

# FRANCHISE DISCLOSURE DOCUMENT



CARRE D'ARTISTES GREAT AMERICA LLC

A New York limited liability company

~~e/o KVB, 60 Broad Street,~~

~~336 AZ-179~~

Suite ~~3502~~B121

~~New York, NY 10004~~

~~(917) 602-2686~~

~~Sedona, AZ 86336~~

~~+33 6 20 61 07 49~~

franchise@carredartistes.com

www.carredartistes.com

CARRE D'ARTISTES GREAT AMERICA LLC grants franchises for the operation of art galleries related to the sale of contemporary artworks under the name "CARRE D'ARTISTES"

The total investment necessary to begin operation of a franchised CARRE D'ARTISTES franchise business is from \$~~238,300~~228,300 to \$~~558,500~~548,500. This includes \$~~108,000~~98,000 that must be paid to CARRE D'ARTISTES GREAT AMERICA LLC or its affiliates.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Mrs. Stéphanie Tosi at CARRE D'ARTISTES GREAT AMERICA LLC, ~~e/o KVB, 60 Broad Street~~336AZ-179, Suite ~~3502~~B121, ~~New York, NY 10004~~Sedona, Arizona 86336, email: ~~stephaniefranchise@carredartistes.com~~, telephone number: + ~~33 4 42 63 62 59~~33 6 20 61 07 49.

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, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: ~~November 19~~June 23, 2021~~2022~~

## How to Use This Franchise Disclosure Document

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

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

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

1. **Continuing Responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.
2. **Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchised business or may harm your franchised business
3. **Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.
4. **Operating restrictions.** The franchise agreement may prohibit you from operating a similar business ~~both~~ during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.
5. **Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.
6. **Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.
7. **When your franchise ends.** ~~Your~~The franchise agreement may ~~not permit~~prohibit you ~~to renew. Even if it does, most franchise agreements do not allow you to renew on the same terms and conditions. You may have to sign a new agreement with different terms and conditions in order to continue to operate your franchised business~~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 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 ~~New York~~the place where we have our principal place of business (currently Arizona). 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 ~~[State]~~Arizona (or the state where we may later have our principal place of business) than in your own state.
2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. **Operating History.** The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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.

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## ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT

### EXHIBITS

- EXHIBIT A: LIST OF ART GALLERIES
- EXHIBIT B: FINANCIAL STATEMENTS
- EXHIBIT C: FRANCHISE AGREEMENT
- EXHIBIT D: SAMPLE RELEASE
- EXHIBIT E: STATE AGENCY EXHIBIT
- EXHIBIT F: FRANCHISEE QUESTIONNAIRE
- EXHIBIT G: STATE-SPECIFIC ADDENDUM
- EXHIBIT H: CONFIDENTIALITY AGREEMENT
- EXHIBIT I: RECEIPT



## ITEM. 1

### THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

#### Franchisor and Its Parents

CARRE D'ARTISTES GREAT AMERICA LLC is the Franchisor and is referred to in this Disclosure Document as “**Carré d’artistes**” or “**we**”. The franchise offered and sold by Carré d’artistes is referred to in this Disclosure Document as the “**Carré d’artistes Art Galleries**” or the “**Carré d’artistes Businesses.**” “**You**” means the person or entity that buys the franchise from Carré d’artistes. If the franchise is purchased by a corporation, limited liability company, partnership or other entity, then “**you**” may also mean the shareholders, members, partners or other owners of that entity.

We are a New York limited liability company that was formed on June 15, 2018 for the purpose of offering and selling Carré d’artistes Art Gallery franchises in the U.S. Our principal business address is 336AZ-179, Suite B121, Sedona, Arizona 86336. We do not conduct any other business, and do not offer franchises for any other line of business, other than the franchises being offered in this disclosure document. We started offering franchises on June 29, 2018. We do not operate Carré d’artistes Art Galleries, but our affiliate operates 1 gallery in the U.S.

#### Parents, Predecessors and Affiliates of Carré d’artistes

The Carré d’artistes Art Gallery concept was founded in 2001 following the incorporation of our ultimate parent, Carré d’artistes SAS (“**Parent**” or “**Carré d’artistes FRANCE**”). Parent is a French simplified joint-stock company that was formed on May 14, 2001. Parent’s principal address is ~~434 Les Allées François Aubrun, RN 7 Palette le Tholonet—13100 Aix-en-Provence~~ 230 Chemin du Valladet, 13510 Eguilles, France. Parent operates and franchises a total of 14 franchises and 15 company-owned Carré d’artistes Art Galleries in Europe, Russia, the Middle East, ~~Mexico~~ Singapore, China, and Hong Kong. It is also our predecessor and between 2013 and 2016 it sold 5 franchises in the U.S. Of those, one, which was repurchased by our affiliate, remains open.

Our direct parent is Carré d’artistes USA Corp. (“**Carré d’artistes USA**”), a New York corporation formed on June 6 2016, and does business under its entity name. ~~Our, and~~ Carré d’artistes USA’s principal business address is c/o KVB, 60 Broad Street, Suite 3502, New York, NY 10004.

The agents for service of process on Carré d’artistes are listed in the State Agency Exhibit attached to this Disclosure Document (Exhibit E).

Except for Parent, none of the affiliates of Carré d’artistes has ever offered franchises for Carré d’artistes Art Galleries franchises or franchises in any other line of business. Parent only offers franchises for Carré d’artistes Art Galleries and for no other line of business.

You will be acquiring selected Artworks for sale in your Carré d’artistes Art Gallery from us, but also from Carré d’artistes France, but not from any other of our affiliates.

## Franchised Business

Carré d’artistes grants franchises for the operation of Carré d’artistes Businesses. Carré d’artistes Businesses feature art galleries selling contemporary artworks under the name “**Carré d’artistes**”. The business you will conduct, the Carré d’artistes Business, refers to a business using the Carré d’artistes trademark and associated logos and symbols (the “**Licensed Marks**”) to operate a Carré d’artistes gallery offering customers contemporary artworks. Your Carré d’artistes Business will use the methods, procedures, and other know-how we and our Parent have developed (the “**Concept**”) and includes standards for operating a Carré d’artistes Business. Our standards and procedures are included in our operations manual (the “**Operations Manual**”). Each Carré d’artistes Business will operate under a franchise agreement (the “**Franchise Agreement**”) and in accordance with our confidential Operations Manual.

The Concept presently includes the Licensed Marks and associated marks, logos and designs; advertising, publicity and other marketing programs; training programs and training materials; and other requirements as stated or referred to in your Franchise Agreement and in our Operations Manual, or otherwise in writing by us and designated as part of standards for the Concept. The Concept will be applied to all Carré d’artistes Businesses, although we in our business judgment may make exceptions based on local conditions, special circumstances or different contractual provisions. The Concept may be changed or modified by us, in our sole discretion, and you will agree to comply with the Concept as it may exist (including all operational policies, procedures, programs and plans set forth in the Operations Manual or otherwise in writing).

## General Market for Your Products and Services and Competition

The market is competitive for art galleries offering contemporary artworks for sale, in particular with regard to pricing, service, location and quality, and is susceptible to changes in consumer taste and economic conditions. You may face competition from various businesses, in particular from locally-owned businesses that offer similar goods and service items, as well as from national and regional chains. Generally, there are no seasonal variations in sales, though this may depend on your specific location.

## Regulations Specific to the art galleries Industry

The art gallery industry and the Carré d’artistes Businesses are subject to consignment laws applicable to all art galleries. It is your obligation to know the laws in your location and comply with them. Other laws will be applicable to your business and we urge you to make inquiries about these laws. Check with a lawyer to learn about specific laws applicable to your business.

## Our Business Experience

Parent has operated art galleries under the Carré d’artistes since 2001 in France and has franchised Carré d’artistes Art Galleries in other countries since 2005. Our affiliates have operated Carré d’artistes Art Galleries in the U.S. since 2016. We do not operate the sort of business that you will operate.



## ITEM. 2 BUSINESS EXPERIENCE

### **Stéphanie Tosi – Director**

Mrs. Stéphanie Tosi has been our director since our inception in June 2018. She is also director of Carré d'artistes USA since its incorporation in June 2016. She has also served as president of Parent since January 2017. She founded Carré d'artistes France in 2001 and has been its director since then. She works out of ~~Aix-en-Provence~~[Éguilles](#) in France.

### **Solenne Coquelet – Treasurer**

Mrs. Solenne Coquelet has been our treasurer since our inception in June 2018. She has also been the Finance and HR director of Carré d'artistes France since February 2018. Before that, she was the responsible for financial and administrative matters with In Extenso in Aix-en-Provence, France from May 2014 through February 2018. She works out of ~~Aix-en-Provence~~[Éguilles in France](#).

### **Marc Bellaïche – Chief Sales Officer**

[Mr. Bellaïche has been our Chief Sales Officer since November 2021. Before that, he was a retail consultant of 2EC Conseil in Avignon, France, from December 2019 until October 2021. He also worked for 2EC Conseil as a retail consultant from February 2018 until October 2018. He was the network director of Dine Fashion Group on the island of Martinique between October 2018 and December 2019. He now works out of Éguilles in France.](#)

### **Jenna Sebki – Franchise Operations Manager**

[Mrs. Sebki has been our Franchise Operations Manager since January 2022 and has served in the same position with Carré d'artistes France also since January 2022. Before that she was the Business Operations Manager with Carré d'artistes France between September 2016 and December 2021. She works out of Éguilles in France.](#)

## ITEM. 3 LITIGATION

### **Concluded Matters**

[Artier LLC, Eduardo Castaneda, Martha Blanco v. Carré d'artistes SAS, Carré d'artistes USA Corp., Stephanie Tosi, Marina Fauvey, Patrice Martineau and Charlotte Troisgros in the United States District Court, Southern District of Florida, Case No. 17-80636-CV-Middlebrooks, Filed May 22, 2017.](#)

Carré d'artistes SAS v. Artier LLC, Eduardo Castaneda, Martha Blanco in the Tribunal de commerce, Aix-en-Provence, France, Cor: 6617 MD: 95743, filed April 12, 2017.

Carré d'artistes SAS v. Societe Art Fix Gallery and Sophira, Ltd. in the Tribunal de commerce, Aix-en-Provence, no. 2017 00 7329, filed May 18, 2017

In April 2017 Carré d'artistes France filed an action in Aix-en-Provence, France against its franchisee in Florida, Artier LLC and its owners Eduardo Castaneda and Martha Blanco for breach of their franchise agreement, which had been entered into in March 2015. In May 2017 it also filed an action in Aix-en-Provence, France against its franchisee in Bahrain, Qatar and the United Arab Emirates, Societe Art Fix Gallery and its owners, Sophira, Ltd. for breach of their franchise agreement, which had been entered into in June 2015. In May 2017 Artier LLC and its owners Eduardo Castaneda and Martha Blanco filed a claim in the United States District Court for the Southern District of Florida. The complaint alleged that the disclosure document provided them by Carré d'artistes France did not comply with the FTC Franchise Rule and was therefore in violation of the Florida Deceptive Trade Practices Act and the Florida Franchise Act, that financial performance representations had been made that were also in violation of those statutes, that Carré d'artistes France had not provided adequate operational support, and that Carré d'artistes France had not registered under the Florida Sale of Business Opportunities Act. The plaintiffs in the Florida action sought actual damages and reasonable attorney's fees and court costs as well as rescission of the franchise agreement. On or about January 11, 2018 the parties to the three actions reached a joint settlement of the three actions. Carré d'artistes France agreed to pay the franchisees a total amount of \$112,000 and forgive \$10,000 due for payment of artworks held by franchisees on consignment. All actions were dismissed, and the parties released all claims against each other. Other than these actions, no litigation is required to be disclosed in this Item.

[Consent Order with the Department of Financial Protection and Innovation of the State of California. From when Franchisor first started offering franchises in the U.S. until 2021, Franchisor hired KVB Partners \("KVB"\) and Mr. Jean-Louis Vorburger \("Vorburger"\) to prepare audited financial statements to be included in Franchisor's franchise disclosure document \("FDD"\). The financial statements were included in Franchisor's FDDs from 2018 until October 2021. In October 2021 Franchisor found out that KVB had not been part of the legally required auditor peer review program. The California Department of Financial Protection and Innovation \("CDFPI"\) found that the inclusion of the financial statements prepared by KVB and Vorburger in Franchisor's FDD was a violation of Section 31200 of the California Franchise Investment Law \("CFIL"\), which makes it unlawful to include untrue statements of material facts in an application filed with the CDFPI. The CDFPI also found that Franchisor not informing CDFPI constituted an omission of a material fact in an application. On April 8, 2022 Franchisor and CDFPI entered into a consent order pursuant to which Franchisor agreed to pay a \\$20,000 penalty and to desist and refrain from using the financial statements prepared by KVB and Vorburger.](#)

#### ITEM. 4 BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

#### ITEM. 5 INITIAL FEES

##### Franchise Fee

If you sign Franchise Agreement, you must pay an Initial Fee (“**Franchise Fee**”) equal to ~~\$45,000~~35,000 in consideration of the rights granted and of the Carré d’artistes Art Gallery opened and operated by you. You will have to pay the Franchise Fee in full when you sign the Franchise Agreement. The Franchise Fee is fully earned by Carré d’artistes upon execution of the Franchise Agreement by you and is not refundable under any circumstances.

Carré d’artistes will provide your initial inventory of artworks on consignment for your Carré d’artistes Art Gallery before you open for business. You must pay us a guarantee deposit in an amount of \$60,000 before opening your Carré d’artistes Art Gallery. We will hold the deposit as security for any artwork not returned to us (in good condition) at the end of your Franchise Agreement. In other words, the deposit will be returned to you at the end of your Franchise Agreement, less any part of the deposit attributable to artwork not returned to us, or not returned in good condition. No interest will accrue on the guarantee deposit. We also have the right to subtract any unpaid fees and payments to us from the guarantee deposit at the end of your Franchise Agreement.

You must also pay us an installation fee of \$3,000 for the point-of-sale system you are required to use. This fee is not refundable.

No Franchise Fees were collected in the last calendar year.

