Franchisee's rights in such items. If Franchisor elects not to exercise this option, Franchisee shall take all action necessary to cancel each of the items listed above and shall furnish Franchisor with evidence satisfactory to prove its compliance within fifteen (15) days after receiving notice of Franchisor's termination or expiration of this Agreement and the expiration of the option granted herein. In the event Franchisee fails to timely do so, Franchisor shall have the right, for which purpose Franchisee hereby appoints Franchisor as its attorney-in-fact, to obtain such cancellation on Franchisee's behalf and at Franchisee's expense.

(j) Franchisee shall comply with the covenants contained in this Agreement, including, but not limited to, the covenants, not to compete and the covenants not to disclose trade secrets or confidential information.

(k) Sell to Franchisor, f.o.b., the Workshop and all or such part of inventories of products bearing Franchisor's Marks or indicia on hand as of the date of termination, non-renewal, or expiration as Franchisor may request in writing prior to, or within the thirty (30) days following the date of termination, non-renewal, or expiration. Such sale will be at the current published prices then being charged by Franchisor, its affiliates or approved suppliers to authorized franchisees, not including costs of storage or transportation paid by Franchisee to bring the goods initially to the store, and less those costs incurred or to be incurred by Franchisor to restore such goods or packaging thereof to a salable condition, and less a reasonable allowance for physical deterioration, obsolescence or damage. Franchisor shall have the right to set off and apply any amounts due to Franchisee pursuant to this subsection against any and all other amounts which may be due from Franchisee to Franchisor.

(l) Upon the termination, expiration or non-renewal of this Agreement, Franchisor, or Franchisor's designee, shall also have the option, but not the obligation, to purchase any personal property used in connection with the operation of Franchisee's Workshop by providing Franchisee written notice of Franchisor's election within sixty (60) calendar days after such termination, non-renewal, or expiration and paying Franchisee the book value for such personal property within sixty (60) calendar days of such notice. For purposes of this paragraph, "book value" means the amount Franchisee actually paid for the personal property less depreciation (calculated by using the straight-line depreciation method on a ten (10) year depreciation schedule irrespective of the depreciation method or schedule Franchisee uses for accounting purposes). Notwithstanding the foregoing, to the extent that Franchisor exercises Franchisor's right to purchase any personal property that is subject to a lease or finance agreement, the purchase price of such personal property shall equal the amount of Franchisee's remaining obligations under the lease or finance agreement, as applicable. Franchisor shall be entitled to offset the purchase price by the amount of money owed by Franchisee to Franchisor for any payments necessary to acquire clear title to property or for any other debt. If Franchisor

exercises Franchisor's option to purchase, pending the closing of such purchase, Franchisor has the right to appoint a manager to maintain operation of the Workshop, or Franchisor may require that Franchisee close the Workshop during such period without removing any assets. Franchisee is required to maintain in force all insurance policies required under this Agreement until the date of such closing. Franchisor has the unrestricted right to assign this option to purchase the Workshop. Franchisor will be entitled to all customary warranties and representations in connection with Franchisor's purchase of Franchisee's property, including, without limitation, representations and warranties as to ownership and condition of and title to the property; liens and encumbrances on the property; validity of contracts and agreements; and liabilities affecting the property, contingent or otherwise. Franchisor may exclude from the personal property purchased under this Subsection 18(l) cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the Workshop's operation or that Franchisor has not approved as meeting standards for the Workshop.

## **19. Independent Contractor; Indemnification.**

(a) Independent Contractor. It is understood and agreed by the parties that this Agreement creates only a contractual relationship between the parties subject to the normal rule of contract law. This Agreement does not create a fiduciary relationship between the parties and Franchisee is and shall remain an independent contractor. Franchisee agrees to hold itself out to the public as an independent contractor, separate and apart from Franchisor. Franchisee agrees that it shall not make any contract, agreement, warranty, or representation on Franchisor's behalf without Franchisor's prior written consent, and Franchisee agrees that it shall not incur any debt or other obligation in Franchisor's name. This Agreement shall not be deemed to confer any rights or benefits to any person or entity not expressly named herein.

(b) Indemnification. Franchisee hereby waives all claims against Franchisor for damages to property or injuries to persons arising out of the operation of the Workshop. Franchisee must fully protect, indemnify, defend, reimburse and hold Franchisor and its owners, directors, officers, insurers, successors and assigns and Franchisor's affiliates harmless from and against any and all claims, demands, damages and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with, or incidental to the operation of, the Workshop (regardless of cause or any concurrent or contributing fault or negligence of Franchisor or its affiliates) or any breach by Franchisee or Franchisee's failure to comply with the terms and conditions of this Agreement. Franchisor also reserves the right to select its own legal counsel to represent its interests, and Franchisee must reimburse Franchisor for all of Franchisor's costs and all attorneys' fees immediately upon Franchisor's request as they are incurred.

(c) Payment of Taxes. Franchisee shall promptly pay to Franchisor an amount equal to all taxes levied or assessed, including, but not limited to, unemployment taxes, sales taxes, use taxes, withholding taxes, excise taxes, personal property taxes, intangible property taxes, gross receipt taxes, taxes on royalties, any similar taxes or levies, imposed upon or required to be collected or paid by Franchisor or Franchisor's affiliates by reason of the furnishing of products, intangible property (including trademarks and trade names) or services by Franchisor to Franchisee through the sale, license, or lease of property or property rights provided by this Agreement other than taxes on Franchisor's net income.

## **20. Franchisee Representations.**

(a) **FRANCHISEE ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE PROPOSED FRANCHISE AND RECOGNIZES**

THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT BUSINESS OWNER OR BUSINESS. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY, OR GUARANTEE, OR REPRESENTATION OTHER THAN AS SET FORTH IN THE DISCLOSURE DOCUMENT, EXPRESS OR IMPLIED, FROM ANY EMPLOYEE OR AGENT OF FRANCHISOR AS TO THE POTENTIAL SALES VOLUMES, PROFITS, OR LEVEL OF SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT OR THE SUITABILITY OF THE APPROVED LOCATION OF THE WORKSHOP. FRANCHISOR HAS NOT REPRESENTED THAT (I) FRANCHISEE WILL EARN, CAN EARN, OR IS LIKELY TO EARN A GROSS OR NET PROFIT, (II) FRANCHISOR HAS KNOWLEDGE OF THE RELEVANT MARKET, OR (III) THE MARKET DEMAND WILL ENABLE FRANCHISEE TO EARN A PROFIT FROM THE WORKSHOP;

(b) FRANCHISEE ACKNOWLEDGES THAT IT RECEIVED A COPY OF THE COMPLETE FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, THE ATTACHMENTS THERETO, AND THE AGREEMENTS RELATED THERETO, IF ANY, AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS SIGNED OR CONSIDERATION PAID.

(c) FRANCHISEE ACCEPTS THE TERMS, CONDITIONS AND COVENANTS CONTAINED IN THIS AGREEMENT AS BEING REASONABLE AND NECESSARY TO MAINTAIN FRANCHISOR'S STANDARDS OF QUALITY, SERVICE AND UNIFORMITY AND IN ORDER TO PROTECT AND PRESERVE THE GOODWILL OF THE MARKS. FRANCHISEE ACKNOWLEDGES THAT OTHER FRANCHISEES OF FRANCHISOR HAVE BEEN OR WILL BE GRANTED FRANCHISES AT DIFFERENT TIMES AND IN DIFFERENT SITUATIONS. FRANCHISEE FURTHER ACKNOWLEDGES THAT THE PROVISIONS OF THE FRANCHISE AGREEMENTS PURSUANT TO WHICH SUCH FRANCHISES WERE GRANTED MAY VARY MATERIALLY FROM THOSE CONTAINED IN THIS AGREEMENT AND THAT FRANCHISEE'S OBLIGATIONS ARISING HEREUNDER MAY DIFFER SUBSTANTIALLY FROM OTHER FRANCHISEES; AND

(d) FRANCHISEE RECOGNIZES THAT THE SYSTEM MAY EVOLVE AND CHANGE OVER TIME AND THAT THE LICENSE AND OPERATION OF THE WORKSHOP INVOLVE AN INVESTMENT OF SUBSTANTIAL RISK AND ITS SUCCESS IS DEPENDENT PRIMARILY UPON THE BUSINESS ACUMEN AND EFFORTS OF FRANCHISEE AND OTHER FACTORS BEYOND FRANCHISOR'S CONTROL. FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FRANCHISE AND HAD AMPLE TIME AND OPPORTUNITY TO CONSULT WITH INDEPENDENT PROFESSIONAL ADVISORS, INCLUDING BUT NOT LIMITED TO LAWYERS AND ACCOUNTANTS, AND HAS NOT RELIED UPON ANY EXPRESS OR IMPLIED GUARANTEE AS TO POTENTIAL VOLUMES, REVENUES, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY FRANCHISEE. EVEN THOUGH THIS AGREEMENT CONTAINS PROVISIONS REQUIRING FRANCHISEE TO OPERATE THE WORKSHOP IN COMPLIANCE WITH FRANCHISOR'S SYSTEM: (1) NEITHER FRANCHISOR NOR FRANCHISOR'S AFFILIATES HAVE ACTUAL OR APPARENT AUTHORITY TO CONTROL THE DAY-TO-DAY CONDUCT AND OPERATION OF FRANCHISEE'S BUSINESS OR EMPLOYMENT DECISIONS; AND (2) FRANCHISEE AND FRANCHISOR DO NOT INTEND FOR FRANCHISOR OR FRANCHISOR'S AFFILIATES TO INCUR ANY LIABILITY IN CONNECTION WITH OR ARISING FROM ANY ASPECT OF FRANCHISOR'S SYSTEM OR FRANCHISEE'S USE OF THE FRANCHISOR SYSTEM OR THE

**OPERATION OF THE WORKSHOP, WHETHER OR NOT IN ACCORDANCE WITH THE REQUIREMENTS OF MANUALS.**

**(e) IF FRANCHISEE IS A CORPORATION, A LIMITED LIABILITY COMPANY OR A PARTNERSHIP, FRANCHISEE MAKES THE FOLLOWING REPRESENTATIONS AND WARRANTIES: (1) FRANCHISEE IS DULY ORGANIZED AND VALIDLY EXISTING UNDER THE LAWS OF THE STATE OF ITS FORMATION; (2) FRANCHISEE IS QUALIFIED TO DO BUSINESS IN THE STATE OR STATES IN WHICH THE WORKSHOP IS LOCATED; (3) EXECUTION OF THIS AGREEMENT AND THE DEVELOPMENT AND OPERATION OF THE WORKSHOP IS PERMITTED BY ITS GOVERNING DOCUMENTS; AND (4) FRANCHISEE'S ARTICLES OF INCORPORATION, ARTICLES OF ORGANIZATION OR WRITTEN PARTNERSHIP AGREEMENT SHALL AT ALL TIMES PROVIDE THAT FRANCHISEE'S ACTIVITIES ARE LIMITED EXCLUSIVELY TO THE DEVELOPMENT AND OPERATION OF THE AR WORKSHOP FRANCHISED BUSINESS AND A CURRENT COPY OF THESE DOCUMENTS SHALL BE ON FILE AT ALL TIMES WITH FRANCHISOR.**

**(f) IF FRANCHISEE IS AN INDIVIDUAL, OR A PARTNERSHIP COMPRISED SOLELY OF INDIVIDUALS, FRANCHISEE MAKES THE FOLLOWING ADDITIONAL REPRESENTATIONS AND WARRANTIES: (A) EACH INDIVIDUAL HAS EXECUTED AN AGREEMENT WHEREBY THEY AGREE TO BE BOUND BY ALL THE TERMS OF THIS AGREEMENT; (B) EACH INDIVIDUAL SHALL BE JOINTLY AND SEVERALLY BOUND BY, AND PERSONALLY LIABLE FOR THE TIMELY AND COMPLETE PERFORMANCE AND ANY BREACH OF, EACH AND EVERY PROVISION OF THIS AGREEMENT; AND (C) NOTWITHSTANDING ANY TRANSFER FOR CONVENIENCE OF OWNERSHIP, PURSUANT TO THIS AGREEMENT, EACH INDIVIDUAL SHALL CONTINUE TO BE JOINTLY AND SEVERALLY BOUND BY, AND PERSONALLY LIABLE FOR THE TIMELY AND COMPLETE PERFORMANCE AND ANY BREACH OF, EACH AND EVERY PROVISION OF THIS AGREEMENT. IF FRANCHISEE VIOLATES A TERM OR CONDITION CONTAINED WITHIN THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO, WITHHOLDING ANY MONIES OWED TO FRANCHISOR IN THE ABSENCE OF A COURT ORDER PERMITTING THE WITHHOLDING OF SUCH MONIES, FRANCHISEE SHALL REIMBURSE FRANCHISOR FOR ALL REASONABLE COSTS INCURRED BY FRANCHISOR IN PURSUING THE ENFORCEMENT OF THIS AGREEMENT. THESE COSTS SHALL INCLUDE, BUT NOT BE LIMITED TO, COURT COSTS AND FEES, ACCOUNTING COSTS AND FEES, EXPERT WITNESS COSTS AND FEES, REASONABLE ATTORNEYS' FEES, THE REASONABLE VALUE OF FRANCHISOR'S EMPLOYEES' TIME, WITNESS FEES AND TRAVEL EXPENSES INCURRED BY FRANCHISOR. THE RECOVERY OF THE COSTS AND FEES SPECIFIED ABOVE SHALL INCLUDE THE RECOVERY OF ALL COSTS AND FEES INCURRED BY FRANCHISOR RELATING TO OR ARISING FROM ANY AND ALL DEFENSES, COUNTERCLAIMS AND/OR CROSSCLAIMS ASSERTED BY FRANCHISEE OR THE PERSONAL GUARANTORS UNDER THIS AGREEMENT. THIS OBLIGATION WILL GIVE RISE TO AND REMAIN A LIEN IN FAVOR OF FRANCHISOR AGAINST ANY AND ALL OF THE PERSONAL PROPERTY, GOODWILL, CASH, FURNISHINGS, EQUIPMENT, SIGNS, FIXTURES AND INVENTORY OWNED BY FRANCHISEE AND LOCATED ON AND AROUND THE PREMISES OPERATED PURSUANT TO THIS AGREEMENT UNTIL FRANCHISEE IS IN FULL COMPLIANCE WITH THIS AGREEMENT AND ANY AMOUNTS OWED ARE PAID IN FULL. ALL COSTS TO BE COLLECTED BY FRANCHISOR PURSUANT TO THIS PROVISION SHALL BE COLLECTED VIA ELECTRONIC BANK TRANSFER AS SPECIFIED IN THIS AGREEMENT.**

**(g) IF FRANCHISEE IS A CORPORATION, A LIMITED LIABILITY COMPANY OR A PARTNERSHIP, FRANCHISEE HAS PROVIDED TO FRANCHISOR A CURRENT LIST OF ALL OWNERS AND FRANCHISEE AGREES THAT FRANCHISEE WILL ADVISE FRANCHISOR OF ANY AND ALL CHANGES IN OWNERSHIP.**

**(h) IF FRANCHISEE IS A CORPORATION, FRANCHISEE SHALL MAINTAIN STOP-TRANSFER INSTRUCTIONS AGAINST THE TRANSFER ON ITS RECORDS OF ANY VOTING SECURITIES, AND EACH STOCK CERTIFICATE OF THE CORPORATION SHALL HAVE CONSPICUOUSLY ENDORSED UPON ITS FACE THE FOLLOWING STATEMENT: "ANY ASSIGNMENT OR TRANSFER OF THIS STOCK IS SUBJECT TO THE RESTRICTION IMPOSED ON ASSIGNMENT BY FRANCHISOR, FRANCHISE AGREEMENT(S) TO WHICH THE CORPORATION IS A PARTY." IF FRANCHISEE IS A LIMITED LIABILITY COMPANY, EACH MEMBERSHIP OR MANAGEMENT CERTIFICATE OR OTHER EVIDENCE OF INTEREST IN FRANCHISEE SHALL HAVE CONSPICUOUSLY ENDORSED UPON ITS FACE THE FOLLOWING STATEMENT: "ANY ASSIGNMENT OR TRANSFER OF AN INTEREST IN THIS LIMITED LIABILITY COMPANY IS SUBJECT TO THE RESTRICTIONS IMPOSED ON ASSIGNMENT BY FRANCHISOR, FRANCHISEE AGREEMENT(S) TO WHICH THE LIMITED LIABILITY COMPANY IS A PARTY." IF FRANCHISEE IS A PARTNERSHIP, ITS WRITTEN AGREEMENT SHALL PROVIDE THAT OWNERSHIP OF AN INTEREST IN THE PARTNERSHIP IS HELD SUBJECT TO, AND THAT FURTHER ASSIGNMENT OR TRANSFER IS SUBJECT TO, ALL RESTRICTIONS IMPOSED ON ASSIGNMENT BY THIS AGREEMENT.**

**(i) FRANCHISEE ACKNOWLEDGES THAT UNDER APPLICABLE U.S. LAW, INCLUDING, WITHOUT LIMITATION, EXECUTIVE ORDER 13224, SIGNED ON SEPTEMBER 23, 2001 (THE "ORDER"), FRANCHISOR IS PROHIBITED FROM ENGAGING IN ANY TRANSACTION WITH ANY SPECIALLY DESIGNATED NATIONAL OR BLOCKED PERSON. "SPECIALLY DESIGNATED NATIONAL" OR "BLOCKED PERSON" SHALL MEAN (1) THOSE PERSONS DESIGNATED BY THE U.S. DEPARTMENT OF TREASURY'S OFFICE OF FOREIGN ASSETS CONTROL FROM TIME TO TIME AS A "SPECIALLY DESIGNATED NATIONAL" OR "BLOCKED PERSON" OR SIMILAR STATUS, (2) A PERSON ENGAGED IN, OR AIDING ANY PERSON ENGAGED IN, ACTS OF TERRORISM, AS DEFINED IN THE ORDER, OR (3) A PERSON OTHERWISE IDENTIFIED BY GOVERNMENT OR LEGAL AUTHORITY AS A PERSON WITH WHOM FRANCHISOR IS PROHIBITED FROM TRANSACTING BUSINESS. CURRENTLY, A LISTING OF SUCH DESIGNATIONS AND THE TEXT OF THE ORDER ARE PUBLISHED AT THE INTERNET WEBSITE ADDRESS, [WWW.USTREAS.GOV/OFFICES/ENFORCEMENT/OFAC](http://WWW.USTREAS.GOV/OFFICES/ENFORCEMENT/OFAC). ACCORDINGLY, FRANCHISEE REPRESENTS AND WARRANTS TO FRANCHISOR THAT AS OF THE DATE OF THIS AGREEMENT, NEITHER FRANCHISEE NOR ANY PERSON HOLDING ANY OWNERSHIP INTEREST IN FRANCHISEE, CONTROLLED BY FRANCHISEE, OR UNDER COMMON CONTROL WITH FRANCHISEE IS A SPECIALLY DESIGNATED NATIONAL OR BLOCKED PERSON, AND THAT FRANCHISEE (1) DOES NOT, AND HEREAFTER SHALL NOT, ENGAGE IN ANY TERRORIST ACTIVITY; (2) IS NOT AFFILIATED WITH AND DOES NOT SUPPORT ANY INDIVIDUAL OR ENTITY ENGAGED IN, CONTEMPLATING, OR SUPPORTING TERRORIST ACTIVITY; AND (3) IS NOT ACQUIRING THE RIGHTS GRANTED UNDER THIS AGREEMENT WITH THE INTENT TO GENERATE FUNDS TO CHANNEL TO ANY INDIVIDUAL OR ENTITY ENGAGED IN, CONTEMPLATING, OR SUPPORTING TERRORIST ACTIVITY, OR TO OTHERWISE SUPPORT OR FURTHER ANY TERRORIST ACTIVITY. FRANCHISEE AGREES THAT FRANCHISEE SHALL IMMEDIATELY PROVIDE WRITTEN NOTICE TO FRANCHISOR OF THE OCCURRENCE OF ANY EVENT WHICH RENDERS THE REPRESENTATIONS AND WARRANTIES IN THIS SECTION INCORRECT.**

(j) Franchisee covenants that during the Term, it will at all times faithfully, honestly and diligently perform its obligations under this Agreement, and that it will continuously exert its best efforts to promote and enhance the business of the Workshop and other franchised businesses established and operated by Franchisee under the System.