~~[Remainder of page intentionally left blank]~~

#### ITEM. 6 OTHER FEES

| Type of Fee  | Amount                  | Date Due                                         | Remarks <sup>(1)</sup> |
|--------------|-------------------------|--------------------------------------------------|------------------------|
| Royalty Fees | 7% of weekly Net Sales. | The 5th day of each week for the preceding week. | See Note (2)           |

| Type of Fee                     | Amount                                                             | Date Due                                         | Remarks <sup>(1)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------|--------------------------------------------------------------------|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Marketing Fund Contribution     | Currently none, but could be up to 2% of Net Sales.                | The 5th day of each week for the preceding week. | Currently there is no Marketing Fund, but we have the right to start one. Instead of charging a percentage of Net Sales we may charge franchisees pro rata for specific Marketing Fund projects. The total fee will not exceed 2% of Net Sales. See Note (2)                                                                                                                                                                            |
| Communication fee               | Currently <del>\$3,500</del> <u>4,350</u>                          | Annually                                         | We have the right to charge a reasonable fee for the marketing and communications services we provide to you. Currently the fee is <del>\$3,500</del> <u>4,350</u> .                                                                                                                                                                                                                                                                    |
| Renewal Fee                     | \$15,000                                                           | Upon execution                                   | Payable if you wish to renew your Franchise Agreement when it expires and meet the conditions for renewal.                                                                                                                                                                                                                                                                                                                              |
| Artist Fund                     | Currently, 0.4% of the total yearly sales of Artworks invoiced you | Annually                                         | This is a government fee charged by the French government. The Artworks consigned to you are administered through Carré d'artistes in France. The French government requires that a certain percentage of the sales price of any artwork be paid into an artists' fund. The government may change the rate of this fee. At this time, we do not expect an increase, and if there is an increase, we do not expect it to be substantial. |
|                                 |                                                                    |                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Computer system Maintenance Fee | Currently, 1% of Net Sales                                         | Against invoice                                  | The computer system is used for things such as stock management, the POS system and as an artwork and artist database. Franchisor may, in                                                                                                                                                                                                                                                                                               |

| Type of Fee                                                                                                                | Amount                                                     | Date Due                                                                                                                                     | Remarks <sup>(1)</sup>                                                                                                                                                                                                         |
|----------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                            |                                                            |                                                                                                                                              | its reasonable discretion, change fee during the term of the Franchise Agreement. See Note (2)                                                                                                                                 |
| Artworks and other items purchased from Carré d'artistes such as packaging material sold by Carré d'artistes to Franchisee | As per Carré d'artistes' Artworks price list               | The 10 <sup>th</sup> day of each month for the preceding month.                                                                              | See Note (3).                                                                                                                                                                                                                  |
| Continuing Training Fee                                                                                                    | Reasonable amount                                          | Against invoice                                                                                                                              | We have the right to charge a reasonable fee for optional and mandatory continuing training provided to you and your employees. The fee is intended to cover our expenses and overhead incurred related to the training.       |
| Additional Services                                                                                                        | Reasonable amount                                          | Against invoice<br>At your request we may perform additional services for you. We will charge a reasonable fee, set by us, for the services. | At your request we may perform additional services for you. We will charge a reasonable fee, set by us, for the services.                                                                                                      |
| Marketing Support and Other Administrative Services Fee                                                                    | Reasonable amount                                          | Against invoice                                                                                                                              | At your request, we may provide you with additional assistance for sales, marketing, operation, and other administrative matters. These services are optional. We will charge a reasonable fee for helping with such requests. |
| Audits                                                                                                                     | Reimbursement of underpayment and expenses associated with | Against invoice                                                                                                                              | If an audit reveals an underpayment of any fee, you must promptly pay it and a past due charge. In addition, if                                                                                                                |

| Type of Fee                                               | Amount                                             | Date Due                                               | Remarks <sup>(1)</sup>                                                                                                                                                                                                                                                                                |
|-----------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                           | the audit.                                         |                                                        | the underpayment is more than 3%, you must reimburse us for all our expenses.                                                                                                                                                                                                                         |
| Online Misuse Fee                                         | \$125/day                                          | Against invoice                                        | Payable if you misuse the Licensed Marks on any online platform and do not correct the use within 5 business days from us giving you notice.                                                                                                                                                          |
| Remodeling Non-Compliance Fee                             | \$250/square foot                                  | Against invoice                                        | Payable if you do not timely comply with mandatory remodeling and renovation requirements.                                                                                                                                                                                                            |
| Post-Termination Violation Fee                            | \$500/day                                          | Against invoice                                        | Payable for each day do not comply with any of your post-termination obligations upon termination or expiration of your Franchise Agreement.                                                                                                                                                          |
| Legal Fees                                                | As incurred                                        | Against invoice                                        | Payable if we or Carré d'artistes France incurs legal fees or costs in connection with enforcing any of your obligations under the agreement. If we incur accountants', attorneys', or similar expenses in enforcing the guarantee against your guarantor your guarantor will have to pay those fees. |
| Liquidated Damages – breach of confidentiality obligation | \$10,000                                           | Upon breach of confidentiality obligation              | Payable if you violate the confidentiality obligations under the Franchise Agreement.                                                                                                                                                                                                                 |
| Liquidated Damages – termination                          | Amount equal to Royalties for the previous 2 years | Upon termination for breach of the Franchise Agreement | If the Franchise Agreement is terminated for your breach, we have the right to collect liquidated damages.                                                                                                                                                                                            |
| Insurance                                                 | As incurred                                        | Against invoice, if you don't maintain insurance       | If you don't maintain the required insurance coverage for your Carré d'artistes Business we have the right to buy the necessary coverage for                                                                                                                                                          |

| Type of Fee | Amount      | Date Due        | Remarks <sup>(1)</sup>                                 |
|-------------|-------------|-----------------|--------------------------------------------------------|
|             |             |                 | you. You must then promptly reimburse us for the cost. |
| Indemnity   | As incurred | Against invoice | See Note (4)                                           |

Footnotes:

- (1) Each fee is collected by and payable to us. Each fee, except for the Artists Fund fee, is imposed by us. All fees are uniformly imposed. Except for guaranty deposits, all fees are nonrefundable. There are no cooperatives.
- (2) “Net Sales” means the total sales revenue from your Carré d’artistes Art Gallery, including any online sales, less sales tax, refunds to customers and discounts. During the year, the weekly royalties are paid based on estimated Net Sales. The estimated Net Sales are those recorded through your POS system. At the end of each calendar year the actual Net Sales for the year are reconciled. If you overpaid Royalties (or Marketing Fund Contributions, if we start a Marketing Fund) in the previous calendar year the overpayment will be returned to you. If you underpaid, you will have to pay the balance to us. Note that sales of Artwork though the Carré d’artistes website, even to customers in your area, are not included in your Net Sales.
- (3) Payable each month after the Art Gallery commences business following payment terms defined in the Franchise Agreement. The price of the sold Artworks is of an evolving nature and is provided by Carré d’artistes, it being understood that Franchisee is free to determine resell price to customers. In the event of non-payment, even partial, a surcharge of 10% per year will be added by way of contractual penalty. The amount you spend on your Artworks will depend on the sales at your Carré d’artistes Art Gallery. Other than a general requirement to maintain a sufficient inventory of Artworks, there is no minimum or maximum purchase requirement imposed under the Franchise Agreement. However, normally we will not ship more Artworks to you if the value of the Artworks you then have in inventory exceeds \$90,000 (1.5 times the Artwork deposit of \$60,000). The amount of new Artworks purchased will therefore depend largely on your sales in the previous month.
- (4) You must indemnify and defend us, our affiliates, our and our affiliates’ officers, directors, owners, managers, employees and agents against all losses and claims that arise out of: your default under any agreement between you and one of the indemnified parties; any act or omission by you, your negligence or willful conduct at or in connection with your Art Gallery; your operation of the Art Gallery; any allegations that you are the agent of an indemnified party; your use of the licensed marks on signs and in advertising; your or your employees’ or your agents’ violation of law; taxes we are required to pay on your behalf; and, other acts or omissions by you, your customers, agents, employees, contractors, invitees, licensees or business associates. This is only a summary of the indemnity obligation in the Franchise Agreement.

**ITEM. 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

| <b>Type of Expenditure</b>                                                                                                    | <b>Amount<sup>(1)</sup></b>         | <b>Method of Payment<sup>(2)</sup></b> | <b>When Due</b>                          | <b>To Whom Payment Is To Be Made</b>                                                     |
|-------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|----------------------------------------|------------------------------------------|------------------------------------------------------------------------------------------|
| Franchise Fee <sup>(3)</sup>                                                                                                  | <del>\$45,000</del> <u>\$35,000</u> | Lump Sum                               | When you sign the Franchise Agreement    | Carré d'artistes                                                                         |
| Artworks Deposit <sup>(4)</sup>                                                                                               | \$60,000                            | Lump Sum                               | 3 months prior the delivery of paintings | Carré d'artistes                                                                         |
| Shipping and Import Cost for Artworks <sup>(5)</sup>                                                                          | \$4,000 - \$6,000                   | As incurred                            | At the time of shipment                  | Carré d'artistes or carrier                                                              |
| Lease <sup>(6)</sup>                                                                                                          | \$45,000 - \$150,000                | As Arranged                            | As Incurred                              | Landlord (a deposit or a guarantee may be required by the lessor)                        |
| Leasehold Improvements, construction and remodeling <sup>(7)</sup>                                                            | \$50,000 - \$200,000                | As Arranged                            | As Incurred                              | Suppliers                                                                                |
| Pre-opening training fees, Wages, Travel and Living Expenses for You and Your Management Staff During Training <sup>(8)</sup> | \$2,000 - \$5,000                   | As Incurred                            | As Incurred During Training              | Employees, Airlines, Hotels and Businesses                                               |
| Furnishing <sup>(9)</sup>                                                                                                     | \$10,000 - \$20,000                 | As Incurred                            | As Incurred                              | Suppliers                                                                                |
| Fixtures <sup>(9)</sup>                                                                                                       | \$2,000 - \$7,500                   | As Arranged                            | As Incurred                              | Suppliers or Leasing Companies                                                           |
| Signage <sup>(10)</sup>                                                                                                       | \$5,000 - \$15,000                  | As Arranged                            | As Incurred                              | Suppliers                                                                                |
| Point-of-Sale and Computer System <sup>(11)</sup>                                                                             | \$3,000                             | As Arranged                            | As Incurred                              | Carré d'artistes or our affiliates                                                       |
| Licenses, Permits and Miscellaneous Start-Up Expenses <sup>(12)</sup>                                                         | \$5,000 - \$10,000                  | As Incurred                            | Before Opening or As Otherwise Arranged  | Landlord, Utilities, Government Agencies, Attorneys, Accountants and Other Professionals |
| Pre-opening                                                                                                                   | \$1,800 - \$10,000                  | As Arranged                            | Before                                   | Suppliers                                                                                |



| Type of Expenditure                           | Amount <sup>(1)</sup>                                            | Method of Payment <sup>(2)</sup> | When Due    | To Whom Payment Is To Be Made                   |
|-----------------------------------------------|------------------------------------------------------------------|----------------------------------|-------------|-------------------------------------------------|
| advertising and grand opening <sup>(13)</sup> |                                                                  |                                  | Opening     |                                                 |
| Insurance <sup>(14)</sup>                     | \$500 - \$7,000                                                  | As Arranged                      | As Incurred | Insurer                                         |
| Additional Funds - 3 Months <sup>(15)</sup>   | \$5,000 - \$20,000                                               | Varies                           | Varies      | Payroll, Utilities, Suppliers, Carré d'artistes |
| Total <sup>(15)</sup>                         | <del>\$238,300 - \$558,500</del><br><u>\$228,300 - \$548,500</u> |                                  |             |                                                 |

Footnotes:

- (1) For the estimated range of costs, we relied on the historical operations of the Carré d'artistes Businesses owned and operated by affiliated entities in the U.S. You should carefully review these figures with your business advisor before making any decision franchise a Carré d'artistes Art Gallery.
- (2) Payments are not refundable unless otherwise noted. Carré d'artistes does not offer direct or indirect financing.
- (3) You will have to pay the Franchise Fee in full when you sign the Franchise Agreement. The Franchise Fee is fully earned by Carré d'artistes upon execution of the Franchise Agreement by you and is not refundable under any circumstances.
- (4) Carré d'artistes will provide your initial inventory of artworks for your Carré d'artistes Art Gallery before you open for business. You must pay us a guarantee deposit in an amount of \$60,000 before opening your Carré d'artistes Art Gallery. We will hold the deposit as security for any artwork not returned to us (in good condition) at the end of your Franchise Agreement. No interest will accrue on the guarantee deposit.
- (5) You will have to pay for the shipment and import related expenses for the Artworks.
- (6) We expect that most franchisees will lease their facilities. The cost per square foot of commercial retail space varies considerably depending upon the location and market conditions affecting commercial property Carré d'artistes businesses will typically be located on high traffic areas, and generally require from 538 to 1,615 square feet of floor space. The cost per square foot of leasing commercial property will vary considerably depending upon location and market conditions. In some very large markets, such as for example New York, San Francisco and Los Angeles, the lease expense may be even higher than this estimate. This estimate does not provide for the purchase of land or the construction of a building. If you buy unimproved real estate and construct your Art Gallery, the total estimated initial investment for your Art Gallery will be significantly higher.

- (7) These estimated costs are to build out an existing building or space to meet the image and décor requirements for Carré d'artistes Businesses. Costs for leasehold improvements will vary greatly, depending upon the location, condition, layout and content of the site, labor and material costs, and landlord provided work (tenant improvement allowance). These leasehold improvement costs assume that the delivery of the space includes the requirements described in Carré d'artistes' standard landlord work letter.
- (8) You must pay for the Salaries and Benefits, Travel Expenses, and other expenses while you and/or your designated staff attend the training program.
- (9) This includes furniture and fixtures such as counters, bins or artwork and display equipment as well as small wares, computer hardware, office equipment and supplies. Your furniture, fixtures, décor, and equipment may be financed through a bank or other financial institution, leased, or purchased outright.
- (10) You will need to purchase exterior and interior signs in order to maximize visibility of your Carré d'artistes Art Gallery for customers. Local regulations as well as lease requirements may impact the type of signage you will be able to display.
- (11) This includes the cost of the computer software that will serve as your point-of-sale computer system. The computer system is used for more than just the POS function. For example, it is also used as the stock management system and as an artists and artwork database.
- (12) You will need to acquire all the necessary permits, utilities, merchant accounts and licenses that are required to operate the Carré d'artistes Business legally and proficiently and pay any security deposits that may be required. Other miscellaneous fees include such items as security and lease deposits or guarantees required by lessors, impact fees, commissions, miscellaneous professional fees to acquire or lease the premises of your Carré d'artistes Business location, and other accounting and legal fees. You should check with the local regulatory agency that issues building permits to determine what impact, connection, or other site development fees may be required for the specific site for your Carré d'artistes Art Gallery.
- (13) We require that you spend at least \$1,800 on the opening promotion of your Carré d'artistes Art Gallery, but you may wish to spend more. We will develop a budget for the opening promotion together with you.
- (14) You will be required to purchase the specified insurance coverage for your Carré d'artistes Art Gallery before operations begin. The required coverage will include general liability insurance, fine arts insurance, and workers compensation insurance. You must obtain the coverage at least 15 days before you open the Art Gallery. For insurance applicable to construction of your Art Gallery you must obtain that coverage at least 15 days before you start construction.

- (15) We estimate that your initial period of operations will be 3 months. You will need to have on hand enough additional capital to cover operating expenses until your Carré d'artistes Art Gallery reaches a break-even operating basis. The estimate given is the amount of additional funds intended to cover your expenditures for inventory, fees due under the Franchise Agreement, utilities, supplies, uniforms, lease payments, and other miscellaneous operating costs. This estimate has not been offset by any allowance for your operating revenues during this three-month period. Your working capital requirements may increase or decrease depending upon your geographic area, number of employees, labor rates, minimum wage laws, and other economic factors. For the estimated range of additional funds that you will need during your first three months of operation, Carré d'artistes relied on the initial operations of the Carré d'artistes Businesses owned and operated by affiliated entities for this estimate.
- (16) These figures are estimates only, and it is possible that you may have additional or greater expenses during this period. Your costs will vary depending on the size of your Carré d'artistes Art Gallery, your geographic area, economic and market conditions, competition, interest rates, wage rates, sales levels attained, and other economic factors. None of the payments to us are refundable, except for the Art Deposit.

## **ITEM. 8**

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

You must comply with all our mandatory standards, methods, policies, products, procedures, techniques, standards and specifications that we prescribe in the Operations Manual, Standards or other written or electronic communications. Except as listed below, currently you are not required to purchase or lease any goods, services, supplies, FF&E, inventory, computer hardware or software, real estate or comparable items related to the establishment or operation of your Carré d'artistes Art Gallery from us, our affiliates, our designees, suppliers approved by us, or under our specifications.

#### **Obligation to Purchase selected Artworks from Carré d'artistes or an Affiliate**

Carré d'artistes will provide you with selected Artworks by Carré d'artistes Selected Artists (these are artists that are featured by Carré d'artistes) which are offered without exclusivity by you to customers in your Carré d'artistes Art Gallery.

You will be supplied with such Artworks by Carré d'artistes or by suppliers designated by Carré d'artistes. Before you open your Carré d'artistes Art Gallery for business, we will supply you with Artworks up to 1.5 times the value of your Art Deposit of \$60,000, thus the value of your Artwork would be up to \$90,000 (\$60,000 multiplied by 1.5). If at any time the inventory value exceeds \$90,000, then deliveries of additional Artwork will be held back until you have either sold or returned enough Artwork to bring your inventory value, plus the value of the new delivery, down to no more than \$90,000. Throughout the term of your Franchise Agreement you will be required to maintain an enough inventory of Artworks to meet demand in your market. Concept

changes throughout the term may require you to increase the amount of Artwork you hold in inventory, or may require you to carry more expensive Artwork in inventory.

All Artwork by Carré d'artistes Selected Artists that you wish to display in your Carré d'artistes Art Gallery must be acquired from us. If you wish to also feature artwork by other artist, the artists and the artwork must be approved by us before you display it or otherwise feature it through you Carré d'artistes Business.

### **Obligation to Purchase or Lease Products and Services under Carré d'artistes's Restrictions**

There are products and equipment that are selected by Carré d'artistes for consistency in quality and other considerations. Some of the interior design materials, such as laminate panels, have to be purchased pursuant to our specifications and from approved suppliers only. Other interior design items, such as art bins, light fixtures and furniture for your Art Gallery must meet our specifications, but you can buy them from a supplier of your choice.

Carré d'artistes will provide a written list of these selected items. Carré d'artistes will also notify you of any additions to or deletions from this list as it may change from time to time. Except for the Artwork by Carré d'artistes Selected Artists and the software and related installation services, we and our affiliates are not the approved suppliers or only approved suppliers for any product or service you must purchase or lease, though Carré d'artistes will issue specifications for the insurance you must carry. The required coverage will include general liability insurance, fine arts insurance, and workers compensation insurance. Currently, we do not have specific levels of insurance that we require you to carry, but it is likely that your landlord will require certain insurance under your lease. You must obtain the coverage at least 15 days before you open the Art Gallery. For insurance applicable to construction of your Art Gallery you must obtain that coverage at least 15 days before you start construction.

None of our officers own an interest in any of our suppliers, except that our director, Stéphanie Tosi, is also president of Parent who you may buy Artworks from.

Except for the Artwork by Carré d'artistes Selected Artists and the software and related installation services, you may use other products and services than those we specify. To ensure that you adhere to the uniformity requirements and quality standards associated with all Carré d'artistes Businesses, if you want to use a different supplier than we require, or if you want to purchase or lease different products or services than we require, you must first have the written approval of Carré d'artistes. Carré d'artistes will provide you with written standards and specifications for products and services required or that are subject to our specifications, but we do not provide our franchisees with the criteria for approving suppliers. We have the right to charge a reasonable fee for the review of alternative suppliers and products or services. The fee is intended to cover our expenses for the review. There is no specific time period in which we must approve or reject your suggested alternative product or service, or alternative supplier, though we will strive to do so in no more than 30 days. If we revoke the approval of an alternative supplier, product, or service, you will be notified of the revocation in writing (it could be by e-mail, letter, or overnight courier). Applications for approval are reviewed on a case by case basis.

Carré d'artistes determines its uniformity and quality standards and specifications, in its sole discretion. Carré d'artistes may modify its written standards and specifications, and you must comply with any modifications. You will be responsible for ensuring that all such equipment and products selected by you will continue to conform to the standards and specifications established by Carré d'artistes. During the term of the Franchise Agreement we have the right to require periodic remodeling and renovations of the Art Gallery, but under the Franchise Agreement you will not be required to pay more than \$250 per square foot per year for required remodeling and renovations to the Art Gallery space. The annual maximum is cumulative, so if you spend less than \$250/square foot in a year we may require you to spend more in a subsequent year. However, we will not require you to pay for major remodeling or renovation projects if there is less than 2 years left on the term of your Franchise Agreement.

### **Consideration Provided to Carré d'artistes or You for Purchases**

You will benefit from the supply chain, prices and quality conditions of Carré d'artistes, and from Carré d'artistes' experience in seeking out and selecting artists and works, so as to continuously benefit from a suitable and sufficient collection to meet the needs of the clientele.

We and Carré d'artistes France will derive revenue from required purchases and leases purchases by franchisees. In the 2020 fiscal year, our total revenue was \$0.00 and we did not derive any revenue from required purchases and leases by franchisees. Carré d'artistes France derived \$185,084.59 in revenue from required purchases in 2020 from U.S. franchisee purchases.

We estimate that the proportion of your required purchases and leases to all purchases and leases by you of products and services in establishing and operating your Carré d'artistes Business is 40 to 65%.

We may from time to time negotiate purchase arrangements with suppliers, including price terms, for your benefit. We do not provide any material benefits to you based on your use of designated or approved sources. Currently, no designated suppliers will be making payments to us based on your purchases from them. There are no purchasing or distribution cooperatives.

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## 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                    | Article 7.3 of the Franchise Agreement                                                                                                                   | Item 11                         |
| b. Pre-opening purchases/leases                            | Articles 7.5.1 and 8.2 of the Franchise Agreement                                                                                                        | Items 7, 8 and 11               |
| c. Site development and other pre-opening requirements     | Articles 7.3 of the Franchise Agreement                                                                                                                  | Items 7 and 11                  |
| d. Initial and ongoing training                            | Article 7.1 of the Franchise Agreement                                                                                                                   | Item 11                         |
| e. Opening                                                 | Article 7.3 of the Franchise Agreement                                                                                                                   | Item 11                         |
| f. Fees                                                    | Articles 4.2, 6.6.1, 6.7, 6.10, 7.1, 7.5.1, 8, 10, 12.2.2, 13.4, 15(v), 16 (viii), 21.2(v), 21.2(xix) and Appendix 3 (Sec. 4) of the Franchise Agreement | Items 5, 6 and 11               |
| g. Compliance with standards and policies/Operating Manual | Articles 1.2, 2, 5.1, 5.7, 6.3, 7.2, 7.3, 7.4, 7.9 and 15 of the Franchise Agreement                                                                     | Items 8, 11 and 14              |
| h. Trademarks and proprietary information                  | Articles 1.1, 5, 7.6, 9, 15, 16 and 21.2(xi) of the Franchise Agreement                                                                                  | Items 13 and 14                 |
| i. Restrictions on products/services offered               | Articles 2, 6.6.2 and 8 of the Franchise Agreement                                                                                                       | Items 8 and 16                  |
| j. Warranty and customer service requirements              | Article 7.2 of the Franchise Agreement                                                                                                                   | Not Applicable                  |

| <b>Obligation</b>                                      | <b>Section in Agreement</b>                            | <b>Disclosure Document Item</b> |
|--------------------------------------------------------|--------------------------------------------------------|---------------------------------|
| k. Territorial development and sales quotas            | Not Applicable                                         | Item 12                         |
| l. Ongoing product/service purchases                   | Article 8 of Franchise Agreement                       | Item 8                          |
| m. Maintenance, appearance and remodeling requirements | Articles 7.2 and 7.4 of the Franchise Agreement        | Item 17                         |
| n. Insurance                                           | Article 7.9 of the Franchise Agreement                 | Items 7 and 8                   |
| o. Advertising                                         | Article 9 of the Franchise Agreement                   | Items 6 and 11                  |
| p. Indemnification                                     | Article 11 of the Franchise Agreement                  | Item 6                          |
| q. Owner's participation/management/staffing           | Articles 6.1.1, 6.4 and 7.2 of the Franchise Agreement | Item 15                         |
| r. Records and reports                                 | Articles 7.6 and Appendix 2 of the Franchise Agreement | Item 6                          |
| s. Inspections and audits                              | Article 6.7 of the Franchise Agreement                 | Items 6 and 11                  |
| t. Transfer                                            | Article 12 of the Franchise Agreement                  | Items 6 and 17                  |
| u. Renewal                                             | Article 4.2 of the Franchise Agreement                 | Item 17                         |
| v. Post-termination obligations                        | Article 16 of the Franchise Agreement                  | Item 17                         |
| w. Non-competition covenants                           | Article 14 of the Franchise Agreement                  | Item 17                         |
| x. Dispute resolution                                  | Article 21 of the Franchise Agreement                  | Item 17                         |
| y. Personal guaranty                                   | Article 7.11 and Appendix 3 of the Franchise Agreement | Item 15                         |

## **ITEM. 10 FINANCING**

Carré d'artistes does not offer financing to you. Carré d'artistes does not guarantee any note, lease or obligation.

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

**Except as listed below, Carré d'artistes is not required to provide you with any assistance.**

### **Assistance Before Opening Your Carré d'artistes Art Gallery**

#### **Site Selection:**

If we have not already approved the location for Carré d'artistes Art Gallery, you must submit your site application within 60 days of the effective date of the Franchise Agreement. We will then approve or reject your proposed site within 60 days. We are not required to help you find a location but we will provide general advice on site selection and what, in our experience, is important to consider. The factors we consider in approving or disapproving a proposed site include, without limitation, the general location, available parking, physical characteristics of existing buildings, competing businesses, traffic count, population growth, traffic visibility, lease terms (including that your lease should be co-terminous with your Franchise Agreement), and proximity to other commercial activities in the area. Our approval of the site does not in any way guarantee that the location will become a profitable Carré d'artistes Art Gallery, only that the site complies with our requirements. If the initial site application for an approved location is denied, you may submit a replacement site application within 60 days. Failure to do so may result in a termination of the Franchise Agreement. We have 60 days after receipt of the site application and all other information and materials we require to approve or disapprove the site application. We have no obligation to consider more than 2 site applications. (Franchise Agreement, Sections 6.4.1 and 7.3)

We do not help you negotiate your lease or purchase agreement for your location. If you lease your location, we require that your lease include provisions that give us the right to receive copies of any notice of your default under the lease, the right (but not obligation) to cure any defaults and at least 30 days in addition to any cure period given you to do so, that we have the right (but not obligation) to assume your obligations under the lease if you don't cure a default. We do not generally own the premises that you will lease. (Franchise Agreement, Section 7.3.1(ii))

#### **Construction and Design:**

We will provide you with standard layout drawings and design plans. (Franchise Agreement, Section 6.4.1) Within 30 days of your execution of a lease for the location, you must provide us



with a precise blueprint of the premises with all the dimensions, prepared by a licensed architect that we approve. The plan shall include such details as are required by the Operations Manual at the time of submission. Within 30 days of receipt, we will review the blueprints for compliance with Concept Standards, but it is your responsibility to ensure that the blueprints comply with applicable law, including local ordinances and building codes and it is also your responsibility to obtain any required permits. You must implement the completed premises blueprint provided by us using a contract that we approve and we may require that you use architects approved by us. We will approve the build-out of your Carré d'artistes Art Gallery before you may open for business. We will also provide you with the design-requirements for interior and exterior signage for the Carré d'artistes Art Gallery. (Franchise Agreement, Section 6.4) After our review, if you comply, we issue a Compliance Certificate. You must open within 12 months of the Franchise Agreement effective date, but must get our Compliance Certificate for your Art Gallery first. If the Carré d'artistes Art Gallery does not comply with the Carré d'artistes Standards Franchisee will be given a reasonable amount of time to address the non-complying items. If Franchisee fails to fully address all non-complying items within such time period, Master Franchisee may, at its option, terminate this Agreement. (Franchise Agreement, Section 7.3.2) While we will provide you with the Concept Standards for design and decoration of the Carré d'artistes Art Gallery, it is your obligation to implement the design.

Other than our obligations described above relating to the construction and design of your Carré d'artistes Art Gallery you are responsible for the construction and design. For example, while we provide you with written specifications for signs, fixtures and equipment, you must purchase those items yourself and handle delivery and installation of the fixtures, equipment and signs, the layout and decoration of the Carré d'artistes Art Gallery. All expenses pertaining to the build-out of your Carré d'artistes Art Gallery, including expenses in relation to the construction necessary to open the Art gallery must be paid by you.

### **Other Pre-Opening Assistance:**

In addition, Carré d'artistes will:

- Provide you with an opening inventory of Artworks;
- Provide you (or if you are an entity, your owner) and manager of the Carré d'artistes Art Gallery with initial training. You must pay for your and your manager's travel, lodging and food expenses while attending training. (Franchise Agreement, Section 6.1.1);
- Provide you with access to the Operations Manual. The Operations Manual is confidential and will remain the property of Carré d'artistes during and after the term of the Franchise Agreement. (Franchise Agreement, Section 6.3);
- Send, at our expense, 1 representative for at least 2 days to help with the opening of the Carré d'artistes Art Gallery (Franchise Agreement, Section 6.5); and

- Provide other commercial and technical assistance to you in connection with the opening of the Carré d'artistes Art Gallery (Franchise Agreement, Section 6.5);
- Provide you with a list of standards for required equipment, uniforms, computer systems, point of sale and membership management systems, transaction processing and accounting platforms, software, telephones and other items (Franchise Agreement, Section 6.6.1);

Other than training your manager, we do not provide any assistance with hiring or training your employees. At your explicit request, we may however advise you on hiring decisions. That said, the decision all employment matters related to the operation of your Carré d'artistes Art Gallery, including the hiring and firing of employees, is your sole responsibility.

You must open you Art Gallery within 10 months of the Franchise Agreement effective date. If you do not open within that time, we may terminate the Franchise Agreement, unless the delay is due to force majeure. Typically, it takes between 1 and 6 months to open a Carré d'artistes Art Gallery from the date you sign the Franchise Agreement. How long it will take depends on factors such as how much work is required to be done to the space, and how quickly building permits can be obtained in your location.