(k) Franchisee and all guarantors hereof acknowledge and agree that the obligations regarding the use of Confidential Information and trade secrets set forth in this Agreement will apply throughout the Term and after the expiration, non-renewal, or termination of this Agreement for any reason, without limitation as to time or geographic scope. Franchisee covenants that upon termination or expiration, Franchisee will immediately and permanently cease to use, in any manner whatsoever, any Confidential Information, trade secrets, methods, procedures and techniques associated with the System.

(l) Franchisee hereby acknowledges and agrees that Franchisor's approval of a site does not constitute an assurance, representation or warranty of any kind, express or implied, as to the suitability of the site for the Workshop or for any other purpose. Franchisor's approval of a site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that may have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to Franchisor's approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from Franchisor's criteria could change, thereby altering the potential of a site or lease. Such factors are unpredictable and are beyond Franchisor's control. Franchisor shall not be responsible for the failure of a site approved by Franchisee to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that its acceptance of a franchise for the operation of the Workshop at the site is based on its own independent investigation of the suitability of the site.

## **21. Governing law; Jurisdiction and Venue.**

### **(a) Mediation; Arbitration.**

(i) Before Franchisee and Franchisor may bring an action against the other, Franchisor and Franchisee must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding. Mediation shall be conducted by the CPR Center for Alternative Dispute Resolution, under the rules established by the International Franchise Association endorsed National Franchise Mediation Program, and in accordance with its then-current rules for mediation of franchise disputes (and in the event such program is not then in existence, by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes). Notwithstanding the previous sentence, the parties may mutually agree on a mediator and/or procedures and/or venue for mediation. The non-binding mediation provided for herein shall be commenced by the party requesting mediation (the "complainant") providing written notice of the request for mediation (the "request") to the party with whom mediation is sought (the "respondent"). The request shall specify with reasonable particularity the matter or matters on which non-binding mediation is sought. A copy of the request shall be given by the complainant simultaneously to Franchisor if Franchisor is not a complainant or respondent. Non-binding mediation commenced under this Section shall be concluded within sixty (60) days of the issuance of the request or such longer period as may be agreed upon by the parties in writing. All aspects of the

mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Complainant and respondent shall each bear its own costs of mediation, and each shall bear one-half the cost of the mediator or mediation service. The mediator selected shall have experience in franchise matters.

(ii) Franchisee acknowledges that it has and will continue to develop a substantial and continuing relationship with Franchisor at its principal offices in the State of North Carolina, where Franchisor's decision-making authority is vested, franchise operations are conducted and supervised and where Agreement was rendered binding. Therefore, the parties agree that, to the extent that any disputes cannot be resolved directly between Franchisee and Franchisor and following compliance with the applicable mediation requirements set forth in Article 21(a)(i) above, any action arising out of or relating to this Agreement or the making, performance, or interpretation thereof shall upon thirty (30) days' written notice by either party be resolved, except as elsewhere expressly provided in this Agreement, upon application by any such party by binding arbitration in the City of Charlotte, North Carolina, in accordance with the Federal Arbitration Act under the Commercial Arbitration Rules then prevailing of the American Arbitration Association, including without limitation the Optional Rules for Emergency Measures of Protection ("AAA"), and not under any state arbitration laws, and judgment on the arbitration award may be entered in any court of competent jurisdiction. Franchisee and Franchisor agree that arbitration shall be conducted on an individual -- not a class-wide basis. The Federal Arbitration Act shall apply to all arbitration and arbitration venue questions. Any award by the arbitrator(s) shall be final, binding and nonappealable, except for errors of law. The matter shall be heard by one (1) arbitrator mutually selected by the parties who shall have at least ten (10) years' experience in practicing franchise law during which franchise law is or has been their primary area of practice and shall have substantial experience in the preparation of franchise agreements and franchise disclosure documents. Franchisee understands that by agreeing to arbitrate it gives up jury and appeal and other rights it might have in court.

(b) Injunctive Relief. Notwithstanding the provisions of Section 21(a) above, Franchisee agrees that Franchisor, at its option, will have the right to seek preliminary injunctive relief from a court of competent jurisdiction, or in the first instance from an Arbitrator, to restrain any conduct by Franchisee in the development or operation of the Workshop that could materially damage the good will associated with the Marks and the Chain, provided that if Franchisee counters, as Franchisee may, by initiating arbitration, Franchisor agrees to arbitrate the entire dispute thereafter except preliminary injunctive relief (and permanent injunctive relief also, if Franchisee will not agree that the preliminary injunction shall remain effective indefinitely until the arbitrator shall dissolve it), leaving the court action pending, if it chooses, to facilitate enforcement. Franchisee agrees Franchisor will not be required to post a bond to obtain any injunctive relief with respect to use of the Marks.

(c) Prevailing Party, Attorney's Fees and Costs. The non-prevailing party agrees to reimburse the prevailing party for all expenses reasonably incurred (including attorney's fees): (i) to enforce the terms of this Agreement, an obligation owed to Franchisor by Franchisee and/or the Owners, or an obligation owed to Franchisee by Franchisor; and (ii) in the defense of any claim that one party asserts against the other party on which the prevailing party substantially prevails in court, arbitration or other formal legal proceedings, whether incurred prior to or in preparation for such proceedings or thereafter. In the event Franchisor is the prevailing party, Franchisor has the right to reimburse Franchisor through EFT transfer for any legal fees.

(d) JURY TRIAL AND CLASS ACTION WAIVER. FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS AND GUARANTORS, IF APPLICABLE) IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY FRANCHISOR AND FRANCHISEE. **NEITHER FRANCHISEE NOR FRANCHISOR SHALL SEEK TO LITIGATE OR ARBITRATE AGAINST THE OTHER PARTY TO THIS AGREEMENT OR SUCH PARTY'S AFFILIATES, EITHER AS A REPRESENTATIVE OF, OR ON BEHALF OF, ANY OTHER PERSON, CLASS, OR ENTITY ANY DISPUTE, CONTROVERSY, OR CLAIM OF ANY KIND ARISING OUT OF, OR RELATING TO, THIS AGREEMENT, THE RIGHTS AND OBLIGATIONS OF THE PARTIES, THE SALE OF THE FRANCHISE, OR OTHER CLAIMS OR CAUSES OF ACTION RELATING TO THE PERFORMANCE OF EITHER PARTY TO THIS AGREEMENT. NO LITIGATION, ARBITRATION OR OTHER ACTION OR PROCEEDING UNDER THIS AGREEMENT SHALL ADD AS A PARTY, BY CONSOLIDATION, JOINDER, OR IN ANY OTHER MANNER, ANY PERSON OR PARTY OTHER THAN FRANCHISEE AND FRANCHISOR AND ANY PERSON IN PRIVITY WITH, OR CLAIMING THROUGH, IN THE RIGHT OF, OR ON BEHALF OF, FRANCHISEE OR FRANCHISOR, UNLESS BOTH FRANCHISEE AND FRANCHISOR CONSENT IN WRITING. FRANCHISOR HAS THE ABSOLUTE RIGHT TO REFUSE SUCH CONSENT. FRANCHISEE AGREES AND ACKNOWLEDGES THAT ANY PROCEEDING DIRECTLY OR INDIRECTLY ARISING FROM OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP BETWEEN THE PARTIES, OR ANY AGREEMENT OR RELATIONSHIP BETWEEN FRANCHISEE AND ANY AFFILIATE OF FRANCHISOR WILL BE CONSIDERED UNIQUE ON ITS FACTS AND SHALL NOT BE BROUGHT AS A CLASS OR GROUP ACTION.**

(e) WAIVER OF CERTAIN DAMAGES. EXCEPT FOR FRANCHISEE'S OBLIGATIONS TO INDEMNIFY FRANCHISOR UNDER THIS AGREEMENT AND CLAIMS FRANCHISOR BRINGS AGAINST FRANCHISEE FOR FRANCHISEE'S UNAUTHORIZED USE OF THE MARKS, UNAUTHORIZED USE OR DISCLOSURE OF CONFIDENTIAL INFORMATION, OR BREACH OF FRANCHISEE'S NON-COMPETITION COVENANTS, FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS AND GUARANTORS, IF APPLICABLE) WAIVE ANY RIGHT TO OR CLAIM FOR PUNITIVE, CONSEQUENTIAL, MULTIPLE, INCIDENTAL OR OTHER DAMAGES IN EXCESS OF THE ECONOMIC DAMAGES ACTUALLY SUSTAINED, WHETHER ASSERTED AS A RELATED OR INDEPENDENT TORT, AS A BREACH OF CONTRACT, OR AS ANY OTHER CLAIM OR CAUSE OF ACTION BASED ON STATUTORY OR COMMON LAW. EXCEPT FOR ANY SPECIFIC WRITTEN WARRANTIES EXPRESSLY PROVIDED IN CONNECTION WITH A SPECIFIC ITEM, FRANCHISOR SHALL NOT BE LIABLE TO ANY PERSON OR ENTITY IN RELATION TO ANY GOODS AND/OR SERVICES (INCLUDING ANY ASPECT OF THE LABOR OR INSTALLATION OF ANY EQUIPMENT, OR PRODUCTS) PROVIDED BY FRANCHISOR, FRANCHISOR'S AFFILIATES AND/OR ANY PERSON/COMPANY REFERRED/APPROVED BY FRANCHISOR OR THEM. SUCH ITEMS ARE PROVIDED WITHOUT ANY WARRANTIES, EXPRESS OR IMPLIED, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE BEING EXPRESSLY DISCLAIMED.

(f) WAIVER OF PUNITIVE DAMAGES. FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS AND GUARANTORS, IF APPLICABLE), HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN FRANCHISOR AND FRANCHISEE EACH SHALL BE LIMITED SOLELY

TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY THE NON-BREACHING PARTY.

(g) **Remedies Cumulative.** All rights and remedies conferred upon Franchisee and Franchisor by this Agreement and by law shall be cumulative of each other, and neither the exercise nor the failure to exercise any such right or remedy shall preclude the exercise of any other such right or remedy.

(h) **Governing Law.** This Agreement and any claim or controversy arising out of or relating to rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed under the laws of the State of North Carolina and any dispute between the parties shall be governed by and determined in accordance with the substantive law of the State of North Carolina and the Federal Arbitration Act, which laws shall prevail in the event of any conflict of law. The venue for any arbitration concerned with the enforcement and interpretation of this Agreement shall be Charlotte, North Carolina. Nothing in this subsection is intended, or shall be deemed, to make any North Carolina law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable. Any and all claims and actions arising out of or relating to this agreement, the relationship of franchisee and franchisor, or franchisee's operation of the franchised business, brought by franchisee against franchisor, shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

**22. Notices.** All notices, requests, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be given (i) by personal delivery, or (ii) by registered or certified mail, return receipt requested, postage prepared, or by delivery to a nationally-recognized overnight courier service, in each case, addressed as follows, or to such other person or entity as either party shall designate by notice to the other in accordance herewith:

Franchisor: AR WORKSHOP FRANCHISING, LLC  
Attn: Director of Franchise Operations  
315 Main Street  
Suite AA  
Pineville, North Carolina 28134

Franchisee: Address identified on Attachment 1.

Notice shall be deemed given and effective upon the first to occur of receipt, when proper delivery is refused, or two (2) days after deposit in registered or certified U.S. Mail as described above.

**23. Miscellaneous.**

(a) **Severability.** The invalidity or unenforceability of any one or more provision of this Agreement shall in no way affect any other provision. If any court of competent jurisdiction determines any provision of this Agreement to be invalid, illegal or unenforceable, that portion shall be deemed severed from the rest, which shall remain in full force and effect as though the invalid, illegal or unenforceable portion had never been a part of this Agreement.

(b) **Construction.** All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, as the case may require.

All acknowledgements, warranties, representations, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all those executing this Agreement as Franchisee.

(c) Entire Agreement. This Agreement, the documents incorporated herein by reference and the exhibits attached hereto, comprise the entire agreement between the parties and all prior understandings or agreements concerning the subject matter hereof are canceled and superseded by this Agreement. This Agreement may not be amended orally, but may be amended only by a written instrument signed by the parties. Franchisee expressly acknowledges that no oral promises or declarations were made to it and that the obligations of Franchisor are confined exclusively to those set forth in this Agreement. Franchisee understands and assumes the business risks inherent in this enterprise.

(d) Assignees. This Agreement shall be binding upon the heirs, successors, permitted assigns and legal representatives of the parties.

(e) Amendments. Franchisor reserves the right to amend this Agreement if a Franchise Agreement change proposed by Franchisor is agreed to by 75% of the then-current Franchisees. Further, except for those permitted to be made unilaterally by Franchisor, no supplement, amendment or variation of the terms of this Agreement shall be valid unless made in writing and signed by the parties hereto.

(f) Waivers. No failure of Franchisor to exercise any right given to it hereunder, or to insist upon strict compliance by Franchisee with any obligation, agreement or undertaking hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Franchisor's right to demand full and exact compliance by Franchisee and shall not affect or impair Franchisor's rights with respect to any subsequent default of the same or of a different nature, nor shall any delay or omission of Franchisor to exercise any right arising from such default affect or impair Franchisor's rights as to such default or any subsequent default. Franchisor has the unrestricted right to elect to not enforce (or to selectively enforce) any provision of this Agreement or any other agreement, standard or policy, whether with respect to Franchisee and/or any other franchisee or other person, or any Affiliate of Franchisee or Franchisor, without liability.

(g) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. One or more counterparts can be delivered by facsimile or .pdf file transmission.

(h) Headings. The headings used in the Agreement are for convenience only, and the paragraphs shall be interpreted as if such headings were omitted.

(i) Time of Essence. Franchisee agrees and acknowledges that time is of the essence with regard to Franchisee's obligations hereunder, and that all of Franchisee's obligations are material to Franchisor and this Agreement.

(j) Territory Boundaries. Territory boundaries are as described in the Franchise Rider.

(k) Agreement Binding Upon Signature of Franchisor. Franchisee acknowledges that this Agreement shall not take effect until its acceptance and execution by an officer of Franchisor.

(l) Evolving Agreements. Franchisee acknowledges that Franchisor has entered, and will continue to enter, into agreements with other Franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that Franchisor and Franchisees other than Franchisee may have different rights and obligations does not affect the parties' duty to comply with this Agreement.

(m) Delegation. Franchisor shall have the right to delegate Franchisor's duties under this Agreement to any affiliated or non-affiliated entity, agent, or employee and Franchisee agrees to such assignment without any right to approve such actions.

(n) Fines. For each instance where Franchisee fails to obtain prior written approval for advertisements, fails to attend required training or franchisor sponsored conventions, offers unauthorized products or services, or otherwise violates the standards set forth in the Brand Standards Manual or this Agreement, Franchisor shall, at Franchisor's option, have the right to levy a fine in an amount up to One Thousand Dollars (\$1,000) per occurrence. Alternatively, in the case of failure to attend required training or franchisor sponsored conventions, Franchisee's royalty fee for the balance of the calendar year shall increase by one percent (1%), provided Franchisee does not obtain Franchisor's prior, written approval not to attend the training or convention. The imposition of a fine pursuant to this section shall not act as a waiver of any of Franchisor's other remedies under this Agreement. Furthermore, Franchisor has the right to collect any such fines by means of EFT.

(o) Final Act. The last signature applied to this Agreement shall be the signature of Franchisor's Chief Creative Officer at Franchisor's headquarters in North Carolina. The Agreement shall not be binding on Franchisor until signed by Franchisor.

(p) Covenant of Good Faith. No covenant of good faith and fair dealing shall be implied into this Agreement, except that if applicable law shall imply such a covenant in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply such a covenant, Franchisee acknowledges that (a) this Agreement grants Franchisor the discretion to make decisions, take actions, and refrain from taking actions not inconsistent with Franchisor's explicit rights and obligations hereunder that may favorably or adversely affect Franchisee's interests; (b) Franchisor will use its judgment in exercising such discretion based on Franchisor's assessment of its own interests and balancing those interests against the interests of Franchisee and other franchisees within the Chain generally; (c) Franchisor will have no liability to Franchisee for the exercise of its discretion, so long as such discretion is not exercised in bad faith toward Franchisee; and (d) in absence of such bad faith, no trier of fact in any legal action shall substitute its judgment for Franchisor's judgment so exercised.

(q) Security Agreement. Franchisee agrees to give no security interests, pledges or encumbrances in Franchisee's inventory, leasehold, fixtures, securities or franchise agreement without the prior written approval of Franchisor, which shall not be deemed a consent to assignment. Franchisor will not unreasonably withhold approval but is legitimately concerned to ensure: (a) that Franchisee not lose the business; (b) that the business not be lost to the

franchise system; and (c) that Franchisor not have to defend a claim to franchisee rights by anyone it shall not have agreed to accept as a franchisee. In order to secure the prompt performance of Franchisee's obligations under this Agreement, Franchisee grants Franchisor and Franchisor takes a first priority security interest in all of Franchisee's assets, including without limitation, all present and after acquired inventory and equipment wherever located, accounts, deposit accounts, chattel paper, instruments, contract rights (including Franchisee's rights under this Agreement) and general intangibles, including payment intangibles, and all proceeds and products thereof including insurance proceeds. All items in which a security interest is granted are referred to as the "Collateral". This Agreement and the Franchise granted to Franchisee hereunder may not be used by Franchisee as collateral or be the subject of a security interest, lien, levy, attachment or execution by Franchisee's creditors, any financial institution, or any other party, except with Franchisor's prior written approval. The Security Interest is to secure payment of the following (the "Indebtedness"): (a) all amounts due under this Agreement or otherwise by Franchisee; (b) all sums which Franchisor may, at Franchisor's option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness; (c) all expenses, including reasonable attorneys' fees, which Franchisor incurs in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting Franchisor's rights under the Security Interest and this Agreement; and (d) all other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of Franchisee to Franchisor or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement, whether or not Franchisor executes any extension agreement or renewal instruments. Franchisee will from time to time as Franchisor requires join with Franchisor in executing any additional documents and one or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to Franchisor. Upon default and termination of Franchisee's rights under this Agreement, Franchisor shall have the immediate right to possession and use of the Collateral. Franchisee agrees that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at Franchisor's option and without notice, become due and payable immediately, and Franchisor shall then have the rights, options, duties, and remedies of a secured party under, and Franchisee shall have the rights and duties of a debtor under the Uniform Commercial Code of North Carolina (or other applicable law), including, without limitation, Franchisor's right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by Franchisor in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to Franchisee pursuant to the notice provisions set forth above. This Agreement shall be deemed a Security Agreement and a Financing Statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

FRANCHISEE ACKNOWLEDGES THAT, IN ALL OF ITS DEALINGS WITH FRANCHISOR'S OWNERS, OFFICERS, DIRECTORS, EMPLOYEES, AND REPRESENTATIVES, THESE INDIVIDUALS ACT ONLY IN THEIR REPRESENTATIVE CAPACITY AND NOT IN AN INDIVIDUAL CAPACITY. FRANCHISEE ACKNOWLEDGES THAT THIS AGREEMENT AND ALL BUSINESS DEALINGS BETWEEN FRANCHISEE AND THESE INDIVIDUALS AS A RESULT OF THIS AGREEMENT ARE SOLELY BETWEEN FRANCHISEE AND FRANCHISOR. NOTWITHSTANDING THE FOREGOING, IF FRANCHISOR ENGAGES

ANY BROKER, THAT BROKER WILL BE SOLELY LIABLE FOR ITS CONDUCT WITH FRANCHISEE EXCEPT THAT FRANCHISOR WILL REMAIN LIABLE FOR THE BROKER'S CONDUCT SOLELY TO THE EXTENT OF FRANCHISOR'S OWN CRIMINAL, INTENTIONAL OR GROSSLY NEGLIGENT CONDUCT IN ENGAGING THE BROKER. IN ADDITION, FRANCHISOR MAKES NO WARRANTY AS TO FRANCHISEE'S ABILITY TO OPERATE THE WORKSHOP IN THE JURISDICTION IN WHICH THE WORKSHOP WILL BE OPERATED. FRANCHISEE MUST SEEK OR OBTAIN ADVICE OF COUNSEL SPECIFICALLY ON THIS ISSUE. IF LEGISLATION IS ENACTED, OR A REGULATION PROMULGATED, BY ANY GOVERNMENTAL BODY THAT PREVENTS FRANCHISEE FROM OPERATING THE WORKSHOP, FRANCHISOR IS NOT LIABLE FOR DAMAGES NOR REQUIRED TO INDEMNIFY FRANCHISEE IN ANY MANNER WHATSOEVER OR TO RETURN ANY MONIES RECEIVED FROM FRANCHISEE.