### **Assistance during Operation of Art Gallery - After the Opening of Your Carré d'artistes Art Gallery:**

Once you open your Carré d'artistes Art Gallery, we will:

- Periodically, organize continuing training for you and your representatives. Such training may be mandatory. It may be held in France or in any other location. You must pay for the transport, lodging and food costs of yourself and any individuals attending on your behalf, including your employees' salaries attending to such. (Franchise Agreement, Section 6.6);
- Make available to you, sales, marketing and technical assistance, and consultation and advice on operating procedures, that we deem necessary or desirable. At your request, we may provide specific advertising or communication tools and services to you at reasonable fees. (Franchise Agreement, Section 6.6);
- Provide you with additional operating assistance and similar services you may require. Normally, we will do an in-person visit to your Carré d'artistes Art Gallery once per year. (Franchise Agreement, Section 6.6);
- In the exercise of our business judgment maintain a high standard of quality for the Concept, and promote, protect and enhance the public image and reputation of the Concept, including through adjusting the list of Selected Artists and the offering of Artworks to suit consumer tastes, and otherwise improving and developing the Concept. The Operations Manual will be updated accordingly throughout the term of your Franchise Agreement (Franchise Agreement, Section 6.6);

- Continue to sell you Artworks for display and sale in your Carré d'artistes Art Gallery;
- May provide you with additional operating assistance and similar services you may require, at a reasonable fee. (Franchise Agreement, Section 6.6); and
- May conduct meetings with you and with other franchisees (individual meetings, or group meetings, such as Carré d'artistes academy), to make sure you are aware of changes and developments to the Concept and to ensure consistency in the Carré d'artistes brand image. (Franchise Agreement, Section 6.8)

Other than the Continuing Training, we do not provide any assistance with hiring or training your employees. But just as before you open for business, at your explicit request, we may advise you on hiring decisions. That said, the decision all employment matters related to the operation of your Carré d'artistes Art Gallery, including the hiring and firing of employees, is your sole responsibility. It is also your responsibility to establish bookkeeping and accounting procedures and administrative and inventory procedures, to the extent not covered by the Operations Manual.

We will provide you with whole-sale prices for available Artwork and may also (to the extent permitted by law) recommend minimum or maximum resale prices. (Franchise Agreement, Section 6.6.2). Where permitted by law, you may be required not to sell Artwork below the recommended minimum price. At this time we do not provide you with any recommended resale prices and you may freely set your own resale prices.

## **Advertising**

Carré d'artistes ensures the promotion of the Carré d'artistes Licensed Marks and Concept to preserve and increase the reputation and brand awareness of the Carré d'artistes Network. We may do so through any type of promotional, marketing and advertising activities. We may use any type of media and coverage may be local, regional, national or international (in cooperation with Carré d'artistes France. The advertising materials may be prepared in-house, or by national or regional advertising agencies. While we will be conducting marketing activities, we do not currently collect a marketing fee from you and we are not required to spend any particular amount on advertising in your area or anywhere else.

Currently, the Carré d'artistes website, [www.carredartistes.com](http://www.carredartistes.com), plays an important role in the development of awareness of the Carré d'artistes brand and you must promote the website in accordance with our recommendations. The website is both a promotional tool and a sales channel and customers across the world can buy Artworks through the website.

## **Local Marketing and Advertising**

You must promote your own Carré d'artistes Art Gallery locally and must allocate a budget in view of promotional and advertisement campaigns you will undertake. We require that you spend at least \$1,800 on the promotion and marketing of the opening of your Carré d'artistes Art

Gallery and will help you develop the opening advertising budget. Throughout the term you must continue to promote your Art Gallery locally and you must create a local advertising budget every year. The materials you use must be either prepared or approved (in advance) by Carré d'artistes. Materials you prepare yourself or have a third party prepare for you must be prepared in accordance with our advertising, marketing and promotional policies as well as applicable law. They must also be factual, ethical and in good taste and judgment.

We allow you to market online, through social media or otherwise, but you must first obtain our approval. Your online presence must comply with our marketing policies for online marketing and promotion, including the requirement that marketing and advertising be approved by Carré d'artistes in advance. These policies may also include giving us administrative rights and ownership to your social media accounts and other online accounts, profiles and applications. The online policy currently also restricts you to only marketing and selling artwork by Selected Artists.

To assist you with local marketing and communications we have developed a marketing and communications package. It currently includes assistance with creating your social media presence (such as Facebook), creating event pages for your Art Gallery events, graphics for event flyers, content for newsletters, and e-mail communication. The current annual fee for these services is ~~\$3,500~~\$4,350 though we have the right to adjust the fee during the term of the franchise agreement.

### **Marketing Fund, Advertising Cooperatives, and Advertising Council**

Currently we do not have a Marketing Fund, but we reserve the right to create one. If we create a Marketing Fund, all Carré d'artistes Art Galleries in the U.S. will be required to contribute. It is expected that all locations, including locations operated by us, will be contributing at the same percentage rate. The Marketing Fund contribution can be up to 2% of your Net Sales. If, when we start the Marketing Fund the Marketing Fund contribution is less than 2% we can later increase it up to a total fee of 2% on 30 days' notice to you. Though we do not do so currently, we also have the right to charge a fee of franchisees on a pro rata basis that will be spent on the same type of expenses as the Marketing Fund can be spent on. These expenses include, for example, the costs of preparing and producing video, audio and written advertising materials; administering local, regional, multi-regional and national advertising programs, purchasing direct mail and other media advertising; employing advertising, public relations and media buying agencies to assist in these activities; supporting public relations, market research and other advertising and marketing activities, construction and maintenance of our website, social media, and mobile applications used to promote the franchise system. It may also be spent on salaries, administrative costs, overhead and other similar expenses we incur in activities reasonably related to the administration of the Marketing Fund and its marketing programs, such as conducting market research, preparing advertising and marketing materials, conducting or employing mystery shopping services, general production costs and collecting and accounting for contributions to the Marketing Fund. The Marketing Fund contribution will be payable weekly. We will determine if to start the Marketing Fund, we will administer it, and we will also determine if, at any point, we want to terminate it. If in any year we wouldn't spend all the Marketing Fund contributions collected that year, the balance will carry over to the next year. The Marketing Fund will not be audited, but we will prepare financial statements for the fund every year. Beyond those financial statements we are not

required to provide periodic accountings for how the Marketing Fund contributions were spent, though we may do so from time to time. At your written request we will provide you with the financial statements. Since the Marketing Fund is not yet created, there were no marketing fund spending in our last fiscal year and no Marketing Fund contributions were spent on soliciting new franchise sales. The Marketing Fund is not a trust. The purpose of the Marketing Fund, if set up, will be to maximize brand recognition and increase patronage of all Carré d'artistes Art Galleries in the U.S. Though we will try to use the Marketing Fund contributions in ways that benefit all Carré d'artistes Art Galleries we are not required to ensure that your Art gallery or the area in which it is located derives the same benefit as other Art Galleries or other geographic areas, or that you and your Art gallery will benefit in proportion to your Marketing Fund contributions.

We will also collect from you an "Artist Fund fee" that we, through our parent, pay to the French government. The Artist Fund is not a fund set up by us and it is not to be confused with an advertising fund. It is a pension fund for French artists. Currently, the fee is 0.4% of your total yearly sales of Artworks invoiced you. Since we do not administer the Artist Fund we cannot give you an accounting for it, other than what we or our parent may receive from the French government. We will provide you with that information upon your written request.

There is no advertising council and we also do not require you to participate in any local or regional advertising cooperatives.

## **Computer System**

You must equip the Carré d'artistes Art Gallery with any computer system of your choice if it is compatible with the Carré d'artistes® software ("**System**"). We have the right to replace and change the System requirements from time to time, but currently, the System is a point-of-sale system and also gives you access to the Selected Artists information; manages inventory and orders for the Artworks; and reports on sales and inventory of Artworks. The purchase price, including initial installation, is \$3,000, payable to us. Currently, the annual maintenance fee is 1% of the Net Sales. The maintenance fee covers maintenance, support, repairs, upgrades and updates to the System. Currently, the System is proprietary, and we will provide you with the upgrades and updates. If we were to replace the System with third party software, the maintenance cost (as well as initial fees) may be different and the price may be structured differently, for example with separate charges for upgrades and updates, and there may be no limitations on the frequency and costs of those obligations. We recommend that you have a laptop with a printer and a table with the System on it. The cost of purchasing the necessary computer hardware will depend on the devices you choose but will generally range from \$1,500 to \$3,500. Neither we, nor any of our Affiliates or any third party is required to provide ongoing maintenance, repairs, upgrades, or updates to your computer hardware. We do not impose any particular upgrade or update requirements for your computer hardware, but may do so during the term of your Franchise Agreement, and it may be necessary to update or upgrade your hardware for updated versions of the System to work on your devices. There is no contractual limitation on the frequency or cost of this obligation. You may wish to enter into an agreement with a company that can provide you with periodic support, maintenance, updates or upgrades to your hardware, but we do not require you to do so or provide or recommend any optional services of that kind.

We will have independent access to the information generated or stored using the System. There are no contractual limitations on our right to access the information. The type of information we will access will include customer contact information, sales data and information about the Artworks you have in inventory and sell.

## Operations Manual

If you request, we will give you access to review the contents of the Operations Manual before you buy a franchise from us subject to you signing a Confidentiality Agreement. The Confidentiality Agreement is **Exhibit H** to this franchise disclosure document. The Operations Manual includes policies, regulations and procedures about the operation of the Carré d’artistes Business and Concept that apply to you and all U.S. franchisees under the Franchise Agreement. We have the right to add, delete or change any operating policy or the Operations Manual, as to the needs of the Carré d’artistes Concept.

## Training program

The Carré d’artistes initial training program for your owner and your Manager consists of a 3-day formal training program and ~~of 7 to 15~~ days of opening assistance by one of our representatives at your Carré d’artistes Art Gallery. ~~The number of days our representative will spend at your Carré d’artistes Art Gallery depends on how much assistance they believe you need to properly implement the Carré d’artistes Concept.~~ Provided that you complete the training programs to our satisfaction, Carré d’artistes will issue a Certificate for the training called “Carré d’artistes Training Certificate” (the “Training Certificate”), allowing you to operate the Carré d’artistes Art Gallery. Should you fail to obtain the Training Certificate by the end of the training session, you will have to attend the program again.

### TRAINING PROGRAM

| Subject                                                   | Hours of Classroom Training | Hours of On-The-Job Training | Location                                                                                                                      |
|-----------------------------------------------------------|-----------------------------|------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| Vision and Mission and Carré d’Artistes Offer and Support | 1.25                        |                              | Either at the Carré d’artistes location in Sedona, or at the Carré d’artistes France headquarters in Aix-en-Provence, France  |
| Communications and Customer Relations                     | 0.75                        |                              | Either at the Carré d’artistes location in Sedona,, or at the Carré d’artistes France headquarters in Aix-en-Provence, France |
| Sales Techniques and Speech Structure                     | 2.75                        |                              | Either at the Carré d’artistes location in Sedona,, or at the Carré                                                           |



| <b>Subject</b>                                                                  | <b>Hours of Classroom Training</b> | <b>Hours of On-The-Job Training</b> | <b>Location</b>                                                                                                               |
|---------------------------------------------------------------------------------|------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
|                                                                                 |                                    |                                     | d'artistes France headquarters in Aix-en-Provence, France                                                                     |
| Assemble and Dismantle a Work of Art, Package and Store Reserved Works          | 2.25                               |                                     | Either at the Carré d'artistes location in Sedona,, or at the Carré d'artistes France headquarters in Aix-en-Provence, France |
| Placing Orders                                                                  | 1                                  |                                     | Either at the Carré d'artistes location in Sedona,, or at the Carré d'artistes France headquarters in Aix-en-Provence, France |
| Solusquare Software                                                             | 2.5                                |                                     | Sedona,, or at the Carré d'artistes France headquarters in Aix-en-Provence, France                                            |
| Maintaining Artist Relationships, the Relationship with Carré d'Artistes France | 1.5                                |                                     | Sedona,, or at the Carré d'artistes France headquarters in Aix-en-Provence, France                                            |
| Gallery Organization, Logistics and Marketing                                   |                                    | 8                                   | At an affiliate-owned Carré d'artistes Art Gallery either in Sedona, or in Paris, France                                      |
| Solusquare Software, Artistic Planning and Organization and Sales Techniques    |                                    | 8                                   | At an affiliate-owned Carré d'artistes Art Gallery either in Sedona, or in Paris, France                                      |
| Merchandising, Website and Digital Presentation, and Administration             |                                    | 8                                   | At an affiliate-owned Carré d'artistes Art Gallery either in Sedona, or in Paris, France                                      |
| <b>Total</b>                                                                    | <b>11</b>                          | <b>24</b>                           |                                                                                                                               |

Your owner and your manager must attend and successfully pass the training. We do not set a specific time limit for when the initial training has to be completed, but we typically require that it be completed before you are allowed to open your Carré d'artistes Art Gallery for business. We conduct the initial training as often as needed.

We use parts of our Operations Manual as our training material.

The Training Program will be conducted by our training staff that has experience with the Carré d'artistes franchise system and with operating art galleries in general. The Carré d'artistes manager or other qualified Carré d'artistes representative who will conduct your training will have at least two years of experience with the Carré d'artistes group or otherwise of the subject matter they will be teaching you.

The initial training program described in the above chart is provided to you at no additional cost to you, with the exception of your travel, accommodation and food expenses.

During the term of your Franchise Agreement, we may also require that you participate in continuing training programs. We have the right to charge a reasonable fee for optional and mandatory continuing training programs.

## **ITEM. 12 TERRITORY**

If you enter into a Franchise Agreement with Carré d'artistes, you will receive the right to develop and operate a Carré d'artistes Business in a specific location that must be approved by us. You may not relocate your Carré d'artistes Business without first obtaining our written consent to the relocation. It is in our discretion whether or not to approve a relocation, but we will consider factors such as proximity to other Carré d'artistes Businesses and whether the suggested new location meets our then current criteria for new Carré d'artistes Businesses. The Franchise Agreement does not grant any options, rights of first refusal or similar rights to you for the acquisition of additional development rights. If you want to open additional Carré d'artistes Art Galleries you have to apply to us. If we approve your application for any additional Carré d'artistes Art Gallery you and we will enter into a separate Franchise Agreement for that location.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels or distribution or competitive brands that we control. Our locations and other franchisee's locations may be located anywhere, including close to your location. You are allowed to solicit customers anywhere, as are other franchisees, us and our affiliates. Other than the restrictions on channels of distribution, we do not place any restrictions on you from soliciting or accepting orders from customers outside your general area.

Except for such online presence that we permit for your Carré d'artistes Business, we reserve other channels of distribution (such as catalog sales, telemarketing and direct marketing) for products and services under the Licensed Marks and under other trademarks and service marks for ourselves and our affiliates. Currently, the Carré d'artistes website, [www.carredartistes.com](http://www.carredartistes.com), plays an important role in the development of awareness of the Carré d'artistes brand consumers



can buy Artwork through that website. Artworks are available throughout the U.S. from that website. You will not receive any revenue or other compensation from sales through the website or for any other solicitations made or orders taken by us or our affiliates from the area around your approved location.

We allow you to market online, through your own website or through social media and otherwise, but you must first obtain our approval. Your online presence must comply with our marketing policies for online marketing and promotion, as these are revised and amended from time to time. These may include rules about: the use of Licensed Marks; domain names and account or profile names or identifiers; linking to our website and other online presence; identifying you as an independent operator; clearly identifying the online presence as originating from and being managed by you and your Art gallery; and giving us administrative rights and ownership to your social media accounts and other online accounts, profiles and applications. The online marketing policy currently restricts you to only marketing and selling artwork by Selected Artists.

Neither we, nor any of our affiliates operate, franchise, or has plans to operate or franchise a business under a different trademark or service mark that would sell goods or services similar to those you will offer.

### **ITEM. 13 TRADEMARKS**

Under the Franchise Agreement, Carré d’artistes licenses you to operate your Art Gallery under the service mark “**Carré d’artistes**” and associated trademarks, tradenames, service marks, designs, logos and designs (the “Licensed Marks”), as we may amend and modify those Licensed Marks during the term of your Franchise Agreement. You may only use the Licensed Marks in the manner authorized in writing by Carré d’artistes. You may not use any of the Licensed Marks as part of your corporate or other entity name. You must also follow the instructions of Carré d’artistes for identifying yourself and for filing and maintaining the requisite trade name or fictitious name registrations.

The following principal trademark is registered with the United States Patent and Trademark Office (the “USPTO”):

| <b>Mark</b> | <b>Registration No.</b> | <b>Registration Date</b> | <b>Principal or Supplemental Register of the USPTO</b> |
|-------------|-------------------------|--------------------------|--------------------------------------------------------|
|             |                         |                          |                                                        |

|                                                                                   |           |                  |           |
|-----------------------------------------------------------------------------------|-----------|------------------|-----------|
|  | 3,872,987 | November 9, 2010 | Principal |
|-----------------------------------------------------------------------------------|-----------|------------------|-----------|

All required affidavits or renewals will be filed when they become due. The Licensed Marks are the property of Carré d’artistes France and have been licensed to us, with the right to sublicense pursuant to an agreement entered between us and Carré d’artistes France on June 26, 2018 (the “**License Agreement**”). Under the License Agreement, Carré d’artistes FRANCE granted Carré d’artistes the exclusive right to use and license the Licensed Marks for the purpose of franchising Carré d’artistes Businesses. The term of the License Agreement is 50 years, contains no material restrictions, cannot be modified or terminated except by default under the agreement or by the mutual agreement of the parties and, unless terminated sooner by either party, will remain in force for at least as long as any Franchise Agreement is in effect between us and our franchisees. If the License Agreement is terminated, Carré d’artistes FRANCE will permit you to use the Licensed Marks under the same terms and conditions as in your Franchise Agreement for the remainder of your term. Other than the License Agreement, there are no agreements currently in effect which significantly limit Carré d’artistes’ rights to use or license the use of the Licensed Marks.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator in any state or any court, no pending infringement or opposition proceeding, and no pending material litigation involving the Licensed Marks. To the knowledge of Carré d’artistes, there are no infringing uses that could materially affect your use of the Trademark or other related rights in any state. There are no cancellation proceedings in which Carré d’artistes or Carré d’artistes FRANCE unsuccessfully sought to prevent registration of a trademark in order to protect the Trademark.

You must provide promptly Carré d’artistes with written notice of any claims made against or associated with the Licensed Marks or their use, or use or claims of rights to confusingly similar marks. It is up to us and Carré d’artistes France to determine if we want to take action against any infringer or against practices that constitute unfair competition. We will indemnify you and hold you harmless from any out of pocket expense or liability arising from your use of the Licensed Marks in accordance with the Franchise Agreement. We and Carré d’artistes France have the sole discretion to take the action, if any, that we deem appropriate, and the right to exclusively control any litigation, trademark office proceeding or other administrative proceeding arising out of any infringement, challenge or claim or otherwise concerning any of the Licensed Marks. You must sign all instruments and documents, provide assistance and take any action that, in our or Carré d’artistes France’s opinion, may be necessary or advisable to protect and maintain our interests in any litigation, trademark office proceeding or other administrative proceeding or to otherwise protect and maintain our interest in the Licensed Marks. We or Carré d’artistes France will bear all

legal expenses incident to your participation, at our or Carré d'artistes France's request, in any action to prevent the infringement or illegal use of the Licensed Marks, except for the cost of any legal counsel you separately retain.

We have the right to modify or discontinue the use of the Licensed Marks or the specifications for use of the Licensed Marks, and to require you to use new or substitute Licensed Marks. If such change is made, you must use the other mark as we direct at your sole expense.

We are not aware of either superior prior rights or infringing uses that could materially affect our use of the principal trademark anywhere in the U.S.

#### **ITEM. 14**

### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

Carré d'artistes does not own or license any patents or patent applications that are material to the Carré d'artistes franchise.

Carré d'artistes claims copyright in our advertising materials, training materials, the Operations Manual, and other written materials and items may be developed in the future. Carré d'artistes has not applied to the U.S. Copyright Office to register these copyrights.

You must keep confidential the Operations Manual, as it may be amended, and any other manuals or written, electronic or on-line materials used in your Carré d'artistes Art Galleries. The Operations Manual contains information about the Art Gallery System developed by Carré d'artistes. You must implement our procedures to prevent the unauthorized use and disclosure of our proprietary information and to notify us immediately if there is any unauthorized use or disclosure of our proprietary information. Carré d'artistes considers this information a trade secret and confidential. You must use all reasonable means to keep this information confidential and to prevent any unauthorized duplication or reproduction of this information.

You should immediately inform Carré d'artistes if you learn of any unauthorized use or infringement of, or challenge to, the copyrighted materials or any of the trade secret, proprietary or confidential information. Carré d'artistes will take the action it deems appropriate, in its sole discretion. If anyone establishes to the satisfaction of Carré d'artistes that its rights to the materials are superior, then you must modify or discontinue your use of the materials as required by Carré d'artistes.

There currently are no effective determinations of the United States Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. There are no agreements in effect, which significantly limit our right to use or license the copyrighted materials. Finally, there are no infringing uses actually known to us, which could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend copyrights or to defend you against claims arising from your use of the copyrighted materials. If there would be any copyright litigation regarding our copyrighted materials, we will control the litigation. This is independent of whether you modify or discontinue using the subject

matter of the copyright. We may at any time require you to stop using any copyrighted materials and you will be required to do so.

#### **ITEM. 15**

### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

We require that you (if you are an individual) or your majority owner (if you are a legal entity), be the manager of your Carré d'artistes Art Gallery, unless you employ a manager who has completed our required initial training, to our satisfaction. You or the Manager must devote his or her full time and best efforts to the operation of the Art Gallery. The person managing the Art Gallery, whether you or a manager, must successfully complete the initial training program before he or she can start managing the Art Gallery. Otherwise, we do not place any restrictions on who can be your manager.

If you are an entity, then the owners must agree that during the term of the agreement, they will not participate in any art gallery competing with the Carré d'artistes Concept or otherwise in the distribution of artwork and that for 2 years after the expiration or termination of the agreement, they will not participate in any competitive activity within a 5-mile radius from any Carré d'artistes location anywhere in the U.S.

Each natural person who is a direct or indirect owner of you (if you are a legal entity) must sign a guaranty of your obligations. The form of guaranty is attached to the Franchise Agreement as Appendix 3.

#### **ITEM. 16**

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

You must operate your Carré d'artistes Art Gallery in strict conformance with our mandatory standards, specifications and techniques as described in the Operations Manual, as periodically amended by us in our sole discretion. In order to promote substantial uniformity of quality and shared identity of all Art Galleries, you must only sell the Artworks and related products and services specified or approved by Carré d'artistes in writing. Selling artworks and related products and services that have not been specified or approved by Carré d'artistes is a material breach of the Franchise Agreement and, if not cured, is grounds for the termination of the Franchise Agreement. You must sell the Artworks and related products and services required by Carré d'artistes. Carré d'artistes can change the Artworks and related products and services that you must offer at your Art Gallery. There is no limitation on the right of Carré d'artistes to change the Artworks and related products and services offered by Carré d'artistes Businesses. You are not limited to whom you may sell your Artworks and related products and services, but you may not sell any of the Artworks and related products and services offered in connection with your Art Gallery at any location other than your Art Gallery, or online as permitted by the Franchise Agreement.

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**ITEM. 17**  
**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.**

| <b>Provision</b>                                 | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a Length of the franchise term                   | 4.1                                   | 10 years beginning as of the date of execution of the Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| b Renewal or extension of term                   | 4.2                                   | You may renew the Franchise Agreement for 1 5-year term.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| c Requirements for franchisee to renew or extend | 4.2, 4.3                              | <p>To renew the Franchise Agreement term you must meet with us at least 6 months before your initial term expires or give us at least 6 months' notice of your intent to renew; you must not be in breach of the Franchise Agreement or have been in material breach during the initial term; <u>you must have made all payments to us and our affiliates in a timely fashion throughout the term; you must have met the turnover goals that we approved for your Art gallery in the 2 calendar years immediately before notifying us of your intent to renew</u>; you must agree to sign our then current form of Franchise Agreement that we use for new franchisees, which may be on materially different terms and conditions than your initial Franchise Agreement; you must agree to renovate and update your Art Gallery; you must sign a general release; and you must pay a renewal fee of \$15,000.</p> <p>If you do not stop operating your Art Gallery by the expiration date with our consent the continuation is a month-to-month extension that we can terminate on 30 days' notice.</p> |
| d Termination by franchisee                      | Not applicable                        | Not applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| e Termination by franchisor without cause        | Not applicable                        | Not applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

| Provision                                | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| f Termination by franchisor with cause   | 13.1, 13.2, 13.3               | If you breach the Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| g “Cause” defined – curable defaults     | 13.3                           | We may terminate the Franchise Agreement should you breach of any of your obligations under the Franchise Agreement or act in a way which prejudices us or Carré d’artistes France, and you fail to remedy the breach within 10 days in the case of non-payment of any amounts due under the Franchise Agreement, and within 30 days in the case of any other breach or default.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| h “Cause” defined – non-curable defaults | 13.1, 13.2                     | Cause includes if you: do not timely open the Art Gallery; abandon the Art Gallery for more than 4 days; provide us with false, fraudulent information or omit to provide any information or document relevant to the contractual relationships; provide deceptive and/or, false or untrue information to other franchisees of the Network; violate the transfer, non-compete or confidentiality provisions; do not pay outstanding amounts timely; are no longer authorized to do business in your state; convicted of a felony or other crime involving moral turpitude, consumer fraud, or crime or offense we believe is likely to have an adverse effect on your ability to carry out the duties imposed by the Franchise Agreement or to have an adverse effect on the Network and the goodwill associated therewith; knowingly make any false statements in any report or document submitted to us; submit more than 2 written statements of net sales which under-report net sales for any reporting period by 5% or more; suffer a final judgment that remains unsatisfied or of record for 30 days or longer, or have execution levied against your business or property, or any suit is filed to foreclose any lien or mortgage against the premises or equipment and not dismissed within 30 days; you become insolvent or have a receiver appointed to take possession of your business or property or any part thereof or makes a general assignment for benefit of creditors; you engage in public conduct that reflects materially and unfavorably upon the operation of the Network and Concept, the reputation of the Network and Concept, or the goodwill associated with the Licensed Marks; are in default under any other Franchise Agreement or other agreement with us or any of our affiliates which is not curable, or, if such default is curable, has not cured such default within the applicable cure period; if any your affiliates defaults under any Franchise Agreement or other agreement with us or any of our affiliates which is not curable, or if such default is curable, has not cured such default within the applicable cure period; become bankrupt or become subject to a proceeding under any chapter of the United States Bankruptcy Code; if during 1 year you fail 2 inspections of your Franchised Business on at least 5 points. |

| Provision                                             | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i Franchisee's obligations on termination/non-renewal | 16                             | <p>Upon expiration or termination of the Franchise Agreement, for any reason whatsoever, you must: (i) immediately cease to operate the Art Gallery under the Licensed Marks and using the Concept; (ii) not present yourself as or avail yourself of being a present or former Carré d'artistes franchisee; (iii) return all copies of the Operations Manual immediately to us; (iv) inform forthwith all relevant third parties of the termination or expiration and shall ensure that any listings referencing the Art Gallery are changed accordingly; (v) cease forthwith to use the Know-How, any methods, techniques and formulas provided by us, as well as, within 10 days following the expiration or termination, cease the use of emblems, logos, posters, catalogues and any Network's advertising or promotional materials, and in particular, all specific Furniture, materials, documents or items displaying any Licensed Mark; (vi) return to us and/or our designee all Artworks still in your possession no later than within 10 days following the expiration or termination; (vii) carry out any specific additional changes as regards the Carré d'artistes® space, of its layout or decoration that would be necessary to prevent any association or resemblance with an Art Gallery, and particularly with respect to the color scheme; and (viii) permit our representatives access to the Art Gallery premises for 30 days following the termination or expiration of the Franchise Agreement. If you don't comply with the post-termination obligations and do not de-identify, you must pay us an administrative fee of \$500 per day you delay the de-identification.</p> <p>You must also forthwith pay all sums that remain due to us or any of our affiliates within 30 days as from the expiry or termination of the Franchise Agreement.</p> |
| j Assignment of the contract by franchisor            | 12.1                           | No restrictions on the right of Carré d'artistes to assign the Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| k "Transfer" by franchisee – defined                  | 12.2.1                         | Transfer means when Franchisee, or any of its direct or indirect owners, directly or indirectly sell, divide, encumber, assign, hypothecate, mortgage, sub-license, transfer through bequest, inheritance, transfer in trust, divorce or operation of law or by any other means, or otherwise dispose of the rights granted under the Franchise Agreement, or any part of the Franchise Agreement, or any rights or privileges incidental to the Franchise Agreement, or in the Art Gallery or any interest therein, or their rights or interest in the Franchise Agreement, or any owner's direct or indirect ownership interest in Franchisee.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |



| Provision                                                                | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------------------------------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| l Franchisor approval of transfer by franchisee                          | 12.2.2                         | Carré d'artistes has the right to approve any transfer made by you.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| m Conditions for franchisor approval of a transfer                       | 12.2.2                         | A transfer will be subject to such factors as we reasonably determine, which include the viability of the investment by the transferee, our review of the transferee (including their management experience and financial wherewithal), that you are not in default and don't have any outstanding payments to us or our affiliates or your trade creditors, you sign a general release, the transferee successfully completes our training and pays the training and transfer fee, and the transferee assumes your rights and obligations under the Franchise Agreement. The transferee may not be involved in any competitive business. |
| n Franchisor's right of first refusal to acquire franchisee's business   | 12.3                           | If you want to sell the Art Gallery (or equity interest in you) you must first offer it to Carré d'artistes. This includes if you receive a bona fide offer to purchase the Art Gallery.                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| o Franchisor's option to purchase franchisee's business                  | 12.3                           | Other than when exercising our right of first preference/first refusal, we do not have the right to buy your Art Gallery.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| p Death or disability of franchisee                                      | Not Applicable                 | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| q Non-competition covenants during the term of the franchise             | 14                             | You, your managing director and your owners may not directly or indirectly have an interest in any art gallery competing with Carré d'artistes or the distribution of artwork (" <b>Competitive Businesses</b> ").                                                                                                                                                                                                                                                                                                                                                                                                                        |
| r Non-competition covenants after the franchise is terminated or expires | 14                             | For 2 years after expiration, termination, or your transfer of the Franchise Agreement, you, your managing director and your owners may not directly or indirectly operate or participate in any Competitive Business within a 5-mile radius from your Art Gallery or from any other Carré d'artistes Art Gallery in the United States.                                                                                                                                                                                                                                                                                                   |



| Provision                                        | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| s Modification of the agreement                  | 22.2                           | Any modification of the Franchise Agreement, including by custom, usage of trade, or course of dealing or performance, must be in writing and signed by each party's authorized representative.                                                                                                                           |
| t Integration/merger clause                      | 22.1                           | Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of this Disclosure Document and the Franchise Agreement may not be enforceable.                                                                                                                     |
| u Dispute resolution by arbitration or mediation | 20                             | Except for certain claims, all disputes must be submitted to mediation. If they cannot be resolved through mediation, the disputes will be settled through the courts of the state <del>of New York</del> <u>where we have our principal place of business. Currently, our principal place of business is in Arizona.</u> |
| v Choice of forum                                | 20                             | <del>New York</del> <u>Arizona</u> (see attached Addendum for state law modifications).                                                                                                                                                                                                                                   |
| w Choice of law                                  | 20                             | <del>New York</del> <u>Arizona</u> (see attached Addendum for state law modifications).                                                                                                                                                                                                                                   |

There are state specific addenda attached as **Exhibit G**.