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

**Franchisor:**

**AR WORKSHOP FRANCHISING, LLC**

By: \_\_\_\_\_  
Maureen Anders, Chief Executive Officer

**Franchisee:**

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ATTACHMENT 1 TO FRANCHISE AGREEMENT**

**FRANCHISE RIDER**

**Initial Franchise Fee**

The Initial Franchise Fee shall be Twenty-Five Thousand Dollars (\$25,000).

**Continuing Royalty**

The Continuing Royalty for the first six (6) months after execution of the Franchise Agreement is Six Percent (6%) of Monthly Gross Sales. During the first six (6) months, Franchisee shall not be obligated to pay the Continuing Royalty until Franchisee begins collecting revenue (regardless of whether any Workshops are held). Upon the seventh (7<sup>th</sup>) month after execution of the Franchise Agreement, and through the duration of the Term and any Renewal Term, Franchisee shall pay the Continuing Royalty, which shall then be the greater of (a) Six Percent (6%) of Monthly Gross Sales or (b) Five Hundred Dollars (\$500) per month. For purposes of this Attachment 1, "Monthly Gross Sales" shall mean the gross sales of the Workshop, whether payment is evidenced by cash, credit, check, gift certificate, gift card, script, or other property or services and whether collected or not from your monthly gross sales calculation (i.e., bank or credit card company fees and gift card vendor fees, excluding any sales tax amounts (including the face amount of all gift cards or certificates, which are included at the time of sale of the gift card or certificate), for the month immediately preceding the Due Date of the Continuing Royalty. As for group buying services, Gross Sales shall include the total gross amount paid by the customer, whether or not such amount is ultimately paid to you or the group buying service. No deduction is allowed for payment provider fees.

**Operations Principal**

The initial Operations Principal is designated to be \_\_\_\_\_

**Franchisee's Notice Address**

The following address is Franchisee's address under Section 22 of the Franchise Agreement.

Franchisee's Address for Notice:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Already-Approved Location and Territory (If Applicable)**

If the Location has already been selected by Franchisee and approved by Franchisor, then the following are Franchisee's Location and Territory for the term of the Franchise Agreement:

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

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

### **Unassigned Location and Territory (If Applicable)**

If no Location has been determined at the time this Franchise Agreement is executed, then the Location will be within the following area, provided the exact location will be subject to Franchisor's \_\_\_\_\_ review \_\_\_\_\_ and \_\_\_\_\_ approval: \_\_\_\_\_ (the "Prospective Market Area").

If Franchisee has not been approved to operate at a specific Location at the time the Franchise Agreement is approved, Franchisor reserves the right to sell franchises—and grant territories to others who will operate Workshops—in and around the Prospective Market Area. Franchisee may then be required to choose a final location outside of any protected territory given to any other franchisee, and that territory may be outside of the Prospective Market Area set forth above.

When Franchisee selects its desired location for the Workshop, Franchisee must follow the approval process set forth in Section 6(a) of the Franchise Agreements and Franchisor's Brand Standards Manual. If Franchisor approves of Franchisee's proposed location, Franchisor will send Franchisee its form site approval letter ("Site Selection Approval Letter"). The location set forth in the Site Selection Approval Letter shall constitute the "Location" of the Workshop pursuant to Section 1 of the Franchise Agreement. Franchisee's Territory shall be the area that is within a three (3) mile radius of the Location set forth in the Approval Letter.

## ATTACHMENT 2 TO FRANCHISE AGREEMENT

### LEASE RIDER

This Lease Rider is executed as of this date of \_\_\_\_\_, by and between \_\_\_\_\_ (“Tenant”) and \_\_\_\_\_ (“Landlord”) as a Rider to the lease dated \_\_\_\_\_ (as amended, renewed, and/or extended from time to time, the “Form Lease”) for the Premises located at \_\_\_\_\_ (“Premises”).

In the event of a conflict between the terms and conditions set forth within this Rider and the terms and conditions set forth in the Form Lease to which this Rider is attached, the terms and conditions set forth within this Rider shall govern and control.

1. **Permitted Use.** The Premises are leased to Tenant for the operation of a franchised workshop which operates a DIY creative workshop (“Workshop”) offering hands-on classes to create customizable home decor pieces out of raw materials including wood, canvas and other media, as well as offering for sale to patrons on-trend curated home décor accessories, jewelry and other items. Landlord approves of the use of power tools, hammers, and other loud tools, as well as stain and paint, in the Premises. The Tenant may also use the Premises for promotions, celebrations, meetings, and other group functions where Tenant’s services and products will be offered or sold. Landlord covenants that from and after the date hereof, Landlord shall not permit any other tenant to operate a store in the same shopping center as the Premises which emphasizes a DIY creative workshop offering hands-on classes.

2. **Signage.** Notwithstanding anything contained within the Form Lease to the contrary, Tenant shall, subject to the requirements of local law, have the right to utilize its standard signage and other proprietary marks and identification on both the exterior and within the interior of the Premises as approved by AR WORKSHOP FRANCHISING, LLC, a South Carolina limited liability company and franchisor of the AR WORKSHOP concept (“Franchisor”).

3. **Assignment and Subletting.** Landlord’s consent to an assignment of the Form Lease or subletting of the Premises shall not be required in connection with an assignment or subletting as a part of a merger, reorganization or sale of all or substantially all of Tenant’s assets or business or an assignment or sublet to Franchisor, any parent, subsidiary or affiliated limited liability company of Tenant or Franchisor, or another AR WORKSHOP franchisee. Landlord shall approve as an assignee or sublettee any tenant who has become a transferee of the Franchise Agreement as a result of a merger, reorganization or sale of all or substantially all of Tenant’s assets. Tenant shall also have the right, without the consent of Landlord, to assign this Lease to a company incorporated or to be incorporated by Tenant or a partnership formed or to be formed by Tenant, provided that Tenant owns or beneficially controls a majority of the issued and outstanding shares of capital stock of the company or is the managing general partner of the partnership.

4. **Notices; Opportunity to Cure.** Copies of any demand letters, default notices or other similar notices of non-compliance (“Notice”) sent by Landlord to Tenant shall also be sent to Franchisor at the following address:

Maureen Anders  
AR WORKSHOP FRANCHISING, LLC  
315 Main Street, Suite AA  
Pineville, North Carolina 28134  
(919) 824-8609

In the event Tenant fails to cure or otherwise remedy the subject matter of the Notice, Landlord shall grant Franchisor the identical period of time in which to cure same (said cure period to commence immediately upon written notice from Landlord to Franchisor (at the address set forth herein) that Tenant has failed to cure in a timely manner) and Landlord agrees to accept the performance of Franchisor within said period of time as performance by Tenant pursuant to the terms of the Form Lease.

5. **Option to Lease.** Landlord hereby agrees that, in the event of (a) the termination, non-renewal, or expiration of the Franchise Agreement by and between Tenant and Franchisor; (b) the termination of the Form Lease for any cause whatsoever including, without limitation, a default by Tenant under the Form Lease after expiration of any applicable notice and cure periods; or (c) Tenant's failure to exercise any extension option contained in the Form Lease, Franchisor shall have the option to lease the Premises pursuant to the same terms and conditions as are contained in the Form Lease, in accordance with the following:

(a) Landlord agrees to promptly give written notice to Franchisor (at the address set forth herein) in the event the Form Lease is terminated as the result of a default by Tenant or in the event Tenant fails to exercise any remaining options to extend the term of the Form Lease;

(b) If Franchisor elects to lease the Premises, Franchisor shall notify Landlord in writing of its election to exercise this option to lease within thirty (30) days after (1) termination, non-renewal, or expiration of the Franchise Agreement; (2) Franchisor's receipt of notice from Landlord that the Form Lease has been terminated; or (3) receipt of notice from Landlord that Tenant has failed to exercise an option to extend the term of the Form Lease;

(c) If Franchisor elects to lease the Premises, Franchisor shall sign and deliver to Landlord a lease containing all of the same terms and conditions (including rental rates, terms and remaining options to extend the term of the Lease) as are contained in the Lease; provided, however, that Franchisor's leasehold interest shall not be subject to any defaults or claims that may exist between Landlord and Tenant and any such lease shall permit Franchisor to assign the lease or sublease the Premises to a franchisee of Franchisor for use as an AR WORKSHOP franchised location; and

(d) Nothing contained herein shall affect Landlord's right to recover any and all amounts due under the Form Lease from Tenant or to exercise any right of Landlord against Tenant as provided under the Form Lease.

6. **De-identification.** Landlord and Tenant hereby acknowledge that in the event the Franchise Agreement expires or is terminated, Tenant is obligated under the Franchise Agreement to take certain steps to de-identify the location as an AR WORKSHOP franchise location operated by Tenant. Landlord agrees to cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement against Tenant, including allowing Franchisor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any marks, designs or logos of Franchisor; provided, however, that Landlord shall not be required to

bear any expense thereof. Tenant agrees that if Tenant fails to de-identify the Premises promptly upon termination, non-renewal, or expiration as required under the Franchise Agreement, Franchisor may cause all required de-identification to be completed at Tenant's sole cost and expense.

7. **Assignment of Interest.** This Rider is binding and shall inure to the benefit of Landlord, Tenant, and Franchisor, their assigns, and successors-in-interest. Franchisor is an intended beneficiary of this Rider provided Franchisor shall have no liability for any of Tenant's obligations under the Form Lease. Franchisor signs below for the limited purpose of acknowledging and agreeing to the provisions of this Rider.

8. **Non-disturbance from Mortgage Lenders.** It is a condition of the Form Lease being subordinated to any mortgage, deed of trust, deed to secure debt or similar encumbrance on the Premises that the holder of such encumbrance agrees not to disturb Tenant's rights under the Form Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations under the Form Lease beyond any applicable grace or cure period provided therein. If a mortgage, deed of trust or deed to secure debt currently encumbers the Premises, it is a condition precedent to Tenant's obligations under the Form Lease that the holder of such encumbrance enter into a written recordable form of subordination and non-disturbance agreement with Tenant, in a form reasonably acceptable to Tenant, as described above.

9. **Security Interest.** Any security interest and/or landlord's lien of Landlord in Tenant's trade fixtures, trade dress, signage, equipment and other personal property is hereby subordinated to any security interest and pledge granted to Franchisor in such items.

**LANDLORD:**

**TENANT:**

\_\_\_\_\_

\_\_\_\_\_

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

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

Agreed to:

**FRANCHISOR:**

AR WORKSHOP FRANCHISING, LLC

By: \_\_\_\_\_  
Name: Maureen Anders  
Title: Chief Executive Officer

## ATTACHMENT 3 TO FRANCHISE AGREEMENT

### PERSONAL GUARANTY AND AGREEMENT TO BE BOUND PERSONALLY BY THE TERMS AND CONDITIONS OF THE FRANCHISE AGREEMENT

In consideration of the execution of the Franchise Agreement (the "Agreement") between AR Workshop Franchising, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") dated of even date herewith, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Agreement, to be paid, kept and performed by the Franchisee, including without limitation the dispute resolution provisions of the Agreement.

Further, except for those designated as "Spouse" and not "Owner" in the signature block below, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Agreement, including but not limited to the non-compete provisions, and agree that this Personal Guaranty will be construed as though the undersigned and each of them executed an agreement containing the identical terms and conditions of the Agreement.

The undersigned's liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Franchisee and the other guarantors of Franchisee. The undersigned shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so. Franchisor may proceed against the undersigned and Franchisee jointly and severally, or Franchisor may, at its option, proceed against the undersigned, without having commenced any action, or having obtained any judgment against Franchisee. The undersigned agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

In addition, the undersigned consents and agrees that: (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the Franchisee or any other person; (2) such liability will not be diminished, relieved or otherwise affected by the Franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Agreement, or the amendment or extension of the Agreement with or without notice to the undersigned; (3) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Personal Guaranty, which shall be continuing and irrevocable during the term of the Agreement; and (4) this Personal Guaranty shall apply in all modifications to the Agreement of any nature agreed to by Franchisee with or without the undersigned receiving notice thereof.

The undersigned waive: (1) notice of demand for payment of any indebtedness or on performance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; (3) any right he/she may have to require that an action be brought against the Franchisee or any other person as a condition of liability; (4) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and (5) notice of any changes permitted by the terms of the Agreement or agreed to by the Franchisee.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of our successors and assigns.

PERSONAL GUARANTORS:

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Owner or Spouse: \_\_\_\_\_

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Owner or Spouse: \_\_\_\_\_

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Owner or Spouse: \_\_\_\_\_

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Owner or Spouse: \_\_\_\_\_

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Owner or Spouse: \_\_\_\_\_

## ATTACHMENT 4 TO FRANCHISE AGREEMENT

### NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement (“Agreement”) is made and entered into as of \_\_\_\_\_ by and between AR WORKSHOP FRANCHISING, LLC a South Carolina limited liability company (“Franchisor”) and \_\_\_\_\_ (“Associate”). All initially capitalized terms not otherwise defined herein shall have the meanings set forth in the Franchise Agreement.

#### RECITALS

A. The Franchisor is engaged in the business of franchising a unique system for operating a boutique do-it-yourself (“DIY”) creative workshop (“Workshop.”) The workshops are operated under the Franchisor’s trademark AR WORKSHOP and other service marks, trademarks, logo types, architectural designs, trade dress and other commercial symbols (collectively, the “Marks”);

B. The Franchisor has developed methods for establishing, operating and promoting workshops pursuant to the Franchisor’s Confidential Information (defined below) and Trade Secrets (defined below) and such Confidential Information and Trade Secrets as may be further developed from time to time by the Franchisor (“System”);

C. The Franchisor and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of products and customer service, which goodwill and reputation have been and will continue to be of major benefit to the Franchisor;

D. Associate desires to become involved with \_\_\_\_\_ (“Franchisee”), a franchisee of the Franchisor that operates a Workshop in \_\_\_\_\_ (“the Franchised Business”) in the capacity of an owner, guarantor, officer, partner, director, or agent of the Franchised Business, or is a spouse or domestic partner of an owner of a Franchised Business, and will become privileged as to certain Confidential Information and Trade Secrets. Associate may or may not have signed the Franchise Agreement or Guaranty and Assumption of Franchisee’s Obligations form; and

E. Associate and the Franchisor have reached an understanding with regard to nondisclosure by Associate of Confidential Information and Trade Secrets and with respect to noncompetition by Associate with the Franchisor and other franchisees of the Franchisor. Associate agrees to the terms of this Agreement as partial consideration for the Franchisor’s willingness to allow Associate to engage in a business relationship with Franchisor or Franchisee using the Franchisor’s Confidential Information and Trade Secrets.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Franchisor, intending legally to be bound, agree as follows:

1. Definitions.
  - (a) “Associate” shall mean the individual described in the first paragraph of this Agreement.
  - (b) “Competitive Business” as used in this Agreement means any business or commercial activity, other than an AR WORKSHOP business that Franchisee is authorized by

Franchisor to operate, that (i) offers classes or programs for the creation of home décor and home accessory items, (ii) receives at least twenty percent (20%) of its revenue from the sale of home décor and home accessory items, or (iii) offers do-it-yourself kits for the creation of home décor and home accessory items (“Competitive Business”);

(c) “Confidential Information” shall include, without limitation, all knowledge, know-how, formats, plans, data processes, supply systems, marketing systems, techniques, designs, layouts, standards, methods, and procedures related to the establishment and operation of the Franchised Business, and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, the Franchised Business including, without limitation, all databases (whether in print, electronic or other form), designs, artwork, all names, addresses, phone numbers, e-mail addresses, customer purchase records, mail lists, manuals, promotional and marketing materials, marketing strategies and any other data and information that the Franchisor or its affiliates designates as confidential including all information contained in the Manuals, which may be provided as one or more separate manuals, written instructional guides, electronic files, or other communications from the Franchisor or its affiliates, which may be changed or supplemented from time to time.

(d) “Franchise Agreement” shall mean the franchise agreement between Franchisor and Franchisee dated \_\_\_\_\_ as amended or renewed from time to time.

(e) “Location” shall mean the approved location of Franchisee’s Franchised Business.

(f) “Restrictive Territory” shall mean:

- (i) At the Location of the Franchised Business; or
- (ii) The Territory served by Franchisee as that Territory exists on the date of termination, expiration, or non-renewal of the Franchise Agreement; or
- (iii) The territories in which Franchisor or its affiliates operate any AR WORKSHOP businesses or locations as of the date of termination, expiration, or non-renewal of the Franchise Agreement; or
- (iv) The territories of any of Franchisor’s AR WORKSHOP franchisees as those territories exist as of the date of termination, expiration, or non-renewal of the Franchise Agreement; or
- (v) An area which is within a 15-mile radius of:
  - a. The Location of the Franchised Business as of the date of termination, expiration, or non-renewal of the Franchise Agreement, or
  - b. The location of any other AR WORKSHOP businesses owned by Franchisor or its affiliates or franchisees as of the date of termination, expiration, or non-renewal of the Franchise Agreement.

(f) “Restrictive Period” shall mean a period of two (2) years that begins the earlier of (i) the date of termination, expiration, or non-renewal of the Franchise Agreement, regardless of the reason for such termination, expiration, or non-renewal, or (ii) the date Associate’s association with Franchisee or the Franchised Business ends for any reason, including but not limited to, divorce, separation, sale, termination, or transfer.

- (g) “Term” shall have the meaning defined in the Franchise Agreement.
- (h) “Territory” shall have the meaning defined in the Franchise Agreement.

(i) “Trade Secret(s)” shall mean information, including a customer lists, pattern, compilation, program, device, method, technique or process related to the Franchised Business that both derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. Confidential Information and Trade Secrets. Associate and the Franchisor acknowledge that the Confidential Information and Trade Secrets that are developed and utilized in connection with the operation of the Franchised Business are unique and the exclusive property of the Franchisor or its affiliates. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information and Trade Secrets would be wrongful and would cause irreparable injury and harm to the Franchisor or its affiliates. Associate further acknowledges that the Franchisor or its affiliates have expended a great amount of effort and money in obtaining and developing the Confidential Information and Trade Secrets, that the Franchisor or its affiliates have taken numerous precautions to guard the secrecy of the Confidential Information and Trade Secrets, and that it would be very costly for competitors to acquire or duplicate the Confidential Information and Trade Secrets.

3. Nondisclosure of Confidential Information. During the Term and any renewal Term of the Franchise Agreement and for all periods after the Term and any renewal Term of the Franchise Agreement, Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Franchisor or the Franchised Business, any of the Confidential Information of the Franchisor or its affiliates.

4. Exceptions to Disclosing Confidential Information. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information that was in the public domain prior to being communicated to Associate through no fault of Associate; (b) information that entered the public domain after it was Communicated to Associate through no fault of Associate; (c) information that was in Associate’s possession free of any obligation of confidence at the time it was communicated to Associate; or (d) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that Associate is legally compelled to disclose the information, if Associate has notified the Franchisor before disclosure and used Associate’s best efforts, and afforded the Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to the Franchisor of confidential treatment for the information required to be so disclosed.

5. Nondisclosure of Trade Secrets. During the Term and any renewal Term of the Franchise Agreement and for as long as such information constitutes a Trade Secret, Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Franchisor or the Franchised Business, any of the Trade Secrets of the Franchisor or its affiliates.

6. In-Term Covenant Against Unfair Competition. During the Term, Associate will not, without Franchisor's prior written consent, either for themselves, or through, on behalf of, or in conjunction with any other person or entity:

(j) own, manage engage in, be employed by, advise, make loans to, or have any other interest in, as a partner, owner, officer, executive, managerial employee, director, sales person or consultant for, any Competitive Business; or

(ii) offer or grant franchises or licenses for any Competitive Business; or

(iii) perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(iv) use any vendor relationship established through Associate's association with Franchisor or Franchisee for any purpose other than to purchase supplies, products, equipment, merchandise, or services for use or retail sale in the Franchised Business.