## ITEM. 18 PUBLIC FIGURES

Carré d'artistes does not use any public figure to promote its franchise. No public figure is involved in the management of Carré d'artistes.

## 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 Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

### ~~2020~~ 2021 Gross Sales

There ~~were 3~~was 1 Carré d’artistes Art ~~Galleries~~Gallery operating in the U.S. that ~~were~~was open for all ~~or part~~ of the ~~2020~~2021 calendar year. The below chart shows the gross sales for the ~~2020~~2021 calendar year for ~~each of these locations~~that location. “Gross sales” means the total sales, excluding taxes collected at the point of sale, such as sales tax.

| Location    | <del>New York, NY</del> <sup>(1)</sup> | Sedona, AZ <sup>(1)</sup>                      | <del>Philadelphia, PA</del> <sup>(2)</sup> |
|-------------|----------------------------------------|------------------------------------------------|--------------------------------------------|
| Gross Sales | <del>\$107,295.53</del>                | <del>\$325,997.90</del><br><u>\$703,095.70</u> | <del>\$238,199.55</del>                    |

- (1) ~~These locations were~~This location was operated by one of our affiliates. ~~They were~~It was substantially similar to the Carré d’artistes Art Gallery franchise you would operate.

~~The New York location closed in May 2020 and the Gross sales for that location reflect its sales from January 2020 through May 2020.~~

- ~~(2) This location was operated by a franchisee of Carré d’artistes but operated under the Licensed Marks and was also otherwise substantially similar to the operation of the Carré d’artistes Art Gallery franchise offered under this franchise disclosure document. The location closed in February 2020 and the Gross sales for this location reflect its sales in January and February 2020.~~

~~The 3~~ Carré d’artistes Art ~~Galleries~~Gallery included in this financial performance representation ~~operate or operated~~operates on the same model and selling the same type of products that your Carré d’artistes Art Gallery will offer and sell. There are no significant or material financial or operational characteristics of the affiliate-owned Carré d’artistes Art ~~Galleries~~Gallery that are anticipated to differ materially from the Carré d’artistes Art Gallery you would operate. ~~They are~~It is charged a royalty, but ~~they do~~it does not pay a mark-up on the Artworks that you will be charged.

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

**Some outlets have sold the amounts stated. Your individual results may differ. There is no assurance you will sell as much.**

Other than the preceding financial performance representation, Carré d’artistes does not make any financial performance representations. We do not authorize our employees or representatives to make 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 Carré d’artistes’s management by contacting Carré d’artistes representative, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM. 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1**

**Systemwide Outlet Summary**  
**For Years ~~2018~~2019 to ~~2020~~<sup>(1)</sup>2021**

| Outlet Type                             | Year            | Outlets at Start of Year | Outlets at End of Year | Net Change      |
|-----------------------------------------|-----------------|--------------------------|------------------------|-----------------|
| Franchised                              | <del>2018</del> | <del>1</del>             | <del>1</del>           | <del>+/-0</del> |
|                                         | 2019            | 1                        | 1                      | +/-0            |
|                                         | 2020            | 1                        | 0                      | -1              |
|                                         | <u>2021</u>     | <u>0</u>                 | <u>0</u>               | <u>+/-0</u>     |
| Company-Owned ( <del>2</del> <u>1</u> ) | <del>2018</del> | <del>3</del>             | <del>3</del>           | <del>+/-0</del> |
|                                         | 2019            | 3                        | 2                      | -1              |
|                                         | 2020            | 2                        | 1                      | -1              |
|                                         | <u>2021</u>     | <u>1</u>                 | <u>1</u>               | <u>+/-0</u>     |
| Total Outlets                           | <del>2018</del> | <del>4</del>             | <del>4</del>           | <del>+/-0</del> |
|                                         | 2019            | 4                        | 3                      | -1              |
|                                         | 2020            | 3                        | 1                      | -2              |
|                                         | <u>2021</u>     | <u>1</u>                 | <u>1</u>               | <u>+/-0</u>     |

~~(1) — We only started franchising as of June 29, 2018. The franchised locations listed are those of Carré d'artistes France.~~

(1) ~~(2)~~ Company-owned locations are owned by our affiliates.

**TABLE NO. 2**

**Transfers of Outlets from Franchisees to New Owners**  
**(other than the Franchisor or an Affiliate)**  
**For Fiscal Years ~~2018~~2019 to ~~2020~~2021**

| State      | Year            | Number of Transfers |
|------------|-----------------|---------------------|
| All States | <del>2018</del> | <del>0</del>        |
|            | 2019            | 0                   |
|            | 2020            | 0                   |
|            | <u>2021</u>     | <u>0</u>            |
| Totals     | <del>2018</del> | <del>0</del>        |
|            | 2019            | 0                   |
|            | 2020            | 0                   |
|            | <u>2021</u>     | <u>0</u>            |

**TABLE NO. 3**  
**Status of Franchised Outlets**  
**For Fiscal Years ~~2018~~2019 to ~~2020~~2021**

| State        | Year            | Outlets<br>at Start<br>of Year | Outlets<br>Opened | Termina-<br>tions | Non-<br>Renewals | Reacquired<br>by<br>Franchisor | Ceased<br>Operations<br>-Other<br>Reasons | Outlets<br>at End<br>of Year |
|--------------|-----------------|--------------------------------|-------------------|-------------------|------------------|--------------------------------|-------------------------------------------|------------------------------|
| Florida      | <del>2018</del> | 0                              | 0                 | 0                 | 0                | 0                              | 0                                         | 0                            |
|              | 2019            | 0                              | 0                 | 0                 | 0                | 0                              | 0                                         | 0                            |
|              | 2020            | 0                              | 0                 | 0                 | 0                | 0                              | 0                                         | 0                            |
| Georgia      | <del>2018</del> | 0                              | 0                 | 0                 | 0                | 0                              | 0                                         | 0                            |
|              | 2019            | 0                              | 0                 | 0                 | 0                | 0                              | 0                                         | 0                            |
|              | 2020            | 0                              | 0                 | 0                 | 0                | 0                              | 0                                         | 0                            |
| Pennsylvania | <del>2018</del> | 1                              | 0                 | 0                 | 0                | 0                              | 0                                         | 1                            |
|              | 2019            | 1                              | 0                 | 0                 | 0                | 0                              | 0                                         | 1                            |
|              | 2020            | 1                              | 0                 | 0                 | 0                | 0                              | 1                                         | 0                            |
|              | <u>2021</u>     | <u>0</u>                       | <u>0</u>          | <u>0</u>          | <u>0</u>         | <u>0</u>                       | <u>0</u>                                  | <u>0</u>                     |
| Totals       | <del>2018</del> | 1                              | 0                 | 0                 | 0                | 0                              | 0                                         | 1                            |
|              | 2019            | 1                              | 0                 | 0                 | 0                | 0                              | 0                                         | 1                            |
|              | 2020            | 1                              | 0                 | 0                 | 0                | 0                              | 1                                         | 0                            |
|              | <u>2021</u>     | <u>0</u>                       | <u>0</u>          | <u>0</u>          | <u>0</u>         | <u>0</u>                       | <u>0</u>                                  | <u>0</u>                     |

~~(3)~~(1) We only started franchising as of June 29, 2018. The franchised ~~locations~~location listed ~~are those~~is that of Carré d’artistes® France.

**TABLE NO. 4**

**Status of Company-Owned Outlets  
For Fiscal Years ~~2018~~2019 to ~~2020~~2021<sup>(1)</sup>**

| State    | Year            | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of Year |
|----------|-----------------|--------------------------|----------------|------------------------------------|----------------|----------------------------|------------------------|
| Arizona  | <del>2018</del> | <del>1</del>             | <del>0</del>   | <del>0</del>                       | <del>0</del>   | <del>0</del>               | <del>1</del>           |
|          | 2019            | 1                        | 0              | 0                                  | 0              | 0                          | 1                      |
|          | 2020            | 1                        | 0              | 0                                  | 0              | 0                          | 1                      |
|          | <u>2021</u>     | <u>1</u>                 | <u>0</u>       | <u>0</u>                           | <u>0</u>       | <u>0</u>                   | <u>1</u>               |
| New York | <del>2018</del> | <del>2</del>             | <del>0</del>   | <del>0</del>                       | <del>0</del>   | <del>0</del>               | <del>2</del>           |
|          | 2019            | 2                        | 0              | 0                                  | 1              | 0                          | 1                      |
|          | 2020            | 1                        | 0              | 0                                  | 1              | 0                          | 0                      |
|          | <u>2021</u>     | <u>0</u>                 | <u>0</u>       | <u>0</u>                           | <u>0</u>       | <u>0</u>                   | <u>0</u>               |
| Totals   | <del>2018</del> | <del>3</del>             | <del>0</del>   | <del>0</del>                       | <del>0</del>   | <del>0</del>               | <del>3</del>           |
|          | 2019            | 3                        | 0              | 0                                  | 1              | 0                          | 2                      |
|          | 2020            | 2                        | 0              | 0                                  | 1              | 0                          | 1                      |
|          | <u>2021</u>     | <u>1</u>                 | <u>0</u>       | <u>0</u>                           | <u>0</u>       | <u>0</u>                   | <u>1</u>               |

~~(4)~~(1) Company-owned locations are owned by our affiliates.

**TABLE NO. 5**

**Projected Openings as of December 31, ~~2020~~2021**

| State      | Franchise Agreements Signed But Outlets Not Opened | Projected New Franchised Outlets in Next Fiscal Year | Projected New Company-Owned Outlets in Next Fiscal Year |
|------------|----------------------------------------------------|------------------------------------------------------|---------------------------------------------------------|
| California | 0                                                  | 1                                                    | 0                                                       |
| Maine      | 0                                                  | 1                                                    | 0                                                       |
| Texas      | 0                                                  | 1                                                    | 0                                                       |
| Totals     | 0                                                  | 3                                                    | 0                                                       |

During the last three fiscal years, no current or former franchisees have signed any confidentiality clauses which restrict them from discussing with you their experiences as a franchisee in the Carré d'artistes franchise system.

A list of the names of all franchisees and the addresses and telephone numbers of their businesses is provided in Exhibit A to this Disclosure Document when applicable.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document will be disclosed in Exhibit A to this Disclosure Document when applicable. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

There are no trademark-specific franchisee associations applicable to you, either created, sponsored or endorsed by Carré d'artistes, or independent franchisee associations.

## **ITEM. 21 FINANCIAL STATEMENTS**

Carré d'artistes was only organized on June 15, 2018. Attached to this franchise disclosure document as **Exhibit B** are our balance sheets of as of December 31, 2019 and December 31, 2020, and related statements of earnings and shareholder capital, and cash flows for the period from June 15, 2018 to December 31, 2018 and for the 2019 and 2020 fiscal years. Our fiscal year end is December 31.

If required by state law, unaudited financial statements of a more recent date are also attached as **Exhibit B**.

## **ITEM. 22 CONTRACTS**

**Exhibit C:** Franchise Agreement

**Exhibit D:** Sample Release

**Exhibit H:** Confidentiality Agreement

## **ITEM. 23 RECEIPTS**

The last pages of this Disclosure Document are detachable Receipts.



## **EXHIBIT A**

# **CARRE D'ARTISTES LIST OF COMPANY-OWNED ART GALLERIES AND FRANCHISES**

## EXHIBIT A

As of December 31, 2020

### CARRE D'ARTISTES COMPANY-OWNED ART GALLERIES

| ADDRESS                                                               | CITY                | STATE         | TELEPHONE               |
|-----------------------------------------------------------------------|---------------------|---------------|-------------------------|
| Tlaquepaque Arts & Craft Village –<br>State Road 179 Suite B121 86336 | Sedona              | AZ            | 928-282-8704            |
| <del>241 Bleecker Street 10014 (has since<br/>closed)</del>           | <del>New York</del> | <del>NY</del> | <del>646-707-2633</del> |

### CARRE D'ARTISTES FRANCHISEES

None

### FRANCHISEES WHO LEFT THE SYSTEM

| FRANCHISEE                     | CITY                    | STATE         | TELEPHONE               |
|--------------------------------|-------------------------|---------------|-------------------------|
| <del>Morton Creative LLC</del> | <del>Philadelphia</del> | <del>PA</del> | <del>215-735-2800</del> |

None





## **EXHIBIT B**

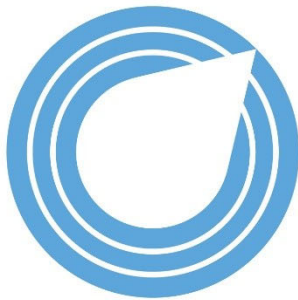
# **CARRE D'ARTISTES FINANCIAL STATEMENTS**

## AUDITED FINANCIAL STATEMENTS

**CARRE D'ARTISTES GREAT AMERICA LLC**

**Independent Auditor's Report  
and Financial Statements**

**Years Ended December 31, 2021 and 2020**



**IAS**  
Certified Public Accountants

CARRE D'ARTISTES GREAT AMERICA LLC

Independent Auditor's Report  
and Financial Statements

Years Ended December 31, 2021 and 2020

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| Statements of Operations and Member's Deficiency | Exhibit B        | 3              |
| Statements of Cash Flows                         | Exhibit C        | 4              |
| Notes to Financial Statements                    |                  | 5 - 7          |



**IAS**  
Certified Public Accountants

T: 773 904 2000  
F: 773 868 3840  
www.intlattest.com

main office  
1700 W. Irving Park Rd.  
Suite #302  
Chicago, IL 60613

downtown office  
200 S. Wacker Drive  
Suite #1375  
Chicago, IL 60606

## Independent Auditor's Report

To the Management of  
CARRE D'ARTISTES GREAT AMERICA LLC  
New York, New York

### **Opinion**

We have audited the accompanying financial statements of CARRE D'ARTISTES GREAT AMERICA LLC (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and member's deficiency, and statements of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CARRE D'ARTISTES GREAT AMERICA LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CARRE D'ARTISTES GREAT AMERICA LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if



**IAS**  
Certified Public Accountants

T: 773 904 2000  
F: 773 868 3840  
www.intlattest.com

main office  
1700 W. Irving Park Rd.  
Suite #302  
Chicago, IL 60613

downtown office  
200 S. Wacker Drive  
Suite #1375  
Chicago, IL 60606

there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CARRE D'ARTISTES GREAT AMERICA LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about of CARRE D'ARTISTES GREAT AMERICA LLC's ability to continue as a going concern for a reasonable period of time.

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

*International Attest Solutions, LLC*

Chicago, Illinois  
May 20, 2022

CARRE D'ARTISTES GREAT AMERICA LLC

## Balance Sheets

December 31, 2021 and 2020

|                                                         | <u>ASSETS</u>        |                      |
|---------------------------------------------------------|----------------------|----------------------|
|                                                         | <u>2021</u>          | <u>2020</u>          |
| Current assets                                          |                      |                      |
| Cash and cash equivalents                               | \$ 30,000            | \$ 30,000            |
| Credit note to receive                                  | 6,000                | -                    |
| Total current assets                                    | <u>36,000</u>        | <u>30,000</u>        |
| <br>Total assets                                        | <br><u>\$ 36,000</u> | <br><u>\$ 30,000</u> |
| <br><u>LIABILITIES AND MEMBER'S EQUITY (DEFICIENCY)</u> |                      |                      |
|                                                         | <u>2021</u>          | <u>2020</u>          |
| Current liabilities                                     |                      |                      |
| Notes payable from affiliates (Note 2)                  | \$ 49,915            | \$ 33,494            |
| Accounts payable                                        | 1,662                | -                    |
| Accrued expenses                                        | 4,000                | -                    |
| Total current liabilities                               | <u>55,577</u>        | <u>33,494</u>        |
| <br>Member's deficiency (Exhibit B)                     | <br><u>(19,577)</u>  | <br><u>(3,494)</u>   |
| <br>Total liabilities and member's equity (deficiency)  | <br><u>\$ 36,000</u> | <br><u>\$ 30,000</u> |

The accompanying notes are an integral part  
of the financial statements

CARRE D'ARTISTES GREAT AMERICA LLC

## Statements of Operations and Member's Deficiency

Years Ended December 31, 2021 and 2020

|                                               | <u>2021</u>               | <u>2020</u>              |
|-----------------------------------------------|---------------------------|--------------------------|
| Royalties and fees                            | \$ -                      | \$ -                     |
| Cost of revenues                              | <u>-</u>                  | <u>-</u>                 |
| Gross profit                                  | -                         | -                        |
| Expenses (income)                             |                           |                          |
| Professional and consulting fees              | 16,080                    | 4,591                    |
| Bank fees                                     | 3                         | 164                      |
| (Gain) on forgiveness of debt (Note 2)        | <u>-</u>                  | <u>(8,421)</u>           |
| Total expenses, net                           | <u>16,083</u>             | <u>(3,666)</u>           |
| Net (loss) income                             | (16,083)                  | 3,666                    |
| Member's deficiency, beginning of years       | <u>(3,494)</u>            | <u>(7,160)</u>           |
| Member's deficiency, end of years (Exhibit A) | <u><u>\$ (19,577)</u></u> | <u><u>\$ (3,494)</u></u> |

The accompanying notes are an integral part  
of the financial statements



CARRE D'ARTISTES GREAT AMERICA LLC

## Statements of Cash Flows

Years Ended December 31, 2021 and 2020

|                                                                              | <u>2021</u> | <u>2020</u> |
|------------------------------------------------------------------------------|-------------|-------------|
| Cash flows from operating activities                                         |             |             |
| Net (loss) income                                                            | \$ (16,083) | \$ 3,666    |
| Adjustments to reconcile net income<br>to net cash from operating activities |             |             |
| Forgiveness of affiliate debt (gain)                                         | -           | (8,421)     |
| Change in assets and liabilities                                             |             |             |
| Credit notes to receive                                                      | (6,000)     | -           |
| Accounts payable                                                             | 1,662       | -           |
| Accrued expenses and other                                                   | 4,000       | -           |
| Total adjustments to net income                                              | (338)       | (8,421)     |
| Net cash used for operating activities                                       | (16,421)    | (4,755)     |
| Cash flows from financing activities                                         |             |             |
| Net borrowing under debt obligations                                         | 16,421      | 24,494      |
| Forgiveness of affiliate debt gain                                           | -           | 8,421       |
| Net cash provided by<br>financing activities                                 | 16,421      | 32,915      |
| Net increase in cash                                                         | -           | 28,160      |
| Cash at beginning of years                                                   | 30,000      | 1,840       |
| Cash at end of years                                                         | \$ 30,000   | \$ 30,000   |
| Supplemental cash flow information:                                          |             |             |
| Interest paid                                                                | \$ -        | \$ -        |
| Income taxes paid                                                            | -           | -           |

Cash and cash equivalents may include highly liquid investments with maturities of three months or less.

The accompanying notes are an integral part  
of the financial statements

## CARRE D'ARTISTES GREAT AMERICA LLC

### Notes to Financial Statements

Years Ended December 31, 2021 and 2020

#### **NOTE 1 – SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

##### Business Operations

CARRE D'ARTISTES GREAT AMERICA LLC (the "Company"), a wholly owned subsidiary of CARRE D'ARTISTES USA CORP., was formed in the State of New York on June 15, 2018 in order to facilitate the franchising of Carré d'Artistes art galleries in the United States. CARRE D'ARTISTES USA CORP. is the sole member of CARRE D'ARTISTES GREAT AMERICA LLC.

##### Revenue Recognition

##### New Accounting Standard

In May 2014, FASB issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), as amended (commonly referred to as "ASC 606"), which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 replaces most existing revenue recognition standards in U.S. GAAP, including industry specific standards, when it becomes effective. The standard was effective for years beginning after December 15, 2018.

On January 28, 2021, the FASB issued ASU 2021-02,<sup>1</sup> which allows a franchisor that is not a public business entity ("private-company franchisor") to use a practical expedient when identifying performance obligations in its contracts with customers (i.e., franchisees) under ASC 606.2. When using the practical expedient, a private-company franchisor that has entered into a franchise agreement would treat certain preopening services provided to its franchisee as distinct from the franchise license.

The Company transitioned to FASB ASC 606.2, on January 1, 2021, using the full retrospective method. There was no cumulative effect of this transition as no franchise has yet been recognized.

##### Franchise Revenues

The Company recognizes initial and installation fees as revenue upon opening of the franchise location in accordance with the ASU-2021-02 practical expedient. The royalty fees are recognized as a percentage of the sales of the franchisee. The Company recognizes the other fees when the service is provided and accepted by the franchisee.

CARRE D'ARTISTES GREAT AMERICA LLC

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

**NOTE 1 – SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

Income Taxes

The Company is treated as a disregarded entity for federal and state income tax purposes, in accordance with single member limited liability company rules. All tax effects of the Company's income or loss are passed through to the member. Therefore, no provision or liability for federal or state income taxes is included in these financial statements.

Use of Estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

For the period ended December 31, 2021, the Company has evaluated subsequent events for potential recognition and disclosure through May 20, 2022, the date when the financial statements were available to be issued.

CARRE D'ARTISTES GREAT AMERICA LLC

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

**NOTE 2 – TRANSACTIONS WITH AFFILIATES**

Intercompany balances at December 31, 2021 and 2020 and transactions with affiliates during the years were as follows:

|                                     | <u>2021</u> | <u>2020</u> |
|-------------------------------------|-------------|-------------|
| <b>CARRE D'ARTISTES USA CORP</b>    |             |             |
| Note payable                        | \$ 34,615   | \$ 24,494   |
| <b>CARRE D'ARTISTES NY LLC</b>      |             |             |
| Forgiveness of debt gain            | -           | 8,421       |
| <b>CARRE D'ARTISTES ARIZONA LLC</b> |             |             |
| Note payable                        | 15,300      | 9,000       |

In 2020 and 2021, the Company received loans from affiliates. Due to uncertainty of repayment terms, the notes are classified as current liabilities. The loans received from or granted to affiliated companies are interest free.

**NOTE 3 – SIGNIFICANT UNCERTAINTY**

The COVID-19 pandemic that emerged in early 2020 has continued to develop rapidly with a significant number of cases. Uncertain consumer behavior and disruptions to the supply chain continue as a result of the pandemic. The continuing financial impact into 2022 and duration of this event cannot be reasonably estimated at this time.

## **UNAUDITED FINANCIAL STATEMENTS**

### **Included if required by state law**

These Financial Statements have been prepared without an audit. Prospective franchisees or sellers of franchises should be advised that no independent Certified Public Accountant has audited these figures or expressed an opinion with regard to their content or form.

# CARRE D'ARTISTES GREAT AMERICA LLC

Non audited accounts as of June 30th, 2022

| BALANCE SHEET                          |                    |
|----------------------------------------|--------------------|
|                                        | GREAT              |
| <b>ASSETS</b>                          |                    |
| <b>Current Assets</b>                  |                    |
| Checking/Savings                       |                    |
| Bank                                   | 14 127,00          |
| Cash                                   | -                  |
| Intern Bank                            | -                  |
| <b>Total Checking/Savings</b>          | <b>14 127,00</b>   |
| <b>Accounts Receivable</b>             |                    |
| Account Receivable                     | -                  |
| <b>Total Accounts Receivable</b>       | <b>-</b>           |
| <b>Other Current Assets</b>            |                    |
| <b>Investments</b>                     |                    |
| Investments in CA Arizona              | -                  |
| Investments in CA NY1                  | -                  |
| Investments in CA NY2                  | -                  |
| Investments in CA GREAT AMERICA        | -                  |
| <b>Total Investments</b>               | <b>-</b>           |
| <b>Inventory</b>                       |                    |
| Stock Frames                           | -                  |
| Stock lost                             | -                  |
| Inventory Other                        | -                  |
| Merchandise                            | -                  |
| <b>Total Inventory</b>                 | <b>-</b>           |
| <b>Prepaid expenses</b>                | <b>-</b>           |
| <b>Total Other Current Assets</b>      | <b>-</b>           |
| <b>Total Current Assets</b>            | <b>14 127,00</b>   |
| <b>Computer</b>                        |                    |
| Accumulated Depreciation Computer      | -                  |
| Computer - Other                       | -                  |
| <b>Total Computer</b>                  | <b>-</b>           |
| <b>Fixed Assets</b>                    |                    |
| Accumulated Depreciation in 1          | -                  |
| Accumulated Depreciation in 2          | -                  |
| Intangible 1                           | -                  |
| Intangible 2                           | -                  |
| <b>Total Fixed Assets</b>              | <b>-</b>           |
| <b>Furniture and Equipment</b>         |                    |
| Accumulated furniture                  | -                  |
| Furniture and Equipment                | -                  |
| Furniture NY2                          | -                  |
| <b>Total Furniture and Equipment</b>   | <b>-</b>           |
| <b>Leasehold equipment</b>             |                    |
| Accumulated Leasehold Equipment        | -                  |
| Leasehold improvement                  | -                  |
| <b>Total Leasehold Improvement</b>     | <b>-</b>           |
| <b>Total Fixed Assets</b>              | <b>-</b>           |
| Other Assets                           | -                  |
| Security Deposit                       | -                  |
| <b>Total Other Assets</b>              | <b>-</b>           |
| <b>TOTAL ASSETS</b>                    | <b>14 127,00</b>   |
| <b>LIABILITIES &amp; EQUITY</b>        |                    |
| <b>Liabilities</b>                     |                    |
| <b>Current Liabilities</b>             |                    |
| <b>Accounts Payable</b>                |                    |
| Account Payable                        | 16 476,08          |
| <b>Total Accounts Payable</b>          | <b>16 476,08</b>   |
| <b>Other Current Liabilities</b>       |                    |
| Accrued expense                        | -                  |
| Employee Expenses report               | -                  |
| Employee advance                       | -                  |
| Due to Carre d'artistes CORP           | 35 978,16          |
| Due to Carre d'artistes NY1            | -                  |
| Due to Carre d'artistes NY2            | -                  |
| Due to Carre d'artistes Arizona        | 15 300,00          |
| Due to Carre d'artistes Great America  | -                  |
| Due to Carre d'artistes SAS            | -                  |
| Social Tax Payable                     | -                  |
| Sales Tax Payable                      | -                  |
| Local Tax Payable                      | -                  |
| <b>Total Other Current Liabilities</b> | <b>51 278,16</b>   |
| <b>Total Current Liabilities</b>       | <b>67 754,24</b>   |
| <b>Equity</b>                          |                    |
| Capital Stock                          | 30 000,00          |
| Retained Earnings                      | - 49 577,16        |
| <b>Net Income</b>                      | <b>- 34 050,08</b> |
| <b>Total Equity</b>                    | <b>- 53 627,24</b> |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>  | <b>14 127,00</b>   |

| PROFIT & LOSS                  |                    |
|--------------------------------|--------------------|
|                                | GREAT              |
| <b>ORDINARY INCOME/EXPENSE</b> |                    |
| <b>Income</b>                  |                    |
| Sales Frames                   | -                  |
| Sales Artworks                 | -                  |
| Sales Others                   | -                  |
| Shipping sales                 | -                  |
| <b>Total Income</b>            | <b>-</b>           |
| <b>Cost of Goods Sold</b>      |                    |
| Freight Arts                   | -                  |
| Inventory Variation            | -                  |
| Inventory Frames               | -                  |
| Inventory Packaging lost       | -                  |
| Purchase Frames                | -                  |
| Purchase Artworks              | -                  |
| Purchase others products       | -                  |
| Purchase packaging lost        | -                  |
| Stocks Cadres NY2              | -                  |
| Stock packaging lost NY2       | -                  |
| <b>Total COGS</b>              | <b>-</b>           |
| <b>GROSS PROFIT</b>            | <b>-</b>           |
| <b>Expense</b>                 |                    |
| Advertising and promotion      | -                  |
| Arts Insurance                 | -                  |
| Bank service Charges           | -                  |
| Merchant fees                  | -                  |
| Bank Service Charges - Other   | 4,00               |
| Total Bank Services Charges    | 4,00               |
| Depreciation                   | -                  |
| Gift Client                    | -                  |
| Insurance employee             | -                  |
| Job offer                      | -                  |
| Liability Insurance            | -                  |
| Licence & Trademark            | -                  |
| Local Tax                      | -                  |
| Maintenance                    | -                  |
| Marketing                      | 300,00             |
| Non-storage supply             | -                  |
| Office expenses                | -                  |
| Office Supplies                | -                  |
| Others business expense        | -                  |
| Payroll                        | -                  |
| ADP fees                       | -                  |
| Social Security                | -                  |
| Wage                           | -                  |
| Total Payroll                  | -                  |
| Penalty                        | -                  |
| Printed Catalog                | -                  |
| Postage and Delivery           | -                  |
| Professional Fees              | -                  |
| Accounting fees                | 5 000,00           |
| Other fees                     | 18 746,08          |
| Total Professional Fees        | 23 746,08          |
| Public liability               | -                  |
| Rent charges                   | -                  |
| Rent Expenses On Real Esta     | -                  |
| Rental tax                     | -                  |
| Right to do Business           | -                  |
| Royalties                      | -                  |
| Trademark                      | -                  |
| Royalties paid                 | -                  |
| Total Royalties                | -                  |
| Shipping arts                  | -                  |
| Shop maintenance               | -                  |
| Telephone Expense              | -                  |
| Training employee              | -                  |
| Tips - Don                     | -                  |
| Travel Expense                 | -                  |
| <b>Total EXPENSE</b>           | <b>24 050,08</b>   |
| <b>Net Ordinary Income</b>     | <b>- 24 050,08</b> |
| <b>Other Income/Expense</b>    |                    |
| Miscellaneous product          | -                  |
| Loan Forgiveness – Debt        | -                  |
| Exchange rate profit           | -                  |
| Exceptional products           | -                  |
| Royalties invoiced             | -                  |
| Intercompany Expense rebilling | -                  |
| <b>Total Other Income</b>      | <b>-</b>           |
| <b>Other Expense</b>           |                    |
| Exchange loss                  | -                  |
| Loan Forgiveness - Asset       | -                  |
| Miscellaneous expense          | 10 000,00          |
| <b>Total Other Expense</b>     | <b>10 000,00</b>   |
| <b>NET INCOME</b>              | <b>- 34 050,08</b> |



## **EXHIBIT C**

# **CARRE D'ARTISTES FRANCHISE AGREEMENT, INCLUDING STATE ADDENDA**



**UNIT FRANCHISE  
AGREEMENT**



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## UNIT FRANCHISE AGREEMENT

THIS UNIT FRANCHISE AGREEMENT, (the “**Agreement**”) dated \_\_\_\_\_, 20\_\_\_\_ (“**Effective Date**”), is made by and between Carré d’artistes Great America LLC, a limited liability company organized under the laws of the state of New York, located at ~~e/o KVB-60 Broad Street~~336AZ-179, Suite ~~3502~~B121, ~~New York, NY 10004~~Sedona, AZ 86336 (“**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_ organized under the laws of \_\_\_\_\_, located at \_\_\_\_\_ (“**Franchisee**”).