7. Post-Termination Covenant Against Unfair Competition. Associate covenants and agrees that for the Restrictive Period Associate shall not, within the Restrictive Territory, engage in any of the following:

(i) Engage in any Competitive Business as franchisee or licensee; or

(ii) Franchise or license any Competitive Business to any person or party; or

(iii) Own, manage, operate, or have any operational or management authority in any Competitive Business; or

(iv) Engage in any Competitive Business as an employee, consultant, or independent contractor in any capacity in which Associate would be in a position to use or disclose Confidential Information; or

(v) Become interested in any such Competitive Business as an owner, partner, shareholder, member, director, officer, consultant, lender, or principal; provided, that the purchase of a publicly traded security of a corporation engaged in such business or service shall not in itself be deemed violative of this Section 7(v) so long as Associate does not own themselves or through their spouses or partners more than one percent (1%) of the securities of such corporation; or

(vi) solicit, divert, or attempt to solicit or divert to any Competitive Business any vendor or supplier with whom Associate had a business relationship through Associate's association with Franchisor or Franchisee as of the first day of the Restrictive Period or within one (1) year of the Restrictive Period; or

(vii) solicit, divert, or attempt to solicit or divert any persons who were employees or independent contractors associated with Franchisee as of the first day of the Restrictive Period or within one (1) year of the Restrictive Period; or

(viii) solicit, divert, or attempt to solicit or divert any persons who were employees or independent contractors of Franchisor, Franchisor's affiliates, or Franchisor's other franchisees as of the first day of the Restrictive Period or within one (1) year of the Restrictive Period.

8. Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Franchisor shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Franchisor may be entitled. Associate agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling Five Hundred Dollars (\$500) or more, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon a hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

9. Reasonableness of Restrictions. Associate acknowledges and agrees that the restrictions set forth in this Agreement are reasonable and necessary for the protection of the Confidential Information and Trade Secrets and that any violation of this Agreement would cause substantial and irreparable injury to Franchisor, and that Franchisor would not have entered into a business relationship with Associate or Franchisee or enter into this Agreement or the Franchise Agreement without receiving Associate's unrestricted promise to preserve the confidentiality of the Confidential Information and Trade Secrets. In any litigation concerning the entry of any requested injunction against Associate, Associate, for value, voluntarily waives such defenses as Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated relating to any claimed "prior breach" on the part of the Franchisor; it being specifically understood and agreed between the parties that no action or lack of action on the part of the Franchisor will entitle or permit Associate to disclose any such Confidential Information or Trade Secrets in any circumstances.

10. Effect of Waiver. The waiver by Franchisor of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

11. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Associate and the Franchisor and their respective heirs, executors, representatives, successors and assigns.

12. Entire Agreement. This instrument contains the entire agreement of Associate and the Franchisor relating to the matters set forth herein. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

13. Governing Law; Jurisdiction and Venue. The laws of North Carolina (without giving effect to its conflicts of law principles) govern all matters arising under and relating to this Agreement, including torts. In the event of a breach or threatened breach by Associate of this

Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of North Carolina, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of North Carolina. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of North Carolina. Notwithstanding the foregoing, in the event that the laws of the state where Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

14. Severability. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement that shall otherwise remain in full force and effect.

15. Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

16. Miscellaneous. Due to the importance of this Agreement to Franchisor, any claim Associate has against Franchisor is a separate matter and does not entitle Associate to violate, or justify any violation of, this Agreement. Associate agrees that all the words and phrases used in this Agreement will have the same meaning as used in the Franchise Agreement, unless otherwise herein defined.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

ASSOCIATE:

\_\_\_\_\_

\_\_\_\_\_

FRANCHISOR:

AR WORKSHOP FRANCHISING, LLC

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

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

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

## ATTACHMENT 5 TO FRANCHISE AGREEMENT

### TELEPHONE LISTING AND INTERNET AUTHORIZATION AGREEMENT

THIS AGREEMENT is entered into as of \_\_\_\_\_ by and between AR WORKSHOP FRANCHISING, LLC, a South Carolina limited liability company with principal place of business and headquarters located at 315 Main Street, Suite AA, Pineville, North Carolina 28134, and \_\_\_\_\_, a \_\_\_\_\_ with principal place of business located at \_\_\_\_\_ (hereinafter referred to as "Franchisee").

#### WITNESSETH THAT:

WHEREAS, AR WORKSHOP FRANCHISING, LLC has developed and refined a DIY creative workshop ("Workshop") business known as "AR WORKSHOP" which uses distinctive innovations and marketing features (such business is referred to herein as the "AR WORKSHOP System"); and

WHEREAS AR WORKSHOP FRANCHISING, LLC is the franchisor of the AR WORKSHOP System and the owner of the trademarks, service marks, copyrights and other intellectual property used in the AR WORKSHOP System, including without limitation, the mark AR WORKSHOP (collectively referred to herein as the "AR WORKSHOP Intellectual Property"); and

WHEREAS, AR WORKSHOP FRANCHISING, LLC and Franchisee have entered into a Franchise Agreement (the "Franchise Agreement") pursuant to which AR WORKSHOP FRANCHISING, LLC granted to Franchisee the non-exclusive limited right to use the AR WORKSHOP Intellectual Property and related commercial symbols (the "Franchised Business") in Franchisee's business telephone directory listings marketing the Franchised Business and otherwise identifying Franchisee; and

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Franchisee is authorized to obtain separate telephone service, and/or participate in a central telephone service for Franchisee's Franchised Business as created by or on behalf of AR WORKSHOP FRANCHISING, LLC. Such service shall not be used in conjunction with any other business or residential telephone service at Franchisee's home and/or principal place of business.

2. Franchisee is authorized and agrees to secure white pages, Yellow Pages and directory assistance listings only as "AR WORKSHOP". No other names or modifications of "AR WORKSHOP" may be used in conjunction with the AR WORKSHOP Intellectual Property, and no additional listings may be used with the telephone number so assigned to Franchisee unless approved in writing in advance by AR WORKSHOP FRANCHISING, LLC.

3. All telephone listings, Yellow Page display advertising, layout and copy desired to be used by or requested by Franchisee shall be approved in advance in writing by AR WORKSHOP FRANCHISING, LLC, and Franchisee agrees not to deliver to any telephone company placements of any such copy unless written approval by AR WORKSHOP FRANCHISING, LLC is attached.

4. Franchisee shall be responsible for the timely and complete payment of all service charges for telephone service, directory listings and Yellow Page advertising and/or all service charges for Franchisee's reasonable share of central numbers, associated listings and advertising.

5. Franchisee agrees such telephone number(s), listings and advertisements shall be considered to be the sole and exclusive property of AR WORKSHOP FRANCHISING, LLC. Upon termination, expiration, or non-renewal of the Franchise Agreement for whatever reason, Franchisee agrees to immediately cease all use of such telephone number(s), cell phone number(s), e-mail addresses, social networking logins and passwords, Twitter handles, listings and advertisements ("Property") and Franchisee agrees to take all actions necessary to immediately transfer all such Property to AR WORKSHOP FRANCHISING, LLC, and to the extent allowed by applicable law, Franchisee shall take all actions necessary to ensure the same shall become the sole and exclusive property of AR WORKSHOP FRANCHISING, LLC, at its option, subject to AR WORKSHOP FRANCHISING, LLC's obligation to pay all fees due therefor becoming due and payable after the date of cessation of use by Franchisee. Franchisee shall immediately deliver all information related to such Property to AR WORKSHOP FRANCHISING, LLC.

6. Franchisee, by this Agreement, hereby releases and forever discharges AR WORKSHOP FRANCHISING, LLC and its successors or assigns and the telephone company, internet provider, or other service provider from liability of any kind or character which results or may result directly or indirectly from AR WORKSHOP FRANCHISING, LLC's exercise of its rights hereunder or from such telephone company, internet provider or other service provider's cooperation with AR WORKSHOP FRANCHISING, LLC in effecting the terms of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first written above.

FRANCHISOR:  
AR WORKSHOP FRANCHISING, LLC

FRANCHISEE:  
\_\_\_\_\_

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

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

**ATTACHMENT 6 TO FRANCHISE AGREEMENT  
INTERNET, SOCIAL MEDIA, AND TELEPHONE ASSIGNMENT**

This Assignment Agreement (the "Assignment") is made, and entered into, between AR WORKSHOP FRANCHISING, LLC, a South Carolina limited liability company ("Franchisor") and \_\_\_\_\_ ("Franchisee").

**RECITALS**

A. Franchisor has developed and refined a DIY creative workshop ("Workshop") business known as "AR WORKSHOP" which uses distinctive innovations and marketing features (the "System");

B. Franchisor and Franchisee have entered into a Franchise Agreement dated \_\_\_\_\_ (the "Franchise Agreement"), pursuant to which Franchisee was granted the right to operate a Workshop franchised business under the System; and

C. It is the desire of and in the best interests of Franchisor and the System that in the event the Franchise Agreement terminates, expires, or is not renewed, the telephone numbers, telephone directory listings, internet addresses, and social media accounts used by Franchisee in connection with the operation of its Workshop franchised business are assigned to Franchisor.

**AGREEMENT**

NOW THEREFORE, in consideration of the foregoing and Franchisor agreeing to enter into the Franchise Agreement, Franchisor and Franchisee agree as follows:

1. Franchisee hereby agrees to assign to Franchisor: (i) those certain telephone numbers and regular, classified or other telephone directory listings used by Franchisee in connection with operating the Workshop franchised business (collectively, the "Telephone Listings") and (ii) all e-mail addresses, domain names, social media accounts and comparable electronic identities that use the Marks or any portion of them used by Franchisee in connection with any Internet directory, website or similar item in connection with the operation of the franchised business, whether now-existing or adopted by Franchisee in the future, (collectively "Internet Listings").

2. This Assignment is for collateral purposes only and, except as specified herein, Franchisor will have no liability or obligation of any kind whatsoever arising from or in connection with Franchisee's use of the Telephone Listings and the Internet Listings (collectively the "Listings") unless and until Franchisor notifies the telephone company and the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as "Telephone Company"), Franchisee's Internet service provider ("ISP"), and social media websites ("Websites") to effectuate the assignment pursuant to the terms hereof.

3. Upon termination, expiration, or nonrenewal of the Franchise Agreement (without renewal or extension), Franchisor will have the right and is hereby empowered to effectuate the assignment of the Listings to itself or to any third party it designates. In the event Franchisor exercises its assignment rights Franchisee will have no further right, title or interest in the Listings; provided, however, Franchisee will pay all amounts owed in connection with the Listings, including all sums owed under existing contracts for telephone directory advertising and immediately, at the Franchisor's request, (i) take any other action as may be necessary to transfer the Listings to

the Franchisor or Franchisor's designated agent, (ii) install and maintain, at Franchisee's sole expense, an intercept message, in a form and manner acceptable to Franchisor on any or all of the Listings; (iii) disconnect the Listings; and/or (iv) cooperate with Franchisor or its designated agent in the removal or relisting of any telephone directory or directory assistance listing, Internet directory, website or advertising, whether published or online.

4. Franchisee appoints Franchisor as Franchisee's attorney-in-fact, to act in Franchisee's place, for the purpose of assigning any Listings covered by the Assignment to Franchisor or Franchisor's designated agent or taking any other actions required of Franchisee under this Agreement. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the forgoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such numbers, and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, termination, or nonrenewal of Franchisee's rights under the Agreement for any reason. Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power is created to secure performance of a duty to Franchisor and is for consideration.

5. The parties agree that the Telephone Company, the Websites, and the ISP may accept Franchisor's written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor's exclusive rights in and to the Listings upon such termination, expiration or nonrenewal of the Franchise Agreement and that such assignment shall be made automatically and effective immediately upon Telephone Company's, Websites' and ISP's receipt of such notice from Franchisor or Franchisee. The parties further agree that if the Telephone Company, the Websites, or the ISP requires that the parties execute the Telephone Company's, the Websites,' or the ISP's assignment forms or other documentation at the time of termination, expiration or nonrenewal of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination, nonrenewal, or expiration of the Franchise Agreement.

6. The validity, construction and performance of this Assignment is governed by the laws of the State in which Franchisor is located. All agreements, covenants, representations and warranties made in this Agreement survive the signing of this Agreement. All Franchisor's rights inure to Franchisor's benefit and to the benefit of Franchisor's successors and assigns.

Agreed to as of \_\_\_\_\_

FRANCHISEE:  
\_\_\_\_\_

FRANCHISOR:  
AR WORKSHOP FRANCHISING, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT B-1**

**LISTING OF CURRENT FRANCHISEES/LICENSEES as of March 9, 2020**

<b>FRANCHISEES WITH OPERATIONAL LOCATIONS AS OF DECEMBER 31, 2019</b>				
	<b>FRANCHISE OWNER(S)</b>	<b>ADDRESS</b>	<b>PHONE NUMBER</b>	<b>E-MAIL</b>
1.	Miriam Sellers	2958 Ross Clark Circle Dothan, AL 36301	334-731-3003	dothan@arworkshop.com
2.	John & Tracy Weaver (Courtney Rascoe)	6601B Airport Blvd. Mobile, AL 36608	251-639-7411	mobile@arworkshop.com
3.	RM Marsh Enterprises, LLC	4040 W. Ray Road #D-7, Chandler, AZ 85226	480-270-8133	chandler@arworkshop.com
4.	Chit Enterprises, LLC	147 S Higley Rd, Ste. 103 Gilbert, AZ 85296	602-421-5374	gilbert@arworkshop.com
5.	Arizona Workshops, LLC	7342 East Shea Blvd, Ste 107 Scottsdale, AZ 85260	480-281-9993	scottsdale@arworkshop.com
6.	Grand Parti, LLC	355 Hartz Avenue Danville, CA 94526	925-494-0628	danville@arworkshop.com
7.	Crafty Cousins DIY, LLC	1134 E. Champlain, Ste. 103 Fresno, CA 93720	559-490-6875	fresno@arworkshop.com
8.	Kristi's Crafty Place, LLC	17500 Depot Street, Ste. 120 Morgan Hill, CA 95037	408-389-4927	morganhill@arworkshop.com
9.	MLM Ventures LLC	1426 E. Roseville Pkwy. Ste. 170 Roseville, CA 95661	916-380-3728	roseville@arworkshop.com
10.	NBR Designs, LLC	1221 19th Street, Ste. 200 Sacramento, CA 95811	916-265-4033	sacramento@arworkshop.com
11.	KV Workshop LLC	1010 University Ave Ste. C211 San Diego, CA 92103	619-701-6794	sandiego@arworkshop.com
12.	Urban Attic LLC	31107 Rancho Viejo Rd., Ste. B2, San Juan Capistrano, CA 92675	949-482-1362	sanjuancapistrano@arworkshop.com
13.	LynnSue LLC	27916 Seco Canyon Rd. Ste. 204 Santa Clarita, CA 91350	661-288-1903	santaclarita@arworkshop.com
14.	Angie and Greg Fann	31795 Rancho California Rd., Ste. B 500 Temecula, CA 92591	951-297-7515	temecula@arworkshop.com
15.	Adrastea MCM Inc.	24046 Vista Montana Torrance, CA 90505	310-893-7553	torrance@arworkshop.com
16.	MSL Marketing LLC	2911 North Tegner Road, Turlock CA 95380	209-372-5500	turlock@arworkshop.com
17.	Geeky Workshop LLC	12245 Voyager Parkway, Ste 162, Colorado Springs, CO 80921	719-299-0555	coloradosprings@arworkshop.com
18.	AR Workshop Colorado, LLC	1361 Forest Park Circle, Ste. 107 Lafayette, Colorado 80026	720-449-4114	boulder@arworkshop.com
19.	Coastal CT Design LLC	869 Post Road Fairfield, CT 06824	203-295-0569	fairfield@arworkshop.com
20.	LVR Creations LLC	231 Del Prado Blvd. S., Cape Coral, FL 33990	239-829-5800	capecoral@arworkshop.com

**FRANCHISEES WITH OPERATIONAL LOCATIONS AS OF DECEMBER 31, 2019**

	<b>FRANCHISE OWNER(S)</b>	<b>ADDRESS</b>	<b>PHONE NUMBER</b>	<b>E-MAIL</b>
21.	Dowet Inc.	2029 Harrison St. Unit 5, Hollywood, FL 33020	954-282-5060	hollywoodfl@arworkshop.com
22.	Lisa Designs LLC	2355 Vanderbilt Beach Rd. Ste. 150 Naples, FL 34109	239-571-0073	naples@arworkshop.com
23.	A & C Legacy Endeavors, LLC	518 Hollyberry Lane, Ste 104 Orange Park, FL 32065	770-296-0536	middleburg@arworkshop.com
24.	Carter's Hookup LLC	840 SE Becker Road Port St. Lucie FL 34984	772-446-9972	portstlucie@arworkshop.com
25.	A Creative You, LLC	40 Everest Lane, Ste. 2 St. John's, FL 32259	904-747-0887	jacksonville@arworkshop.com
26.	J & B Bowers, LLC	2805 Dr MLK Jr St N St. Petersburg, FL, 33704	727-803-0189	stpetersburg@arworkshop.com
27.	Buck I Enterprises, LLC	1950 Thomasville Rd., Ste. J Tallahassee, FL 32303	850-810-3052	tallahassee@arworkshop.com
28.	Meg Skelly Design LLC	3826 S. Dale Mabry Tampa FL 33611	813-515-0833	tampa@arworkshop.com
29.	Tarpein Investments, LLC	1046 Bloomingdale Ave. Valrico, FL 33596	813-775-7109	brandon@arworkshop.com
30.	Create Your Memories, Inc.	1740 State Road 436 Ste. 112 Winter Park, FL 32792	407-541-0535	winterpark@arworkshop.com
31.	arw001 Evans Ga. LLC	3116 William Few Pkwy., #2, Evans, GA 30809	706-817-4113	evans@arworkshop.com
32.	Solty Enterprises, LLC	178 E Crogan Street, Suite 200, Lawrenceville, GA 30046	770-751-8157	lawrenceville@arworkshop.com
33.	AR Workshop Northern Georgia, LLC	12640 Crabapple Rd, Ste 240 Milton, GA 30004	770-751-8090	milton@arworkshop.com
34.	Georgia Rustic Design Workshop LLC	411 Broad Street Rome, GA 30161	706-728-3456	rome@arworkshop.com
35.	Inner Artist, LLC	539 East Liberty St., Unit B Savannah, GA 31401	912-988-8681	savannah@arworkshop.com
36.	Cravens & Seelinger, LLC	1675 Cumberland Pkwy, Ste. 406 Smyrna, GA 30080	404-946-9343	smyrna@arworkshop.com
37.	Honeybear LLC	1631 SW Main Street, Ste. 104 Ankeny, IA 50023	515-207-3772	ankeny@arworkshop.com
38.	Athena Mina LLC	830 N Main St, Ste. 110, Meridian, ID 83642	208-502-3035	meridian@arworkshop.com
39.	BWA Associates, LLC	14643 North Gray Road Westfield, IN 46062	317-409-7812	carmel@arworkshop.com
40.	Make Shoppe LLC	1520 Wakarusa Drive, Ste. H Lawrence KS 66047	785-201-3131	lawrence@arworkshop.com
41.	Meade Design, LLC	47B Spa Road Annapolis, MD 21401	410-891-2913	annapolis@arworkshop.com
42.	AR Workshop Frederick LLC	914 N East Street Frederick, MD 21701	301-298-9016	frederick@arworkshop.com
43.	SMD Workshops LLC	317 Charles Street, Ste. A La Plata, MD 20646	301-804-9357	laplata@arworkshop.com
44.	K M & J Ann Arbor, LLC	3260 Washtenaw Ave. Ann Arbor, MI 48104	734-620-0928	annarbor@arworkshop.com