### 1. NATURE AND SCOPE OF AGREEMENT

#### 1.1. The Carré d’artistes® France and Franchisor

Carré d’artistes® (“**Carré d’artistes® France**”) has created and owns a distinctive Concept (as defined below) to operate art galleries under the service mark Carré d’artistes® and associated trademarks, tradenames, service marks, designs, logos and designs (“**Licensed Marks**”). A Master Franchise Agreement has been entered into between Carré d’artistes® France and Franchisor (the “**Master Franchise Agreement**”). The Master Franchise Agreement authorizes the Franchisor to open Carré d’artistes® points of sales and to license others to do the same.

#### 1.2. The Carré d’artistes® Concept and Know-How

The Carré d’artistes® concept (“**Concept**”) includes, but is not limited to, the following elements:

- Intellectual property rights, including the Licensed Marks;
- Unpatented, practical knowledge and experience of operating art galleries and artwork distribution gathered by Carré d’artistes® and its affiliates over many years in France, the U.S. and other countries, including through the use of original means and methods aimed at developing art gallery businesses (“**Know-How**”);
- System-compatible layout and designs, including interior decorations and furnishings and external design elements giving the Art gallery an attractive appearance, installed in accordance with Carré d’artistes’® interior decoration plans and outfitting standards;
- Best practices and standards for: the business model to be used by all Art gallery franchisees; management of personnel; tools allowing to advertise and democratize contemporary art in art galleries; software tools for inventory management and sales; advertising, publicity and other marketing programs; training programs and training materials;

and other requirements as stated or referred to in this Agreement and from time to time in the Operations Manual.

### 1.3. The Franchisee

Franchisee hereby acknowledges that Franchisee is fully aware of the possibilities and demands pertaining to operation of an Art gallery, acknowledges the originality and validity of the Know-How and has fully investigated the business risks involved and such other matters Franchisee deems important, including current and potential market conditions and competitive factors and risks; has read Franchisor's franchise disclosure document and has not relied on any representations not set forth in the franchise disclosure document or this Agreement, has conducted further research on investments in the relevant market, and that it contacted Franchisor with it wishes to enter into an agreement. Aware of the relevant facts, Franchisee wishes to obtain a license to use the Concept, including the Know-How, and to operate one Art gallery as described in the Agreement.

**NOW, THEREFORE, THE PARTIES AGREE TO THE FOLLOWING TERMS AND CONDITIONS:**

## 2. DEFINITIONS

The capitalized terms used in this Agreement shall have the following meanings:

|                                  |                                                                                                                                                                                                          |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Agreement</b>                 | This agreement and its appendices which form an integral part of it and, as the case may be, its amendments, duly executed by authorized representatives of the Parties.                                 |
| <b>Applicable Laws</b>           | See Section 7.8                                                                                                                                                                                          |
| <b>Art gallery</b>               | Means the business to be operated by Franchisee pursuant to this Agreement using the Concept and Licensed Marks.                                                                                         |
| <b>Artist Fund</b>               | See Section 6.10(i)                                                                                                                                                                                      |
| <b>Artists Fund Contribution</b> | See Section 6.10(ii)                                                                                                                                                                                     |
| <b>Artwork</b>                   | Means each piece of art (including paintings and sculptures) and other items (referred to individually and collectively) sold through the Art gallery and consigned by the Franchisor to the Franchisee. |
| <b>Business Improvement</b>      | See Section 7.5(iii)                                                                                                                                                                                     |
| <b>Carré d'artistes®</b>         | Means the company Carré d'artistes® SAS or the trademark Carré d'artistes®, as indicated by context.                                                                                                     |
| <b>Carré d'artistes® Space</b>   | Means the premises that the Art gallery is operated from.                                                                                                                                                |
| <b>Competitive Business</b>      | See Section 14(i)                                                                                                                                                                                        |

|                                                    |                                                                                                                                                                                                                                                                    |
|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Compliance Certificate</b>                      | Means the certificate delivered by Franchisor upon completion of build-out of the Carré d'artistes <sup>®</sup> Space in compliance with the Standards.                                                                                                            |
| <b>Concept</b>                                     | See Section 1.2                                                                                                                                                                                                                                                    |
| <b>Continuation Term</b>                           | See Section 4.3                                                                                                                                                                                                                                                    |
| <b>Continuing Training</b>                         | See Section 6.2(i)                                                                                                                                                                                                                                                 |
| <b>Furniture</b>                                   | Means the built-in furniture, display furniture and items, and similar furniture and items to be used in the Carré d'artistes <sup>®</sup> Space.                                                                                                                  |
| <b>General Terms of Sale</b>                       | The Franchisor's general terms and conditions of sale as set out in <b>Appendix 3</b> , which the Franchisor may revise from time to time.                                                                                                                         |
| <b>Indemnified Party or Indemnified Parties</b>    | See Section 11(vii)                                                                                                                                                                                                                                                |
| <b>Initial Term</b>                                | See Section 4.1                                                                                                                                                                                                                                                    |
| <b>Initial Training</b>                            | See Section 6.1.1(i)                                                                                                                                                                                                                                               |
| <b>Know-How</b>                                    | See Section 1.2                                                                                                                                                                                                                                                    |
| <b>Licensed Marks</b>                              | See Section 1.1                                                                                                                                                                                                                                                    |
| <b>Location</b>                                    | See Appendix 1                                                                                                                                                                                                                                                     |
| <b>Manager</b>                                     | See Section 6.1.1(i)                                                                                                                                                                                                                                               |
| <b>Marketing Fund</b>                              | See Section 9.7                                                                                                                                                                                                                                                    |
| <b>Marketing Fund Contribution</b>                 | See Section 10.3(i)                                                                                                                                                                                                                                                |
| <b>Net Sales</b>                                   | See Section 10.3(i)                                                                                                                                                                                                                                                |
| <b>Network</b>                                     | Means the Carré d'artistes <sup>®</sup> Network, including all its franchisees, globally.                                                                                                                                                                          |
| <b>Online Presence</b>                             | See Section 9.5                                                                                                                                                                                                                                                    |
| <b>Operations Data and Systems Operations Data</b> | See Section 7.6.1(vi)                                                                                                                                                                                                                                              |
| <b>Operations Manual</b>                           | Means the documentation in tangible form (whether in written, machine readable, electronic or any other tangible form) of the Concept, including the Carré d'artistes <sup>®</sup> Process Book, Opening Book and Road Book, and other documentation communicating |

mandatory and suggested Standards applicable to the Concept and information relative to Franchisee's other obligations under this Agreement and to the operation of the Art gallery, as such documentation may be modified, amended and supplemented from time to time by Carré d'artistes® and Franchisor in their sole discretion.

|                             |                                                                                                                                                                                                                                                                                                             |
|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>POS System</b>           | See Section 7.6.1(i)                                                                                                                                                                                                                                                                                        |
| <b>Renewal Term</b>         | See Section 4.2                                                                                                                                                                                                                                                                                             |
| <b>Royalty</b>              | See Section 10.3(i)                                                                                                                                                                                                                                                                                         |
| <b>Sales Space</b>          | Means the area visible from the outside of the Art gallery in which Artwork are exhibited to the public and sales are made.                                                                                                                                                                                 |
| <b>Selected Artist</b>      | Means each artist that is approved by Carré d'artistes® France or Franchisor and selected to be exhibited at Franchisee's Art gallery.                                                                                                                                                                      |
| <b>Service Space</b>        | Means any part of the Art gallery that is not part of the Sales Space. It includes storage space for the Artwork and packaging, restrooms, office space. The Service Space shall be at least 100 square feet.                                                                                               |
| <b>Software</b>             | Means the POS System, intranet and other computer software or computer programs for the management and operation of the Art gallery and Franchisee's business, each as may be required or recommended by Franchisor from time to time.                                                                      |
| <b>Standards</b>            | Means all the mandatory and suggested standards, methods, procedures and specifications rules and guidelines defined by Carré d'artistes® and Franchisor applicable to the Concept and information relative to Franchisee's other obligations under this Agreement and to the operation of the Art gallery. |
| <b>Term</b>                 | See Section 4.2                                                                                                                                                                                                                                                                                             |
| <b>Training Certificate</b> | Means the training certificate delivered by Franchisor upon completion of Initial Training.                                                                                                                                                                                                                 |
| <b>Transfer</b>             | See Section 12.2.1                                                                                                                                                                                                                                                                                          |

### **3. GRANT OF RIGHTS**

#### **3.1. Grant of License**

Subject to the terms and conditions of this Agreement, Franchisor grants to the Franchisee the non-exclusive right to operate according to the Concept, including the Know-How, and using the Licensed Marks, one Art gallery at the location set forth on Appendix 1 (a "**Location**"). Franchisee may not relocate the Art gallery without Franchisor's prior written consent, which Franchisor may grant or withhold in its sole judgment.

### **3.2. No Exclusive Territory**

Franchisee receives no territorial rights or protection.

### **3.3. Reserved Rights**

#### **3.3.1. Rights Not Specifically Granted**

Carré d'artistes® and Franchisor reserve all rights not specifically granted to Franchisee in this Agreement. Among other things, this Agreement does not limit Carré d'artistes® or Franchisor's right or the right of any of their affiliates to use or license the Concept or to engage in or license any business activity, including, without limitation: the operation or franchising of art galleries under the Licensed Marks at any location other than the Location; the ownership, operation or franchising of art galleries under any other trade name, trademark or service mark now or hereafter owned by or licensed to Carré d'artistes®, Franchisor or their affiliates at any location, or the sale, distribution or marketing of products identified by the Licensed Marks at any location or through any Online Presence, including Franchisor's website. Franchisee acknowledges that Carré d'artistes® and Franchisor's rights to use and/or license the Concept pre-date this Agreement and are not limited or changed by the terms of this Agreement. Franchisee agrees that by acknowledging those rights, the parties do not intend to make their exercise of such rights subject to rules applicable to contractual performance or the exercise of contractual discretion under this Agreement.

#### **3.3.2. Acquisition of Other Businesses or of Franchisor**

Franchisor also reserves the right, now or in the future, to purchase, merge, acquire, be acquired or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses under the Licensed Marks or any other marks following the purchase, merger, acquisition or affiliation, regardless of the location of these businesses. Franchisor further reserves the right to sell itself, its assets, the Licensed Marks and/or the Concept to a third party; go public; engage in a private placement of some or all of its securities; merge, acquire other corporations or entities, or be acquired by another corporation or entity; and/or undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. If Franchisor assigns its rights in this Agreement, Franchisor does not need to remain in this type of business or to offer or sell any products or services to Franchisee.

#### **3.3.3. Rights Exercised Separately to Each Art Gallery**

Franchisor and Franchisee agree and acknowledge that each of them may exercise any right, claim or power under this Agreement separately and individually with respect to each Art gallery operated pursuant to this Agreement.

## **4. TERM**

### **4.1. Initial Term**

Unless sooner terminated as set forth in Section 14, the initial term of this Agreement shall be for ten (10) years beginning on the Effective Date (the **"Initial Term"**).

#### 4.2. Renewal Term

Franchisee may renew this Agreement for one (1) additional term of five (5) years (the “**Renewal Term**” and together with the Initial Term (the “**Term**”), provided that all of the following conditions are met:

- (a) Franchisee meets with Franchisor at least six (6) months prior to the expiration of the Initial Term to discuss renewal, or gives Franchisor at least six (6) months’ notice of its intent to renew;
- (b) Franchisee is not in breach of this Agreement at the time of the above stated meeting with the Franchisor or at the time the Initial Term expires, has, throughout the Initial Term made all payments due to Franchisor or its affiliates in a timely fashion, and has not been in material breach of this Agreement during the Initial Term;
- (c) Franchisee has met or exceeded the turnover goals set in Franchisee’s business plan, as approved by Franchisor pursuant to Section 7.7, during the two (2) full calendar years immediately preceding the Franchisee’s timely notice to Franchisor of Franchisee’s notice to renew;
- (d) ~~(e)~~ Franchisee agrees to execute Franchisor’s then current form of franchise agreement used for renewals and all other agreements then customarily used by Franchisor in granting franchises for Art galleries. The then current form of franchise agreement may contain provisions that are materially different from this Agreement (including, without limitation, different or increased fees and royalties, a requirement to remodel, refurbish, renovate or re-equip the Art gallery) and may not include any additional renewal term;
- (e) ~~(d)~~ Franchisee agrees to timely renovate and update the Art gallery to meet then current System standards for Art galleries, unless the Art gallery has been renovated and updated to meet System standards for Art galleries within the 2 years from the date of renewal;
- (f) ~~(e)~~ Franchisee signs a general release, in a form acceptable to Franchisor, releasing all claims Franchisee may have against Franchisor, its owners, affiliates, officers, directors, employees, successors and assigns; and
- (g) ~~(f)~~ Franchisee pays Franchisor a renewal fee of \$15,000.

In the event the parties do not agree to the execution of a new franchise agreement before the expiration of the Initial Term, the parties’ contractual relationship shall cease on the last day of the Initial Term. Franchisee is not entitled to request from Franchisor payment of any monies, damages of any kind or any other compensation for not entering into a new franchise agreement or for the expiration of the contractual relationship.

#### 4.3. Continuation Term

If Franchisee continues to operate the Art gallery with Franchisor’s express or implied consent following the expiration of the Term of this Agreement, the continuation will be a month-to-month extension of this Agreement, unless otherwise agreed in writing

(“**Continuation Term**”). All provisions of this Agreement will apply while Franchisee continues to operate the Art gallery during the Continuation Term. The Continuation Term of this Agreement will then be terminable by either party on thirty (30) days’ prior written notice to the other party.

## **5. LICENSED MARKS AND SIGNAGE**

### **5.1. General specifications**

The Licensed Marks have been licensed to Franchisor by Carré d’artistes® France. Franchisor hereby grants Franchisee, exclusively for the purpose of the Agreement during the Term, the non-exclusive right to use the Licensed Marks, distinctive signs, the promotional documentation and slogans Carré d’artistes®. Franchisee agrees to use the Licensed Marks only in the manner and format specified in the