**FRANCHISEES WITH OPERATIONAL LOCATIONS AS OF DECEMBER 31, 2019**

	<b>FRANCHISE OWNER(S)</b>	<b>ADDRESS</b>	<b>PHONE NUMBER</b>	<b>E-MAIL</b>
45.	K & C Creative, LLC	48840 Romeo Plank Road Macomb, MI 48044	586-863-3715	macomb@arworkshop.com
46.	KM&J LLC	423 N Main St Milford, MI 48381	248-936-0114	milford@arworkshop.com
47.	K&M Northville, LLC	42991 Seven Mile Road, Northville, MI 48167	248-444-3367	northville@arworkshop.com
48.	K&M Rochester, LLC	256 N. Adams Road, Rochester Hills, MI 48309	248-949-9626	rochester@arworkshop.com
49.	Vintage Vibes, LLC	19113 West Road, Woodhaven, MI 48183	734-561-4099	woodhaven@arworkshop.com
50.	AR Workshop Chesterfield, LLC	135 Chesterfield Towne Center Chesterfield, MO 63005	636-237-2369	chesterfield@arworkshop.com
51.	Jenny Lynn Designs, LLC	111 NE 91st Street, Kansas City, MO 64155	913-689-9090	kansascitynorth@arworkshop.com
52.	AW Creations, LLC	1171 SE Oldham Parkway Lee's Summit, MO 64081	816-600-4933	leessummit@arworkshop.com
53.	JaCoLa LLC	1550 E Battlefield Rd Suite M-2 Springfield, MO 65804	417-429-0803	springfield@arworkshop.com
54.	Jessica and Jarrett Estes, LLC	139 N Belt Hwy St. Joseph, MO 64506	816-282-0266	stjoseph@arworkshop.com
55.	WittyGirl Design LLC	121 S. Higgins Ave. Missoula, MT 59802	406-640-8484	missoula@arworkshop.com
56.	KMD LLC	875 Elm St Manchester, NH 03101	603-573-9662	manchester@arworkshop.com
57.	Keepin It Trendy LLC	41 East Main Street Moorestown, NJ 08057	856-437-3220	moorestown@arworkshop.com
58.	G&M Creative Inspirations, LLC	43A Broad Street Red Bank, NJ 07701	732-530-7755	redbank@arworkshop.com
59.	AR Workshop Turnersville, LLC	5501 Route 42, Store #4, Turnersville, NJ 08012	856-401-0376	turnersville@arworkshop.com
60.	AR Workshop Westfield, LLC	226 North Avenue West Westfield, NJ 07090	908-367-9054	westfield@arworkshop.com
61.	Tracy Hafer, LLC	335 Princeton Hightstown Road, West Windsor, NJ 08550	215-919-2244	westwindsor@arworkshop.com
62.	Make and Take Boutique, LLC	2930 Merrick Road Bellmore NY 11710	516-547-0372	bellmore@arworkshop.com
63.	CITY DIY Workshops LLC	232 3rd Avenue New York, NY 10003	732-241-5928	manhattan@arworkshop.com
64.	Great Neck LLC	273 Main Street Port Washington, NY 11050	516-247-6452	portwashington@arworkshop.com
65.	Tiger Design LLC	83 East Main St. Smithtown, NY 11787	631-352-0221	smithtown@arworkshop.com
66.	S&D Studios LLC	1243 Woodrow Rd. Ste 302 Staten Island, NY 10309	718-717-8761	statenisland@arworkshop.com
67.	Red Beard Painting and Handyman LLC	3726 Sweeten Creek Rd., Arden, NC 28704	833-967-5747	asheville@arworkshop.com
68.	AR Workshop Belmont, LLC	65 Glenway Street Belmont, NC 28012	704-967-4004	belmont@arworkshop.com
69.	Wright Away DIY, LLC	107 Edinburgh Dr S Ste 113 Cary, NC 27511	919-325-7645	cary@arworkshop.com

**FRANCHISEES WITH OPERATIONAL LOCATIONS AS OF DECEMBER 31, 2019**

	<b>FRANCHISE OWNER(S)</b>	<b>ADDRESS</b>	<b>PHONE NUMBER</b>	<b>E-MAIL</b>
70.	Concord ARW, LLC	5345 Vining St., Suite 102 Concord, NC 28027	704-278-7080	concord@arworkshop.com
71.	PED Works, LLC	120-A South Village Lane Davidson, NC 28036	704-765-3632	davidson@arworkshop.com
72.	Wright DIY LLC	905 W. Main Street Ste. 19A Durham NC 27701	919-275-5707	durham@arworkshop.com
73.	Life Joy LLC	1801 Pembroke Road Greensboro, NC 27408	336-706-6695	greensboro@arworkshop.com
74.	Carolina DIY, LLC	809 A Red Banks Rd Greenville, NC 27858	252-689-6317	greenvillenc@arworkshop.com
75.	Evie's Creative, LLC	264 Union Square NW, Suite 101 Hickory, NC 28601	844-697-5426	hickory@arworkshop.com
76.	AR Workshop Raleigh, LLC	14460 Falls of the Neuse Ste 175 Raleigh, NC 27614	919-825-1299	raleigh@arworkshop.com
77.	HG Coastal LLC	1121-M Military Cutoff Rd, Wilmington, NC 28405	910-505-9170	wilmington@arworkshop.com
78.	Tinkur LLC	120-A Reynolda Village, Winston-Salem, NC 27106	828-446-3915	winstonsalem@arworkshop.com
79.	Utility Moms, LLC	101 E. Alex-Bell Rd. Ste. 162 Centerville, OH 45459	937-602-2945	centerville@arworkshop.com
80.	MDK Creative, LLC	3434 Edwards Road, Cincinnati, OH 45208	513-321-4567	cincinnati@arworkshop.com
81.	Auteri LLC	2748 London Groveport Rd Grove City, OH 43123	614-349-2154	grovecity@arworkshop.com
82.	DKD Holdings, LLC	85 South Main Street, Ste. B Hudson, OH 44236	234-602-1015	hudson@arworkshop.com
83.	MDK Liberty, LLC	113 Reading Road, Mason, OH 45040	513-229-8088	mason@arworkshop.com
84.	Beaverden, LLC	1039 Hill Rd N., Pickerington, OH 43147	614-429-5625	pickerington@arworkshop.com
85.	SDMD Holdings, LLC	13500 Pearl Road, Ste. 131 Strongsville, OH 44136	330-998-1696	strongsville@arworkshop.com
86.	Stultz Blosser Workshop, LLC	695 High St. Worthington, OH 43085	614-721-5057	worthington@arworkshop.com
87.	AR Workshop Tulsa, LLC	1020 S. Rockford Avenue Suite D Tulsa OK 74120	918-884-6020	tulsa@arworkshop.com
88.	Hahn Workshop, LLC	1020 Northwest 192nd St Edmond, OK 73012	405-261-3218	edmond@arworkshop.com
89.	Camel Creations LLC	1114 NE Orenco Station Pkwy. Hillsboro, OR 97124	503-473-3783	hillsboro@arworkshop.com
90.	MBX2 Creations, LLC	1247 Simon Blvd, N106, Easton, PA 18042	814-574-2072	marciemezger@yahoo.com
91.	Creative Straebors, LLC	1810 Swamp Pike, Ste. 200, Gilbertsville, PA 19525	610-222-6432	gilbertsville@arworkshop.com
92.	Astelle, LLC	233 E. King St. Malvern, PA 19355	610-783-3113	malvern@arworkshop.com
93.	Copper Arrow, LLC	2324 2nd St. Pike Suite 120 Newtown, PA 18940	215-550-1809	newtown@arworkshop.com

**FRANCHISEES WITH OPERATIONAL LOCATIONS AS OF DECEMBER 31, 2019**

	<b>FRANCHISE OWNER(S)</b>	<b>ADDRESS</b>	<b>PHONE NUMBER</b>	<b>E-MAIL</b>
94.	Five Eight Growth Corporation	101 Bethlehem Pike Philadelphia, PA 19118	215-995-1111	chestnuthill@arworkshop.com
95.	MADJAX Designs, LLC	2012 Frankford Ave. Philadelphia, PA 19125	609-865-6037	fishtown@arworkshop.com
96.	Truly Yours Home Decor LLC	6511 Robinson Centre Dr. Pittsburgh, PA 15205	215-701-4618	robinson@arworkshop.com
97.	E 7th Companies LLC	4711 Forest Drive, Ste 14 Columbia, SC 29206	803-234-2551	columbia@arworkshop.com
98.	CJC Low Country DIY, LLC	1000 William Hilton Pkwy. Unit E8 Hilton Head, SC 29928	843-802-4071	hiltonhead@arworkshop.com
99.	Bonte Design, LLC	5076 Sunset Blvd., Unit B Lexington, SC 29072	803-262-4306	lexington@arworkshop.com
100	AR Workshop Charleston, LLC	280 W. Coleman Blvd Suite B Mt. Pleasant, SC 29464	843-501-0776	mtpleasant@arworkshop.com
101	Coastal DIY LLC	4999 Carolina Forest Blvd Unit 7 Myrtle Beach, SC 29579	843-213-2670	myrtlebeach@arworkshop.com
102	BW Studios, LLC	434 Georgia Avenue, Ste. 104 North Augusta, SC 29841	704-996-8862	northaugusta@arworkshop.com
103	Southern Made Designs LLC	512 East Main St. Spartanburg, SC 29307	864-285-3488	spartanburg@arworkshop.com
104	At the Creek, LLC	2830 Wade Hampton Blvd., Ste. 35 Taylors, SC 29687	864-610-5040	greenville@arworkshop.com
105	Hinkkanen Design & DIY LLC	2101 W. 41st St., Ste. 29 Sioux Falls, SD 57106	605-231-8399	siouxfalls@arworkshop.com
106	MaLaDa, LLC	626 State Street Bristol TN 37620	423-963-2176	bristol@arworkshop.com
107	TN Southern Design & Workshop, LLC	125 Inman St E, Suite 101 Cleveland, TN 37311	423-595-8461	clevelandtn@arworkshop.com
108	Bird & Company LLC	330 Mayfield Dr. Ste. A-9 Franklin, TN 37067	615-285-4292	franklin@arworkshop.com
109	Delta Blues Design, LLC	5442 Homberg Drive, Knoxville TN 37919	865-590-9017	knoxville@arworkshop.com
110	Birdie Marie & Company LLC	1984 Providence Parkway Suite 102 Mt. Juliet TN 37122	615-406-0255	mtjuliet@arworkshop.com
111	Maple Lu, LLC	2022A Lindell Ave, Nashville, TN 37203	615-258-5569	nashville@arworkshop.com
112	Warriner Industries Inc.	16718 House Hahl R Unit C1 Cypress, TX 77433	214-564-6654	cypress@arworkshop.com
113	Defiant Debutante, LLC	3231 Preston Road, Ste. 13 Frisco, TX 75034	214-614-8120	frisco@arworkshop.com
114	GOSH, LLC	3003 N. President George Bush Freeway, Ste. 600 Garland, TX 75040	972-532-0158	garland@arworkshop.com
115	McAdams Creative, LLC	9430 Broadway St., Ste. 160 Pearland, TX 77581	512-633-3512	pearland@arworkshop.com

**FRANCHISEES WITH OPERATIONAL LOCATIONS AS OF DECEMBER 31, 2019**

	<b>FRANCHISE OWNER(S)</b>	<b>ADDRESS</b>	<b>PHONE NUMBER</b>	<b>E-MAIL</b>
116	Ellen Mae Home, LLC	2282 E Murray Holladay Rd, Holladay, UT 84117	801-987-8912	holladay@arworkshop.com
117	AR Workshop, Alexandria LLC	107 N. Fairfax Street Alexandria, VA 22314	703-566-0177	alexandria@arworkshop.com
118	Its About Time LLC	10290 Bristow Center Dr. Bristow, VA 20136	703-542-4182	bristow@arworkshop.com
119	Perpetual Motion, LLC	2125 Starmount Pkwy Chesapeake, VA 23321	757-392-2789	chesapeake@arworkshop.com
120	Seven Crooked Nails, LLC	1601 Village Market Blvd. SE, Ste. 116 Leesburg, VA 20175	571-223-4436	loudoun@arworkshop.com
121	AR Workshop Newport News, LLC	2120 William Styron Square S, Newport News, VA 23606	757-750-0650	newportnews@arworkshop.com
122	Rebecca Keeling Creative, LLC	9200 Stony Point Pkwy Ste. 192A Richmond, VA 23235	804-476-2666	richmond@arworkshop.com
123	Coastal Workshop, LLC	311 Laskin Rd., Ste. 101 Virginia Beach, VA 23451	757-304-3112	viriniabeach@arworkshop.com
124	All That Jazz Dsigns, LLC	3208 Tarabochia St Gig Harbor, WA 98335	253-844-3041	gigharbor@arworkshop.com
125	BWF, LLC	26300 238th Lane SE, #102, Maple Valley, WA 98038	425-358-7603	maplevally@arworkshop.com
126	Lone Ventures, LLC	13416 Bothell Everett Hwy, Unit #206 Mill Creek, WA 98012	425-332-6566	millcreek@arworkshop.com
127	Northwest DIY LLC	8507 35th Avenue NE, Seattle, WA 98115	206-354-5520	seattle@arworkshop.com
128	Barnboard and Company, LLC	224 N. Bridge St Chippewa Falls, WI 54729	715-861-7267	chippewafalls@arworkshop.com

**LICENSEES WITH OPERATIONAL LOCATIONS AS OF DECEMBER 31, 2019**

129	Aaron and Diana, LLC*	207 E 9 Mile Rd Ferndale, MI 48220	248-733-4505	ferndale@arworkshop.com
130	Lange Recreative, LLC*	116 S. 1st Street Temple, TX 76501	254-295-1978	temple@arworkshop.com

**CURRENT FRANCHISEES WHO SIGNED FRANCHISE AGREEMENTS IN 2019 BUT WERE NOT YET OPERATIONAL AS OF DECEMBER 31, 2019**

	<b>FRANCHISE OWNER(S)</b>	<b>ADDRESS</b>	<b>PHONE NUMBER</b>	<b>E-MAIL</b>
131	Keahey Enterprises, LLC	1214 Ogletree Village Lane Auburn, AL 36830	334-539-8057	auburn@arworkshop.com
132	Chumee Enterprises, LLC	16477 Springdale St. Huntington Beach, CA 92649	714-465-0548	huntingtonbeach@arworkshop.com
133	Jeggomon CORP	224 Wilcox St. Castle Rock, CO 80104	720-307-2227	castlerock@arworkshop.com
134	Makers Space INC	10618 Meeting Street Unit 101 Prospect, KY 40059	502-208-0880	prospect@arworkshop.com

**CURRENT FRANCHISEES WHO SIGNED FRANCHISE AGREEMENTS IN 2019 BUT WERE NOT YET OPERATIONAL AS OF DECEMBER 31, 2019**

	<b>FRANCHISE OWNER(S)</b>	<b>ADDRESS</b>	<b>PHONE NUMBER</b>	<b>E-MAIL</b>
135	Crafty McCrafterson, LLC	18303 Perkins Rd East, Suite 406, Baton Rouge, LA 70810	225-663-7997	batonrouge@arworkshop.com
136	HG Studios, LLC	324 Main St, Reisterstown, MD 21136	443-821-5904	reisterstown@arworkshop.com
137	Family Workshop LLC	9200 Olive Blvd. Ste 112, St. Louis, MO 63132	314-898-9151	olivette@arworkshop.com
138	DIY'ology, LLC	TBD, Nevada	702-859-8166	lasvegas@arworkshop.com
139	Hess Chick Enterprise	TBD Pittsburgh, Pennsylvania	412-860-1540	sherri.lee.hess@gmail.com
140	Four Straight Boards, LLC	315 Spring Street, Reston-Herndon Business Park Herndon, VA 20170	703-657-0971	reston@arworkshop.com
141	CJ Craft, Inc	7362 Bell Creek Road, Mechanicsville, VA 23111	804-522-1197	mechanicsville@arworkshop.com
142	AR Workshop Bethesda LLC	800 Pleasant Drive #100, Rockville, MD 20850	240-599-7033	rockville@arworkshop.com

**CURRENT FRANCHISEES WHO SIGNED FRANCHISE AGREEMENTS IN 2020**

	<b>FRANCHISE OWNER(S)</b>	<b>ADDRESS</b>	<b>PHONE NUMBER</b>	<b>E-MAIL</b>
143	IF Workshop & boutique LLC	TBD Idaho Falls, ID	208-251-3680	idahofalls@arworkshop.com
144	Kilcarr Crafts, LLC	TBD Columbia, MD	240-925-7210	columbiamd@arworkshop.com
145	JFK Investments, LLC	TBD Dallas, TX	469-732-0962	dallas@arworkshop.com

**EXHIBIT B-2**

**FRANCHISEES DEPARTED DURING 2019  
or who have not been in communication within 10 weeks**

**Other than as described below, no Franchisees have departed the system during 2019 or have failed to communicate with us within the last 10 weeks.**

**The following franchisees departed the system in 2019 due to termination or another reason other than transfer:**

Graceful Dawn Boutique LLC  
Fredericksburg, VA  
540-847-7007

Kimber Krafts, LLC\*  
Champaign, IL  
239-771-0088

Choi Workshops LLC\*  
Geneva, IL  
630-689-7744

\*These franchisees mutually terminated their Franchise Agreements before they ever opened for business.

**The following franchisees departed the system in 2019 because they transferred their businesses:**

Rhonda's Workshop, LLC  
Hickory, NC  
661-904-5381

S & C Creative Signs LLC  
Cape Coral, FL  
239-297-9759

SO CAL AR Workshop LLC  
San Diego, CA  
619-549-4765

Plaigle Creative, LLC  
St. Petersburg, FL  
413-427-6347

Kim's Creative LLC  
Chestnut Hill, PA  
215-990-0790

AR Workshop Lawrenceville, LLC  
Lawrenceville, GA  
770-364-6949

Revels Workshop, LLC  
Port St. Lucie, FL  
772-579-7502

Cohano, LLC  
Ridgewood, NJ  
704-526-6420

Steele Design, LLC  
Greensboro, NC  
336-210-2437

Rose Workshop LLC  
Roseville, CA  
530-392-1616

**The following franchisee left the system in 2020 due to termination or another reason other than transfer:**

A Creative You, LLC  
Jacksonville, FL  
904-710-4670

Make and Take It DIY LLC  
Ridgewood, NJ  
914-462-0000

**The following franchisees departed the system in 2020 because they transferred their businesses:**

Bonte Woodworks LLC  
Columbia, SC  
803-640-8566

AR Workshop RB, LLC  
Red Bank, NJ  
917-502-1169

**EXHIBIT C**  
**FINANCIAL STATEMENTS**

**AR WORKSHOP FRANCHISING, LLC**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**AR WORKSHOP FRANCHISING, LLC**

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FARRIS, COOKE & ASSOCIATES, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS  
118 S. COLONIAL AVENUE, SUITE 200  
CHARLOTTE, NORTH CAROLINA 28207  
  
(704) 372-9406 • FAX (704) 372-8612

## **INDEPENDENT AUDITORS' REPORT**

To the Member of  
AR Workshop Franchising, LLC

We have audited the accompanying financial statements of AR Workshop Franchising, LLC (a North Carolina Limited Liability Company) which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, changes in member's equity, and cash flows for the years ended December 31, 2019 and 2018, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AR Workshop Franchising, LLC as of December 31, 2019 and 2018 and the results of its operations and cash flows for the years ended December 31, 2019 and 2018 in accordance with accounting principles generally accepted in the United States of America.

*Jaino, Cash & Associates*

Charlotte, NC  
March 27, 2020

**AR WORKSHOP FRANCHISING, LLC**

**BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018**

<b><u>ASSETS</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b><u>CURRENT ASSETS:</u></b>		
Cash (Note A)	\$ 941,796	\$ 740,267
Accounts receivable, with no allowance for doubtful accounts (Note A)	<u>272,551</u>	<u>224,061</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>1,214,347</u></b>	<b><u>964,328</u></b>
<b><u>FIXED ASSETS (Note A):</u></b>		
Vehicles	<u>88,166</u>	<u>88,166</u>
Total	<u>88,166</u>	<u>88,166</u>
Less: accumulated depreciation	<u>(14,769)</u>	<u>(1,136)</u>
<b>TOTAL FIXED ASSETS, NET</b>	<b><u>73,397</u></b>	<b><u>87,030</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,287,744</u></b>	<b><u>\$ 1,051,358</u></b>
<b><u>LIABILITIES AND MEMBER'S EQUITY</u></b>		
<b><u>CURRENT LIABILITIES:</u></b>		
Accounts payable	\$ 34,098	\$ 64,882
Deferred revenue (Note A)	248,550	275,000
Accrued retirement plan contribution (Note B)	250,037	130,037
Other accrued expenses	<u>52,343</u>	<u>25,672</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>585,028</u></b>	<b><u>495,591</u></b>
<b>MEMBER'S EQUITY</b>	<b><u>702,716</u></b>	<b><u>555,767</u></b>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<b><u>\$ 1,287,744</u></b>	<b><u>\$ 1,051,358</u></b>

The accompanying notes are an integral part of this statement

**AR WORKSHOP FRANCHISING, LLC**

**STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>INCOME:</b>		
Franchise fees	\$ 882,250	\$ 1,082,250
Royalty fees	1,265,338	750,382
Brand fees and other	<u>538,007</u>	<u>177,882</u>
<b>TOTAL INCOME</b>	<u>2,685,595</u>	<u>2,010,514</u>
<b>OPERATING EXPENSES:</b>		
Advertising	92,998	16,896
Commissions and contractor labor	246,202	283,639
Depreciation	13,633	1,136
Legal and professional	201,485	132,301
Payroll taxes	44,486	27,763
Retirement plan contributions (Note B)	250,670	130,037
Salaries	912,249	707,390
Training expenses and other	<u>205,227</u>	<u>256,205</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,966,950</u>	<u>1,555,367</u>
<b>NET INCOME</b>	<u>\$ 718,645</u>	<u>\$ 455,147</u>

The accompanying notes are an integral part of this statement

**AR WORKSHOP FRANCHISING, LLC**

**STATEMENTS OF CHANGES IN MEMBER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>BEGINNING BALANCE</b>	\$ 555,767	\$ 343,383
Member's capital contribution	17,947	-
Distributions	(589,643)	(242,763)
Net income	<u>718,645</u>	<u>455,147</u>
<b>ENDING BALANCE</b>	<b><u>\$ 702,716</u></b>	<b><u>\$ 555,767</u></b>

The accompanying notes are an integral part of this statement

**AR WORKSHOP FRANCHISING, LLC**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 718,645	\$ 455,147
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	13,633	1,136
(Increase) decrease in:		
Accounts receivable	(48,490)	(29,691)
Increase (decrease) in:		
Accounts payable	(30,784)	64,882
Deferred revenue	(26,450)	35,000
Accrued retirement plan contributions	120,000	130,037
Other accrued expenses	26,671	15,150
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>773,225</u>	<u>671,661</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of vehicles	-	(88,166)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>-</u>	<u>(88,166)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Member's contribution	17,947	-
Member's distributions	(589,643)	(242,763)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(571,696)</u>	<u>(242,763)</u>
<b>NET INCREASE IN CASH</b>	201,529	340,732
<b>CASH, BEGINNING</b>	<u>740,267</u>	<u>399,535</u>
<b>CASH, ENDING</b>	<u>\$ 941,796</u>	<u>\$ 740,267</u>

The accompanying notes are an integral part of this statement

**AR WORKSHOP FRANCHISING, LLC**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**A. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION AND NATURE OF OPERATIONS**

AR Workshop Franchising, LLC (the Company) was organized under the laws of the State of South Carolina for the purpose of selling licensing rights to franchisees wishing to operate AR Workshops, a do it yourself creative workshop offering classes to create home décor pieces as well as selling on-trend home décor accessories, jewelry, and other items. The Company sells these rights principally in the United States.

The initial term of the franchise is 10 years. The Company has the option to extend the initial franchise term for one additional ten year period.

**CONCENTRATIONS OF CREDIT RISK**

The Company maintains deposits in financial institutions in the United States that at times exceed the insured amount of \$250,000 per account provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The excess amount was \$691,796 at December 31, 2019.

**BASIS OF ACCOUNTING AND USE OF ESTIMATES**

The Company prepares its financial statements in conformity with generally accepted accounting principles (GAAP) under the accrual basis of accounting, which generally records items at historical cost and requires the use of estimates and assumptions. The accrual basis of accounting records revenue in the period earned rather than when received and records expenses in the period incurred rather than when paid. The estimates and assumptions used affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these amounts.

**ADVERTISING COSTS**

Advertising costs are charged to operations when incurred with \$92,988 charged to expense in 2019 and \$16,896 in 2018.

## **REVENUE RECOGNITION AND DEFERRED REVENUE**

Revenues generated and expenses incurred while generating and maintaining franchise owner/operators of AR Workshop Franchising, LLC are included in the results of operations of the Company. Initial franchise fees are recognized as revenue when substantially all of the services required of the Company by the franchise agreement have been performed, which is generally the date a franchised unit opens. These services include training and marketing assistance prior to the units opening. Royalty fees are accrued as earned based on six percent of a franchisee's monthly sales. The company charges the franchisees a brand fund payable each month. The minimum fee per month is \$200, and the maximum is one percent of the monthly gross sales of a workshop. Brand funds are used for advertising and promoting the workshop brand. The Company sold thirty-nine franchise agreements for the year ended December 31, 2019. Twenty-seven of the locations opened during 2019 allowing the Company to recognize the revenue on those sales. Deferred revenue includes \$225,000 in franchise fees at December 31, 2019, representing eleven unopened workshops.

## **ACCOUNTS RECEIVABLE**

The Company carries its accounts receivable at cost. Management has determined that no allowance for doubtful accounts is necessary at December 31, 2019 based on the assessment of the collectability of accounts receivable. Accounts receivable consist of franchise, royalty and brand fees due from franchisees. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to accounts receivable.

## **ALLOWANCE FOR DOUBTFUL ACCOUNTS**

An allowance for uncollectible accounts receivable is estimated and recorded based on management's judgement and historical bad debt experience.

## **INCOME TAXES**

AR Franchising, LLC is treated as a Subchapter S corporation under the Internal Revenue Code. In lieu of corporate income taxes, the owner is taxed on her proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

## **FIXED ASSETS**

Fixed assets are stated at cost. Depreciation is computed using the straight-line method for financial reporting purposes. The estimated useful lives of the assets, comprised of vehicles, is for 5 years.

## **FAIR VALUE INSTRUMENTS**

The Company's financial instruments are cash and cash equivalents, accounts receivable, accounts payable and deferred revenue. The recorded values of cash and cash equivalents, accounts receivable, accounts payable and deferred revenue approximate their fair values based on their short-term nature.

## **B. RETIREMENT PLANS**

The company maintains two retirement plans, a 401(k) plan and a cash balance plan. The contribution to the two plans for 2019 is \$250,000 and for 2018 is \$130,037.

All employees who are at least twenty-one years of age and who work over one thousand hours during the year are eligible to participate in the plans. Participants vest immediately in the contributions made by the Company on their behalf.

## **C. DATE OF MANAGEMENT'S REVIEW**

Subsequent events have been evaluated through March 27, 2020, the date the financial statements were available to be issued. Management has determined that none of the events occurring after the date of the balance sheet through the date of management's review substantially affect the amounts and disclosure of the accompanying financial statements.

## **D. UNCERTAIN TAX POSITIONS**

The Company has adopted FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. The Company will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax laws and new authoritative rulings.

The Company's evaluation on December 31, 2019 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2017 and 2018 tax years remain subject to examination by the Internal Revenue Service. The Company does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

**AR WORKSHOP FRANCHISING, LLC**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

**AR WORKSHOP FRANCHISING, LLC**

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FARRIS, COOKE & ASSOCIATES, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS  
118 S. COLONIAL AVENUE, SUITE 200  
CHARLOTTE, NORTH CAROLINA 28207  
  
(704) 372-9406 • FAX (704) 372-8612

## **INDEPENDENT AUDITORS' REPORT**

To the Member of  
AR Workshop Franchising, LLC

We have audited the accompanying financial statements of AR Workshop Franchising, LLC (a North Carolina Limited Liability Company) which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations, changes in member's equity, and cash flows for the year ended December 31, 2018 and for the period from May 2, 2017 (Inception) to December 31, 2017, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AR Workshop Franchising, LLC as of December 31, 2018 and 2017 and the results of its operations and cash flows for the year ended December 31, 2018 and the period from May 2, 2017 (Inception) to December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

*Jaino, Cash & Associates*

Charlotte, NC  
March 27, 2019

**AR WORKSHOP FRANCHISING, LLC**

**BALANCE SHEETS  
DECEMBER 31, 2018 AND 2017**

<b><u>ASSETS</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
<b><u>CURRENT ASSETS:</u></b>		
Cash (Note A)	\$ 740,267	\$ 399,535
Accounts receivable, with no allowance for doubtful accounts (Note A)	<u>224,061</u>	<u>194,370</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>964,328</u></b>	<b><u>593,905</u></b>
<b><u>FIXED ASSETS (Note A):</u></b>		
Vehicles	<u>88,166</u>	<u>-</u>
Total	88,166	-
Less: accumulated depreciation	<u>(1,136)</u>	<u>-</u>
<b>TOTAL FIXED ASSETS, NET</b>	<b><u>87,030</u></b>	<b><u>-</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,051,358</u></b>	<b><u>\$ 593,905</u></b>
<b><u>LIABILITIES AND MEMBER'S EQUITY</u></b>		
<b><u>CURRENT LIABILITIES:</u></b>		
Accounts payable	\$ 64,882	\$ -
Deferred revenue (Note A)	275,000	240,000
Accrued retirement plan contribution (Note B)	130,037	-
Other accrued expenses	<u>25,672</u>	<u>10,522</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>495,591</u></b>	<b><u>250,522</u></b>
<b>MEMBER'S EQUITY</b>	<b><u>555,767</u></b>	<b><u>343,383</u></b>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<b><u>\$ 1,051,358</u></b>	<b><u>\$ 593,905</u></b>

The accompanying notes are an integral part of this statement

**AR WORKSHOP FRANCHISING, LLC**

**STATEMENTS OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2018 AND FOR THE PERIOD  
FROM MAY 2, 2017 (INCEPTION) TO DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
<b>INCOME:</b>		
Franchise fees	\$ 1,082,250	\$ 360,000
Royalty fees	750,382	86,336
Brand fees	<u>177,882</u>	<u>6,351</u>
<b>TOTAL INCOME</b>	<u>2,010,514</u>	<u>452,687</u>
<b>OPERATING EXPENSES:</b>		
Advertising	16,896	6,714
Commissions and contractor labor	283,639	56,008
Depreciation	1,136	-
Legal and professional	132,301	12,500
Other	15,793	832
Payroll taxes	27,763	7,658
Retirement plan contributions (Note B)	130,037	-
Salaries	707,390	94,500
Training expenses	<u>240,412</u>	<u>6,092</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,555,367</u>	<u>184,304</u>
<b>NET INCOME</b>	<u>\$ 455,147</u>	<u>\$ 268,383</u>

The accompanying notes are an integral part of this statement

**AR WORKSHOP FRANCHISING, LLC**

**STATEMENTS OF CHANGES IN MEMBER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2018 AND FOR THE PERIOD  
FROM MAY 2, 2017 (INCEPTION) TO DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
<b>BEGINNING BALANCE</b>	\$ 343,383	\$ -
Member's capital contribution	-	75,000
Distributions	(242,763)	-
Net income	<u>455,147</u>	<u>268,383</u>
<b>ENDING BALANCE</b>	<u>\$ 555,767</u>	<u>\$ 343,383</u>

The accompanying notes are an integral part of this statement

**AR WORKSHOP FRANCHISING, LLC**

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018 AND FOR THE PERIOD  
FROM MAY 2, 2017 (INCEPTION) TO DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 455,147	\$ 268,383
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,136	-
(Increase) decrease in:		
Accounts receivable	(29,691)	(194,370)
Increase (decrease) in:		
Accounts payable	64,882	-
Deferred revenue	35,000	240,000
Accrued retirement plan contributions	130,037	-
Other accrued expenses	15,150	10,522
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>671,661</u>	<u>324,535</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of vehicles	<u>(88,166)</u>	<u>-</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(88,166)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Member's contribution		75,000
Member's distributions	<u>(242,763)</u>	<u>-</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(242,763)</u>	<u>75,000</u>
<b>NET INCREASE IN CASH</b>	340,732	399,535
<b>CASH, BEGINNING</b>	<u>399,535</u>	<u>-</u>
<b>CASH, ENDING</b>	<u>\$ 740,267</u>	<u>\$ 399,535</u>

The accompanying notes are an integral part of this statement

**AR WORKSHOP FRANCHISING, LLC**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**A. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION AND NATURE OF OPERATIONS**

AR Workshop Franchising, LLC (the Company) was organized under the laws of the State of South Carolina for the purpose of selling licensing rights to franchises wishing to operate AR Workshops, a do it yourself creative workshop offering classes to create home décor pieces as well as selling on-trend home décor accessories, jewelry, and other items. The Company sells these rights principally in the United States.

The initial term of the franchise is 10 years. The Company has the option to extend the initial franchise term for one additional ten year period.

**CONCENTRATIONS OF CREDIT RISK**

The Company maintains deposits in financial institutions in the United States that at times exceed the insured amount of \$250,000 per account provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The excess amount was \$227,453 at December 31, 2018.

**BASIS OF ACCOUNTING AND USE OF ESTIMATES**

The Company prepares its financial statements in conformity with generally accepted accounting principles (GAAP) under the accrual basis of accounting, which generally records items at historical cost and requires the use of estimates and assumptions. The accrual basis of accounting records revenue in the period earned rather than when received and records expenses in the period incurred rather than when paid. The estimates and assumptions used affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these amounts.

**ADVERTISING COSTS**

Advertising costs are charged to operations when incurred with \$16,896 charged to expense in 2018 and \$6,714 in 2017.

## **REVENUE RECOGNITION AND DEFERRED REVENUE**

Revenues generated and expenses incurred while generating and maintaining franchise owner/operators of AR Workshop Franchising, LLC are included in the results of operations of the Company. Initial franchise fees are recognized as revenue when substantially all of the services required of the Company by the franchise agreement have been performed, which is generally the date a franchised unit opens. These services include training and marketing assistance prior to the units opening. Royalty fees are accrued as earned based on six percent of a franchisee's monthly sales. The company charges the franchisees a brand fund payable each month. The minimum fee per month is \$200, and the maximum is one percent of the monthly gross sales of a workshop. Brand funds are used for advertising and promoting the workshop brand. The Company sold fifty-one franchise agreements for the year ended December 31, 2018. Forty of the locations opened during 2018 allowing the Company to recognize the revenue on those sales. Deferred revenue consists of \$275,000 in franchise fees at December 31, 2018, representing eleven unopened workshops.

## **ACCOUNTS RECEIVABLE**

The Company carries its accounts receivable at cost. Management has determined that no allowance for doubtful accounts is necessary at December 31, 2018 based on the assessment of the collectability of accounts receivable. Accounts receivable consist of franchise, royalty and brand fees due from franchisees. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to accounts receivable.

## **ALLOWANCE FOR DOUBTFUL ACCOUNTS**

An allowance for uncollectible accounts receivable is estimated and recorded based on management's judgement and historical bad debt experience.

## **INCOME TAXES**

AR Franchising, LLC is treated as a Subchapter S corporation under the Internal Revenue Code. In lieu of corporate income taxes, the owner is taxed on her proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

## **FIXED ASSETS**

Fixed assets are stated at cost. Depreciation is computed using the straight-line method for financial reporting purposes. The estimated useful lives of the assets, comprised of vehicles, is for 5 years.

## **FAIR VALUE INSTRUMENTS**

The Company's financial instruments are cash and cash equivalents, accounts receivable, accounts payable and deferred revenue. The recorded values of cash and cash equivalents, accounts receivable, accounts payable and deferred revenue approximate their fair values based on their short-term nature.

## **B. RETIREMENT PLANS**

The company maintains two retirement plans, a 401(k) plan and a cash balance plan. The contributions to the two plans for 2018 are \$42,957 and \$87,080, respectively, for a total expense amount of \$130,037. There were no contributions to either plan in 2017.

All employees who are at least twenty-one years of age and who work over one thousand hours during the year are eligible to participate in the plans. Participants vest immediately in the contributions made by the Company on their behalf.

## **C. DATE OF MANAGEMENT'S REVIEW**

Subsequent events have been evaluated through March 27, 2019, the date the financial statements were available to be issued. Management has determined that none of the events occurring after the date of the balance sheet through the date of management's review substantially affect the amounts and disclosure of the accompanying financial statements.

## **D. UNCERTAIN TAX POSITIONS**

The Company has adopted FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. The Company will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax laws and new authoritative rulings.

The Company's evaluation on December 31, 2018 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2017 tax year remains subject to examination by the Internal Revenue Service. The Company does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

**EXHIBIT D**

**STATE SPECIFIC INFORMATION**

**RIDERS TO FRANCHISE AGREEMENT FOR SPECIFIC STATES**

If any one of the following Riders to the Franchise Agreement for Specific States (“Riders”) is checked as an “Applicable Rider” below, then that Rider shall be incorporated into the Franchise Agreement entered into by AR WORKSHOP FRANCHISING, LLC and the undersigned Franchisee. To the extent any terms of an Applicable Rider conflict with the terms of the Franchise Agreement, the terms of the Applicable Rider shall supersede the terms of the Franchise Agreement.

Applicable Rider

- California
- Illinois
- Maryland
- Minnesota
- New York
- South Dakota
- Virginia
- Washington

AR WORKSHOP FRANCHISING, LLC

\_\_\_\_\_  
FRANCHISEE (Print Name)

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

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

**CALIFORNIA APPENDIX FOR OFFERINGS  
OF AR WORKSHOP FRANCHISES IN CALIFORNIA**

**If your franchise is located in California, the following will apply:**

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.

PAYMENT OF ALL INITIAL FEES IS POSTPONED UNTIL AFTER ALL OF FRANCHISOR'S INITIAL OBLIGATIONS ARE COMPLETE AND FRANCHISEE IS OPEN FOR BUSINESS.

1. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [WWW.DBO.CA.GOV](http://WWW.DBO.CA.GOV).

2. No person or franchise broker listed in Item 3 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. 78a, et seq., suspending or expelling such persons from membership in such association or exchange.

3. Item 17 Additional Paragraphs:

A. California Business and Professional Code Sections 20000 through 20043 provide rights to the franchisee concerning the termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

B. 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.).

C. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

D. This Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

E. The Franchise Agreement requires binding arbitration. The arbitration will occur at Charlotte, North Carolina with the costs being borne by each party, unless the disputed provision in the Franchise Agreement provides for payment by the losing party of the prevailing party's attorneys' fees and costs of litigation. This provision may not be enforceable under California law.

F. The Franchise Agreement requires application of the laws of North Carolina. This provision may not be enforceable under California law.

4. The Franchise Agreement is revised to state: Payment of all initial fees is postponed until after all of franchisor's initial obligations are complete and franchisee is open for business.

5. 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.S, Code of Civil Procedures 1281, and the Federal Arbitrations Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

## ILLINOIS

Disclosure Document:

1. The following language is added to the Risk Factors on the cover page of the Disclosure Document:

**THE GOVERNING LAW, VENUE AND JURISDICTION REQUIREMENTS IN THE DISCLOSURE DOCUMENT AND IN THE FRANCHISE AGREEMENT ARE SUBJECT TO THE PROVISIONS OF THE ILLINOIS FRANCHISE DISCLOSURE ACT, AND NOTHING IN THESE DOCUMENTS SHALL BE CONSIDERED A WAIVER OF ANY RIGHTS CONFERRED UPON YOU BY THE ILLINOIS FRANCHISE DISCLOSURE ACT.**

2. Item 17 of the Disclosure Document is amended to include the following:

Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside Illinois is void with respect to any action which is otherwise enforceable in Illinois. In addition, Illinois law will govern the Franchise Agreement.

Conditions under which franchisor can be terminated and rights upon non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

Each provision of this Addendum to the Disclosure Document shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this Addendum.

Item 23 of the Disclosure Document is amended to provide for the franchisee with a 14 day pre-sale disclosure period instead of the 10 day pre-sale disclosure period referenced on the receipt page.

Under Illinois law, any provision that purports to bind any person acquiring a franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act ("Act") or any other law of Illinois is void. However, this provision will not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any provisions of the Act, nor shall it prevent the arbitration of any claim pursuant to Title 9 of the United States Code.

3. Franchise Agreement:

Section 21(h) of the Agreement is amended to state:

The Agreement takes effect upon its acceptance and execution by us. This Agreement shall be interpreted under the laws of the State of Illinois except to the extent governed by the United States Trademark Act of 1946 (Latham Act, 15 U.S.C. Section 1051 et seq.).

Section 21 of the Agreement is amended to state:

The parties agree that any action brought by either party against the other shall be brought in the State of Illinois.

Under Illinois law, any provision that purports to bind any person acquiring a franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act (“Act”) or any other law of Illinois is void. However, this provision will not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any provisions of the Act, nor shall it prevent the arbitration of any claim pursuant to Title 9 of the United States Code.

Each provision of this Addendum to the Franchise Agreement shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this Addendum.

AGREED:

\_\_\_\_\_  
[FRANCHISEE NAME]

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

AR WORKSHOP FRANCHISING, LLC

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

## MARYLAND

The Franchise Disclosure Document and the Franchise Agreement are revised to include the following:

The Maryland Securities Division requires us to defer payment of the initial franchise fee and other initial payments owed by you to us until we have completed our pre-opening obligations under the Franchise Agreement. The collection of the initial franchise fee will be deferred until we have fulfilled our initial pre-opening obligations to you and you are open for business.

**Section 17 of the Franchise Agreement is revised to provide that termination upon bankruptcy might not be enforceable under the U.S. Bankruptcy Act, but we intend to enforce it to the extent enforceable.**

**Section 23(f) of the Agreement is revised to include the following:**

All representations requiring Franchisee to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The provision in the Franchise Agreement which provides for termination upon bankruptcy of franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

**Pertinent sections of the Franchise Disclosure Document and Franchise Agreement are revised to include the following:**

Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Franchisee may bring claims under the Maryland Franchise Registration and Disclosure Act in Maryland.

This agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

**\*\* The remainder of this page intentionally left blank. Signature page to follow \*\***

**Franchisor:**

**AR WORKSHOP FRANCHISING, LLC**

By: \_\_\_\_\_  
Maureen Anders, Chief Executive Officer

**Franchisee:**

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Guarantors:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Capacity: \_\_\_\_\_

## MINNESOTA

The Franchise Agreement and Franchise Disclosure Document are revised to include the following:

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING. THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subds. 3, 4, and 5, which require (except in certain specified cases) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.
- Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- The franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400J. A court will determine if a bond is required.

- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

AGREED:

\_\_\_\_\_  
[FRANCHISEE NAME]

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

AR WORKSHOP FRANCHISING, LLC

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

## NEW YORK

### Disclosure Document:

1. The following language is added to Risk Factors on the cover page:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT E 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 DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW BUREAU OF INVESTOR PROTECTION AND SECURITIES 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR NEW YORK, NY 10005.

WE MAY, IF WE CHOOSE, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, WE CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON YOU TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE CONTAINED IN THIS DISCLOSURE DOCUMENT.

THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

2. Item 3 of the Disclosure Document is revised to include the following:

Other than as described in the Disclosure Document, neither we nor any person identified in Item 2 has any 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 or misappropriation of property; unfair or deceptive practices; or comparable civil or misdemeanor allegations.

Neither we nor any person identified in Item 2 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.

Neither we nor any person identified in Item 2 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 a 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 any action brought by a public agency or department, including, without limitation, actions effecting a license as a real estate broker or sales agent.

3. Item 4 of the Disclosure Document is revised to include the following:

Neither we nor any predecessor, officer or general partner of ours has, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of ours held this position in a company or partnership.

4. Item 11 of the Disclosure Document is revised to include the following:

If during the first 6 months after you sign your Franchise Agreement you present to us a physical location for your Workshop that we do not approve and we cannot locate a suitable location for your Workshop, then we can mutually agree to terminate the Franchise Agreement and we will refund to you 50% of the Initial Franchise Fee and retain the balance of the Initial Franchise Fee to cover our expenses. If during the first 6 months after you sign your Franchise Agreement, you present to us a physical location for your Workshop that we do not approve and we locate another site that meets our specifications and you refuse to develop the site, then we can mutually agree to terminate your Franchise Agreement and you will not be entitled to any refund of your Initial Franchise Fee. If a location is not selected within the first 6 months after you sign your Franchise Agreement, a refund of the initial franchise fee will not be granted under any circumstances.

5. Item 17.j. of the Disclosure Document is revised to include the following:

However, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement

6. Item 17.s. of the Disclosure Document is revised to include the following:

Revisions to the Manuals will not unduly affect your obligations, including economic requirements, under the Franchise Agreement.

7. Item 17.w. of the Disclosure Document is revised to include the following:

The choice of law should not be considered a waiver of any right conferred upon the Franchisee by the General Business Law on the State of New York, Article 33.

## Franchise Agreement

1. Article 14.9 of the Agreement is revised to include the following language:

“Provided, however, that all rights arising in the favor from the provisions of Article 33 of the GBL of the State of New York and the regulations issues thereunder shall remain in force, it being the intent of this provision that the non-waiver provisions of GBL sections 687.4 and 687.5 be satisfied.”

2. Article 7.1(c) of the Agreement is revised to include the following:

Revisions to the Manuals will not unduly affect your obligations, including economic requirements, under this Agreement.

New York Effective Date: See Effective Date list included in Franchise Disclosure Document.

**SOUTH DAKOTA**

## VIRGINIA

### Disclosure Document.

The following statements are added to Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

## WASHINGTON

### Franchise Disclosure Document and Franchise Agreement

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.

The Washington Department of Financial Institutions Security Division requires us to defer payment of the initial franchise fee and other initial payments owed by you to us until we have completed our pre-opening obligations under the Franchise Agreement. The collection of the initial franchise fee will be deferred until we have fulfilled our initial pre-opening obligations to you and you are open for business.

SIGNATURES CONTINUE ON NEXT PAGE

**INDIVIDUAL FRANCHISEES ("You"):**

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: "You" \_\_\_\_\_

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: "You" \_\_\_\_\_

\_\_\_\_\_  
Date

**CORPORATE FRANCHISEE ("You")**

\_\_\_\_\_  
(Corporate/LLC Name)

\_\_\_\_\_  
(State of Incorporation/Organization)

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: "You" \_\_\_\_\_

\_\_\_\_\_  
Date

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: "You" \_\_\_\_\_

\_\_\_\_\_  
Date

**AR WORKSHOP FRANCHISING, LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: "You" \_\_\_\_\_

\_\_\_\_\_  
Date

## EXHIBIT E

### STATE AND FEDERAL REGULATORY AUTHORITIES

#### FEDERAL TRADE COMMISSION

Franchise Rule Coordinator  
Federal Trade Commission Division of Marketing Practices  
Pennsylvania Avenue at Sixth Street, N.W., Room 238  
Washington, D.C. 20580  
Telephone: (202) 326-2970

#### STATE FRANCHISE REGULATORS AND AGENTS FOR SERVICE OF PROCESS

##### CALIFORNIA:

Jan Lynn Owen  
Department of Business Oversight  
320 West 4th St., Ste. 750  
Los Angeles, California 90013  
Telephone: (213) 576-7500 or  
Toll Free Telephone: (866) 275-2677

##### CONNECTICUT:

Eric Wilder, Director of Securities  
Connecticut Department of Banking  
Securities and Business Investment Division  
260 Constitution Plaza  
Hartford, CT 06103-1800  
Telephone: (860) 240-8233

##### HAWAII:

Commissioner of Securities  
of the State of Hawaii  
Department of Commerce and  
Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, HI 96813  
Telephone: (808) 586-2722

##### ILLINOIS (Registered Agent):

Tanya Solov, Director of Securities  
Office of the Secretary of State  
Securities Department  
69 West Washington Street, Suite 1220  
Chicago, IL 60602  
Telephone: (312) 793-3884

##### ILLINOIS (Regulatory Authority):

Lisa Madigan  
Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706  
Telephone: (217) 782-4465

##### INDIANA:

Chris Naylor, Securities Commissioner  
Franchise Section  
Indiana Securities Division  
Secretary of State  
Room E-111  
302 West Washington Street  
Indianapolis, IN 46204  
Telephone: (317) 232-6681

##### IOWA:

Jim Mumford, Securities Administrator  
Director of Regulated Industries Unit  
Iowa Securities Bureau  
330 Maple Street  
Des Moines, IA 50319-0066  
Telephone: (515) 281-5705

##### MARYLAND (Registered Agent):

Maryland Securities Commissioner  
200 St. Paul Place,  
Baltimore, Maryland 21202-2020  
Telephone: (410) 576-6360

##### MARYLAND (Regulatory Authority):

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, MD 21202-2020  
Telephone: (410) 576-6360

##### MICHIGAN (Regulatory Authority):

Consumer Protection Division  
Antitrust and Franchise Unit  
Michigan Department of Attorney General  
525 W. Ottawa Street  
Lansing, MI 48909  
Telephone: (517) 373-1152

MICHIGAN (Registered Agent):  
Linda Cena, Securities Director  
Office of Financial & Insurance Regulation  
525 West Allegan  
1st Floor Constitution Hall  
Lansing, MI 48909  
Telephone: (517) 241-6345

MINNESOTA:  
Commissioner of Commerce  
Minnesota Department of Commerce  
Securities-Franchise Registration  
85 7th Place East, Suite 280  
St. Paul, MN 55101-2198  
Telephone: (651) 539-1500

NEW YORK (Administrator/Regulatory Authority)  
New York State Department of Law  
Investor Protection Bureau  
28 Liberty St., 21st Floor  
New York, New York 10005  
Telephone: (212) 416-8236

NEW YORK (Agent for Service of Process)  
Secretary of State  
99 Washington Avenue  
Albany, NY 12231

NORTH DAKOTA:  
North Dakota Securities Department  
Fifth Floor State Capitol  
Dept. 414  
600 East Boulevard  
Bismarck, ND 58505-0510  
Telephone: (701) 328-2910

OKLAHOMA:  
Oklahoma Securities Dept.  
First National Center  
120 N. Robinson Suite 860  
Oklahoma City, OK 73102  
Telephone: (405) 280-7700

RHODE ISLAND:  
Division of Securities  
233 Richmond Street, Suite 232  
Providence, RI 02903  
Telephone: (401) 222-3048

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

TEXAS:  
Hope Andrade  
Secretary of State  
P.O. Box 12697  
Austin, TX 78711-2697  
Telephone: (512) 463-5701

UTAH:  
Division of Consumer Protection  
Utah Department of Commerce  
160 East 300 South  
SM Box 146704  
Salt Lake City, UT 84114-6704  
Telephone: (801) 530-6601

VIRGINIA (Registered Agent):  
Clerk of the State Corporation Commission  
1300 East Main Street, 1st Floor  
Richmond, Virginia 23219  
Telephone: (804) 371-9733

VIRGINIA (Regulatory Authority)  
State Corporation Commission,  
Division of Securities and Retail Franchising  
1300 East Main Street, 9th Floor  
Richmond, Virginia 23219  
Telephone: (804) 371-9051

WASHINGTON:  
Department of Financial Institutions  
150 Israel Rd SW  
Tumwater, WA 98501  
Telephone: (360) 902-8760

WISCONSIN:  
Franchise Office  
Wisconsin Securities Commission  
P.O. Box 1768  
Madison, WI 53701  
Telephone: (608) 266-3364

## EXHIBIT F

### SAMPLE FULL AND FINAL GENERAL RELEASE\*

#### \*CURRENT FORM; SUBJECT TO CHANGE

**FOR AND IN CONSIDERATION** of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by all parties, the parties agree and covenant to fully and mutually release the other as follows:

1. The Franchisee and its successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, officers, directors, principals, employees and affiliated parties (collectively, the "Franchisee Parties") do hereby release and forever discharge AR WORKSHOP FRANCHISING, LLC, its successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, officers, directors, principals, employees and affiliated parties (collectively, the "Franchisor Parties") from any and all claims, demands, damages, actions, causes of action, or suits of any kind or nature whatsoever, both known and unknown, including, without limitation: (a) arising out of or related to the Franchisor Parties' obligations under the franchise agreement or (b) otherwise arising from or related to the Franchisee Parties' relationship, from the beginning of time to the date of Franchisee's signature below, with any of the Franchisor Parties.

2. Franchisee, on its own behalf and on behalf of the other Franchisee Parties, further covenant not to sue any of the Franchisor Parties on any of the claims released by the preceding paragraph and represent that Franchisee has not assigned any such claims released by the preceding paragraph to any individual or entity who is not bound by this Release. It is understood and agreed that this Release is not to be construed as an admission of liability with respect to the Franchisor Parties.

3. The consideration expressly mentioned herein is the only consideration paid or to be paid by said parties hereby released. The parties acknowledge that no other party, or agent, or attorney of any other party, has made any promise, or representation or warranty to induce this Release, not herein expressly set forth, and no such promises, representations or warranties are relied upon as a consideration for this Release, or otherwise, but any and all of the parties' respective claims, of whatever nature are hereby fully and forever released, compromised and settled. Full and complete compromise, settlement, and accord and satisfaction are hereby acknowledged, and it is expressly agreed by the undersigned parties never to sue any of the other parties hereby released on any alleged promise, representation or warranty for this Release not herein expressly set forth.

4. This Agreement contains the entire agreement and understanding between the parties as to the matters specified herein and supersedes and replaces all agreements on this subject matter, whether written or oral. The terms contained herein may not be modified or amended except in writing signed by the parties. The terms of this Release are contractual and not a mere recital.

5. The undersigned further state that they have carefully read the foregoing instrument; that they know the contents thereof; that they understand and agree to each and every term and condition contained herein; that they signed the same as their own free act and deed;

and that they have not assigned any rights released hereunder to any person or organization, private or governmental.

6. The parties hereby covenant and agree that each shall not make, at any time or place, any disparaging remarks, verbally or in writing, concerning any of the parties' actions or perceived omissions, regarding any matter connected with this Release Agreement or otherwise take any action that would disparage or cast doubt upon the business acumen or judgment of any other party. Each party understands and acknowledges that each other party's business and reputation are of special, unique, and extraordinary character, which gives them a particular value, the loss of which cannot reasonably be compensated in damages in an action at law. Accordingly, each party further agrees that in addition to any other rights or remedies that any other party may possess at law, any aggrieved party shall be entitled to injunctive and other equitable relief in order to prevent or remedy a breach of the provisions of this Agreement by any other party hereto.

7. The terms of this Release arose from discussions between the parties. Accordingly, no claimed ambiguity in this Release shall be construed against any party claimed to have drafted or proposed the language in question.

8. This Release shall be governed by and construed pursuant to the laws of the State of North Carolina.

9. This Release may be executed in two copies, each of which shall be deemed an original.

IF THE FRANCHISED BUSINESS FRANCHISEE OPERATES UNDER THE FRANCHISE AGREEMENT IS LOCATED IN CALIFORNIA OR IF FRANCHISEE IS A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

**SECTION 1542 ACKNOWLEDGMENT.** IT IS FRANCHISEE'S INTENTION, ON FRANCHISEE'S OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY FRANCHISEE OR THE FRANCHISEE PARTIES. FRANCHISEE RECOGNIZES THAT FRANCHISEE OR THE FRANCHISEE PARTIES MAY HAVE SOME CLAIM, DEMAND OR CAUSE OF ACTION AGAINST THE FRANCHISOR PARTIES OF WHICH FRANCHISEE, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH FRANCHISEE, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS FRANCHISEE'S INTENTION, ON FRANCHISEE'S OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE FRANCHISEE, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT FRANCHISEE, HIM, HER, OR IT FROM ASSERTING IT AGAINST THE FRANCHISOR PARTIES. IN FURTHERANCE OF THIS INTENTION, FRANCHISEE, ON FRANCHISEE'S OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, EXPRESSLY WAIVES ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

**“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN THE CREDITOR'S FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY THE CREDITOR MUST HAVE MATERIALLY AFFECTED THE CREDITOR'S SETTLEMENT WITH THE DEBTOR.”**

FRANCHISEE ACKNOWLEDGES AND REPRESENTS THAT FRANCHISEE HAS CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT FRANCHISEE UNDERSTANDS ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENTS THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

If the Franchised Business is located in Maryland or if Franchisee is a resident of Maryland, the following shall apply: Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

All releases given by the Parties are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. The Parties represent and warrant that they have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as the Releasing Parties, in the Releasing Parties independent judgment, believe necessary or appropriate.

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

RELEASING PARTIES:

\_\_\_\_\_

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

\_\_\_\_\_

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

## EXHIBIT G

### AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER\*

#### \*CURRENT FORM; SUBJECT TO CHANGE

**THIS AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER** (“Agreement”) is made among AR WORKSHOP FRANCHISING, LLC (“Franchisor”), \_\_\_\_\_ (“Seller”), and \_\_\_\_\_ (“Buyer”), and, if any, the undersigned Guarantors, effective as of the Effective Date.

#### RECITALS

A. Seller is the franchisee pursuant to that certain Franchise Agreement between Franchisor and Seller, as franchisee, dated \_\_\_\_\_ (the “Seller Franchise Agreement”), governing the operation of the AR WORKSHOP business located at \_\_\_\_\_ (“Franchised Location”);

B. Buyer is the franchisee under that certain franchise agreement between Franchisor and Buyer, as franchisee, dated \_\_\_\_\_ (as amended, the “Buyer Franchise Agreement”);

C. Seller has notified Franchisor that it and Buyer have entered into an Asset Purchase Agreement, dated \_\_\_\_\_ (the “Purchase Agreement”), pursuant to which Seller has agreed to sell and Buyer has agreed to purchase all of the rights, obligations and assets relating to the Franchised Location (the “Interests”) and, further, that Buyer has agreed to assume the lease obligations with regard to the Franchised Location (the transfer of the Lease rights and the Interests collectively referred to as the “Transfer”); and

D. Seller and the guarantors of the obligations of Seller (the “Seller Guarantors”) have requested that Franchisor consent to the Transfer and release Seller and the Seller Guarantors from certain obligations under the Franchise Agreement and guaranty, respectively; and

E. The parties desire to set forth the terms and conditions under which Franchisor will consent to the Transfer and release.

#### AGREEMENT

**FOR AND IN CONSIDERATION** of the foregoing Recitals, which are incorporated herein, the mutual covenants expressed herein and other valuable consideration, receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. **Effective Date.** The Effective Date will be the date on which Franchisor signs this Agreement acknowledging its consent to the proposed Transfer.

2. **Proposed Transfer.** Buyer is purchasing the Interests from Seller in accordance with the terms and conditions of the Purchase Agreement. Seller and Buyer represent and warrant that the form of Purchase Agreement provided to Franchisor is the final version of the agreement and is the version which has been or will be executed by them to effectuate the Transfer.

**3. Conditional Consent; Release of Guaranty.** The Seller Franchise Agreement provides that the Transfer cannot take place without the consent of Franchisor. Franchisor will consent to the Transfer, as provided in the Seller Franchise Agreement, and will, effective on the later of the Closing Date or the payment of amounts due to Franchisor as set forth in Section 3(b), release (a) Seller from any obligations arising under the Seller Franchise Agreement and (b) Seller Guarantors under any guaranty agreement from and after the Effective Date. Notwithstanding the foregoing, the provisions of the Seller Franchise Agreement that, either expressly or by their nature, survive termination of the Seller Franchise Agreement, including without limitation the post-termination restrictive covenants, audit rights, dispute resolution and notice, and confidentiality provisions of the Seller Franchise Agreement (collectively, the “Surviving Provisions”), shall survive this Agreement and the termination of the Seller Franchise Agreement, and the Seller and the Seller Guarantors shall remain bound by the Surviving Provisions. Furthermore, Seller’s and Seller Guarantors’ right to the consent and release described in this Section are expressly contingent upon compliance with the following terms and conditions on or before the date of the closing of the Transfer (“Closing”):

**a. Franchise Agreement.** The Seller Franchise Agreement will terminate as of the Closing, and the operation of the Franchised Location will thereafter be governed by the Buyer Franchise Agreement;

**b. Payment of Amounts Due.** Seller will pay all amounts due and owing to Franchisor through the date of Closing; including but not limited to past due royalty and advertising fees in the amount of \$\_\_\_\_\_;

**c. Transfer Fee.** Seller shall pay a transfer fee of \$\_\_\_\_\_ as provided in the Seller Franchise Agreement;

**d. Financial Statements.** Seller will provide Franchisor with all required monthly financial statements for the Franchised Location through the date of Closing;

**e. Training.** Buyer or Buyer’s designated representative(s) shall have satisfactorily completed the initial training program as described in the Buyer Franchise Agreement prior to the Closing;

**f. Right to Possession.** Buyer will provide satisfactory evidence to Franchisor that Buyer has the right to possession of the premises for the Franchised Location by way of lease assignment (with all required landlord consents) or otherwise;

**g. Site Selection Assistance.** Buyer acknowledges and agrees that Franchisor has satisfied any and all obligations under the Buyer Franchise Agreement with respect to site selection and development assistance;

**h. Remodeling.** Seller and Buyer shall ensure that all of the items reflected on the Pre-Sale Inspection which is attached hereto have been completed; and

**i. Buyer Loans.** Buyer shall provide Franchisor with copies of all loan documents or loan commitments evidencing all debt taken on by Buyer in connection with the purchase of the Franchised Location.

**j. Gift Card Liability.** Buyer shall assume Seller’s gift card liability and shall honor all outstanding but unredeemed gift cards issued by Seller or at the Franchised Location.

4. **Franchised Location Possession.** Franchisor hereby grants permission to Buyer to possess the premises at the Franchised Location and operate the Workshop therefrom as of the Closing Date.

5. **Waiver of Right of First Refusal.** Franchisor hereby waives any right of first refusal to purchase the Interests as it may have pursuant to the Seller Franchise Agreement.

6. **Release of Franchisor.** Seller, the Seller Guarantors and Buyer, and each of them, for themselves and their affiliates, employees, officers, directors, successors, assigns, and other representatives, hereby fully and forever unconditionally release and discharge Franchisor, and its affiliates, parents, subsidiaries, area directors and agents and their respective employees, shareholders, members, officers, directors, successors, assigns, guarantors and other representatives (the "Released Parties"), from any and all claims, demands, obligations, actions, liabilities and damages of every kind or nature whatsoever, in law or in equity, whether known or unknown to them, which they may have against the Released Parties as of the date of this Agreement, or which may thereafter be discovered, accrued, or sustained, in connection with, as a result of, or in any way arising from, any relations or transactions with the Released Parties, however characterized or described, including but not limited to, any claims arising from the Seller Franchise Agreement, the Buyer Franchise Agreement or the Purchase Agreement or the transactions described herein.

If the Franchised Location is located in California or if either Buyer or Seller is a resident of California, the following shall apply:

**Section 1542 Acknowledgment.** It is the intention of Seller and Buyer in executing this Agreement that this instrument be and is a general release which shall be effective as a bar to each and every claim, demand or cause of action released by Seller and/or Buyer. Each of Seller and Buyer recognizes that he, she or it may have some claim, demand or cause of action against the Released Parties of which he, she, or it is totally unaware and unsuspecting, which he, she or it is giving up by executing this Agreement. It is the intention of each of Seller and Buyer in executing this instrument that it will deprive him, her or it of such claim, demand or cause of action and prevent him, her or it from asserting it against the Released Parties. In furtherance of this intention, Seller and Buyer expressly waive any rights or benefits conferred by the provisions of Section 1542 of the California Civil Code, which 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 affected his settlement with the debtor."

Each of Seller and Buyer acknowledges and represents that he, she, or it has consulted with legal counsel before executing this Agreement and that he, she, or it understands its meaning, including the effect of Section 1542 of the California Civil Code, and expressly consents that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including, without limitation, those relating to the release of unknown and unsuspected claims, demands and causes of action.

7. **Acknowledgment.** Buyer and Seller acknowledge that although Franchisor or its affiliates, employees, officers, directors, successors, assigns, and other representatives may have been involved in Buyer's purchase of the Interests from Seller, Buyer and Seller have assumed sole and full responsibility for making the final decision to purchase and sell the Interests and each has consulted, or has had the opportunity to consult but, of its own accord, elected not to consult, with its own legal and financial advisors. Buyer further understands that as part of analyzing the purchase of the Interests from Seller, it is Buyer's responsibility to meet

with or otherwise gather necessary information from the appropriate parties which may or may not affect Buyer's purchase of the Interests from Seller.

**8. Additional Documents.** Buyer and Seller agree to execute such additional documents as may be necessary to complete the Transfer as contemplated by the Purchase Agreement, the Seller Franchise Agreement and the Buyer Franchise Agreement.

**9. Miscellaneous Provisions.** This Agreement will be construed and enforced in accordance with, and governed by, the laws of the state of North Carolina. This Agreement may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. The headings of this Agreement are for convenience and reference only and will not limit or otherwise affect the meaning hereof. This Agreement may be executed in any number of counterparts and sent via facsimile, each of which will be deemed an original but all of which taken together will constitute one and the same instrument. All capitalized terms used, but not defined, herein shall have the meanings ascribed to them in the applicable franchise agreement.

**10. Non-Disparagement.** In consideration of the accommodations provided to Seller, the Seller Guarantors and Buyer and concessions made by Franchisor and its affiliates under this Agreement, Seller, the Seller Guarantors and Buyer agree not to, and to use their best efforts to cause their current and former shareholders, officers, directors principals, agents, partners, employees, representatives, attorneys, spouses, and successors and assigns not to, disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor or the Released Parties or their respective current and former agents, principals, officers, directors, shareholders, members, employees, franchisees, representatives, area directors, attorneys, parents, predecessors, affiliates, subsidiaries divisions, and successors and assigns, the AR WORKSHOP brand, the AR WORKSHOP system, or any other service-marked or trademarked concept of Franchisor, or which would subject the AR WORKSHOP brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor or its brand.

THUS signed by the parties shown below and made effective as of the Effective Date.

SELLER: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

SELLER GUARANTORS:

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

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

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

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

BUYER: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISOR:

AR WORKSHOP FRANCHISING, LLC

By: \_\_\_\_\_  
Maureen Anders, Chief Executive Officer

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

\*This date is the Effective Date

## EXHIBIT H

### FIRST ADDENDUM TO RENEWAL FRANCHISE AGREEMENT\* (to be signed by a renewing franchisee concurrently with the Franchise Agreement)

#### \*CURRENT FORM; SUBJECT TO CHANGE

**THIS FIRST ADDENDUM** (“Addendum”) to the Franchise Agreement dated as of the Effective Date (“Agreement”) between AR WORKSHOP FRANCHISING, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) is made as of the same date to amend and supplement certain terms and conditions of the Agreement. In the event of any conflict between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum shall control. All capitalized terms not otherwise defined in this Addendum shall have their respective meanings set forth in the Agreement.

1. **Franchised Location.** Franchisor has previously approved the Franchised Location as required pursuant to the Franchise Agreement. The Franchised Location is: \_\_\_\_\_.

2. **Lease Approval.** Franchisor has previously approved the lease for the Franchised Location as required pursuant to the Franchise Agreement and therefore waives the requirement for lease review and approval (and the associated lease review fee); provided, however, that if Franchisee enters into a new lease for the Franchised Location during the term of the Agreement, all lease review and approval requirements shall remain applicable.

3. **Commencement of Operations.** Franchisor and Franchisee acknowledge that the Franchised Location has commenced operations as required pursuant to the Franchise Agreement.

4. **Franchisor’s Development Assistance.** Franchisee acknowledges and agrees that Franchisor has complied with its obligations under the Agreement (or Franchisee waives, as the case may be, Franchisor’s obligation) to (1) assist Franchisee in choosing the Franchised Location and determining fulfillment of the requisite criteria for the Franchised Location, such determination based on information provided by Franchisee, including those obligations set forth in the Franchise Agreement; and (2) to provide opening support services listed in the Franchise Agreement.

5. **Grand Opening.** The Section of the Franchise Agreement pertaining to a Grand Opening is deleted.

6. **Remodeling.** Franchisee will complete the remodeling and renovations of the franchised business, at Franchisee’s expense, listed on Exhibit A to this addendum no later than 60 days following the Effective Date of the Agreement or at such different time as set forth in Exhibit A.

7. **Release.** Franchisee, for itself, and its respective heirs, successors, assigns, agents and representatives, hereby fully and forever unconditionally releases and discharges the Franchisor, and its predecessors, affiliates, successors, assigns, agents, representatives, employees, owners, officers, and directors (collectively referred to as “Franchisor Affiliates”) from any and all claims, demands, obligations, actions, liabilities, defenses or damages of every kind and nature whatsoever, in law or in equity, whether known or unknown, which may hereafter be discovered, in connection with, as a result of, or in any way arising from, any relationship or transaction with the Franchisor or the Franchisor Affiliates, however characterized or described, from the beginning of time until the date of this Addendum.

8. **Non-Disparagement.** Franchisee agrees not to, and to use its best efforts to cause its current and former shareholders, officers, directors, principals, agents, partners, employees,

representatives, attorneys, spouses, and successors and assigns not to, disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor or the Franchisor Affiliates or their respective current and former agents, principals, officers, directors, shareholders, members, employees, franchisees, representatives, area directors, attorneys, parents, predecessors, affiliates, subsidiaries divisions, and successors and assigns, the AR Workshop brand, the AR Workshop system, or any other service-marked or trademarked concept of Franchisor, or which would subject the AR Workshop brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor or its brand.

**IN WITNESS WHEREOF**, the parties hereto have caused this Addendum to be executed on the date first set forth above.

FRANCHISEE:  
\_\_\_\_\_

FRANCHISOR:  
AR WORKSHOP FRANCHISING, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Exhibit A**  
**Remodeling**

**EXHIBIT I**

**ACCOUNTANT AUTHORIZATION**

AR WORKSHOP FRANCHISING, LLC

THIS ACCOUNTANT AUTHORIZATION ("Authorization") is entered into as of \_\_\_\_\_ by \_\_\_\_\_, a \_\_\_\_\_ (hereinafter referred to as "Franchisee").

WHEREAS, on \_\_\_\_\_, Franchisee and AR WORKSHOP FRANCHISING, LLC, a South Carolina limited liability company (hereinafter referred to as "AR WORKSHOP") entered into an agreement governing their franchise relationship ("Franchise Agreement"), hereby incorporated by reference; and

WHEREAS, Pursuant to Section 11 of the Franchise Agreement and the AR WORKSHOP Brand Standards Manual, Franchisee agrees to permit AR WORKSHOP to obtain directly from any and all of Franchisee's accounting and other financial institutions ("Service Providers") all of Franchisee's financial information.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Franchisee hereto agrees as follows:

1. Franchisee hereby authorizes any and all of Franchisee's Service Providers to release directly to AR WORKSHOP all of Franchisee's financial information, confidential or otherwise, related to the franchised business and to permit AR WORKSHOP to inspect and copy such records, including, but not limited to, income, sales, payment tax returns, financial ledgers, accountant working papers, financial statements, and supporting bank statements, as AR WORKSHOP may request from time to time.
2. This Authorization is irrevocable and shall remain in effect from the date hereof so long as the Franchise Agreement is still in effect.
3. Franchisee hereby releases and forever discharges AR WORKSHOP and Service Providers from any and all liability associated with the release of Franchisee's financial information pursuant to this Authorization.
4. In event that any provision or portion of this Authorization shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Authorization be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.
5. This Agreement shall be governed by and construed and interpreted in accordance with the laws of North Carolina without reference to principles of conflict of laws.

By signing below you agree to be bound by the foregoing terms and conditions.

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

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

**EXHIBIT J**

**SBA ADDENDUM**

SOP 50-10 5(j)

Appendix 9



**ADDENDUM TO FRANCHISE<sup>1</sup> AGREEMENT**

**THIS ADDENDUM** (“Addendum”) is made and entered into on \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (“Franchisor”), located at \_\_\_\_\_, and \_\_\_\_\_ (“Franchisee”), located at \_\_\_\_\_.

Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, 20\_\_\_\_, (such Agreement, together with any amendments, the “Franchise Agreement”). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration (“SBA”). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

**CHANGE OF OWNERSHIP**

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor’s consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

**FORCED SALE OF ASSETS**

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional

<sup>1</sup> While relationships established under license, jobber, dealer and similar agreements are not generally described as “franchise” relationships, if such relationships meet the Federal Trade Commission’s (FTC’s) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

Effective Date: January 1, 2018

renewals) for fair market value.

**COVENANTS**

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee’s real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

**EMPLOYMENT**

- Franchisor will not directly control (hire, fire or schedule) Franchisee’s employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 -3733.

**Authorized Representative of FRANCHISOR:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Authorized Representative of FRANCHISEE:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Note to Parties:** This Addendum only addresses “affiliation” between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements

Effective Date: January 1, 2018

**EXHIBIT K**

**ACH/EFT TRANSFER AGREEMENT**

The undersigned depositor (“Franchisee” or “Payor”) hereby authorizes AR WORKSHOP FRANCHISING, LLC (“Franchisor” or “Payee”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the bank designated below (“Bank”) to debit or credit such account(s) pursuant to Franchisor’s instructions.

Name of Person or Legal Entity of Franchisee: \_\_\_\_\_  
ID Number: \_\_\_\_\_  
Bank: \_\_\_\_\_  
Branch: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_  
Bank Transit/ABA Number: \_\_\_\_\_  
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.

FRANCHISEE/PAYOR:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**INDEMNIFICATION AGREEMENT**

To the above named Payee and the Bank designated:

The Payor agrees with respect to any action taken pursuant above authorization:

1. To indemnify the Bank and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Bank in the regular course of business for the purpose of payment, including any costs or expenses reasonably in collection therewith.
2. To indemnify Payee and the Bank for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.
3. To defend at Payor’s cost and expense any action which might be brought by any depositor or any other persons because of any actions taken by the Bank of Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Bank’s or Payee’s participation therein.

**BE SURE THAT ALL INFORMATION ASKED FOR IS PROVIDED**

**EXHIBIT L**

**FORM OF FRANCHISE COMPLIANCE CERTIFICATION**

The purpose of this Certification is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Have you received and personally reviewed our Franchise Disclosure Document (“FDD”), Franchise Agreement and each Addendum (if any), and related agreement (i.e., personal guaranty) attached to them?

Yes or No? \_\_\_\_\_

2. Did you receive the Franchise Agreement and each related agreement, Addendum, or Amendment (if any), containing all material terms, at least 7 days before signing any binding agreement with us or an affiliate?\*

Yes or No? \_\_\_\_\_

\* This does not include changes to any agreement mutually agreed upon.

3. Did you receive the FDD at least 14 days before signing the Franchise Agreement, this document or any related agreement, and before paying any funds to us or an affiliate?

Yes or No? \_\_\_\_\_

4. Do you understand all of the information contained in the FDD, Franchise Agreement and each Addendum (if any), and related agreement provided to you?

Yes or No? \_\_\_\_\_

If No, what parts of the FDD, Franchise Agreement, Addendum (if any), and/or related agreements do you not understand?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

5. Did you sign a receipt for the FDD indicating the date you received it?

Yes or No? \_\_\_\_\_

6. Have you discussed the benefits and risks of purchasing an AR WORKSHOP franchise with an attorney, accountant or other professional advisor?

Yes or No? \_\_\_\_\_

If No, do you wish to have more time to do so?

Yes or No? \_\_\_\_\_

7. Do you understand that the success or failure of your AR WORKSHOP franchise will depend in large part upon your skills and abilities, competition from other businesses, and other economic and business factors?

Yes or No? \_\_\_\_\_

8. Has any employee or other person speaking on our behalf made any statement or promise concerning the actual or possible revenues or profits of an AR WORKSHOP franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes or No? \_\_\_\_\_

9. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating an AR WORKSHOP franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes or No? \_\_\_\_\_

10. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating an AR WORKSHOP franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes or No? \_\_\_\_\_

11. If you have answered "Yes" to any one of questions 8-10, please provide a full explanation of each "Yes" answer in the following blank lines.

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12. Do you understand that the Franchise Agreement, Addendum (if any) and related agreements contain the entire agreement between you and us concerning the AR WORKSHOP franchise, meaning that any prior oral or written statements not set out in the Franchise Agreement, Addendum (if any) or related agreements will not be binding?

Yes or No? \_\_\_\_\_

Nothing in this document or any related agreement is intended to disclaim the representations we made in the FDD that we furnished to you.

13. Do you understand that, except as provided in the FDD, nothing stated or promised by us that is not specifically set forth in the Franchise Agreement, Addendum (if any) and related agreements can be relied upon?

Yes or No? \_\_\_\_\_

14. You signed the Franchise Agreement, and Addendum (if any) and related agreements on \_\_\_\_\_, and acknowledge that no agreement or addendum is effective until signed and dated by us.

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

SPECIAL NOTE FOR RESIDENTS OF THE STATE OF ILLINOIS AND FRANCHISED BUSINESSES LOCATED IN ILLINOIS: Questions 1 and 5 do not apply to you.

SPECIAL NOTE FOR RESIDENTS OF THE STATE OF MARYLAND AND FRANCHISED BUSINESSES LOCATED IN MARYLAND: None of the above representations are intended to nor will they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The individuals signing below for the "**Franchisee Applicant**" constitute all of the executive officers, partners, shareholders, investors and/or principals of the Franchisee Applicant, or constitute the duly authorized representatives or agents of the foregoing.

FRANCHISEE APPLICANT:

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

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

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

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

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

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

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

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

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

### **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:

<b>State</b>	<b>Effective Date</b>
California	
Hawaii	Not Registered
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT M  
RECEIPT**

This disclosure document summarized certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

**If AR WORKSHOP FRANCHISING, LLC offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale or, if you live in New York, or Rhode Island, at the earlier of the first personal face-to-face meeting or 10 days before you sign, or sooner if required by applicable state law. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or the payment of any consideration that relates to the franchise relationship.**

If AR WORKSHOP FRANCHISING, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed on Exhibit E.

The name, principal business address and telephone number of the franchise seller offering the franchise:

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<u>Maureen Anders</u>	<u>Kasey Wright</u>	_____
<u>315 Main Street, Ste. AA</u>	<u>315 Main Street, Ste. AA</u>	_____
<u>Pineville, NC 28134</u>	<u>Pineville, NC 28134</u>	_____
<u>(919) 824-8609</u>	<u>(803) 642-2232</u>	_____

Issuance Date: March 27, 2020

See Exhibit E for our registered agent authorized to receive service of process.

I have received a disclosure document dated March 27, 2020, that included the following:

Exhibit A -- AR WORKSHOP FRANCHISE AGREEMENT With Attachment 1 (Franchise Rider), Attachment 2 (Lease Rider), Attachment 3 (Guaranty), Attachment 4 (Nondisclosure and Noncompetition Agreement), Attachment 5 (Telephone Listing and Internet Authorization Agreement), Attachment 6 (Internet, Social Media, and Telephone Assignment), Exhibit B -- LISTING OF CURRENT FRANCHISEES/LICENSEES and CERTAIN PAST FRANCHISEES, Exhibit C -- FINANCIAL STATEMENTS, Exhibit D -- STATE SPECIFIC INFORMATION, Exhibit E -- FEDERAL AND STATE REGULATORS/AGENTS FOR SERVICE OF PROCESS, Exhibit F -- SAMPLE GENERAL RELEASE AGREEMENT; Exhibit G -- AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER, Exhibit H -- FIRST ADDENDUM TO RENEWAL FRANCHISE AGREEMENT, Exhibit I -- ACCOUNTANT AUTHORIZATION, Exhibit J -- SBA ADDENDUM, Exhibit L -- STATEMENT OF PROSPECTIVE FRANCHISEES, Exhibit M -- RECEIPT

\_\_\_\_\_  
Date  
\_\_\_\_\_  
Prospective Franchisee

Individually and as an officer, partner, member or manager of \_\_\_\_\_, a \_\_\_\_\_ organized under the laws of \_\_\_\_\_.

You may return one copy of this receipt either by signing, dating and mailing it to AR WORKSHOP FRANCHISING, LLC, 315 Main Street, Suite AA, Pineville, North Carolina 28134, (919) 824-8609.

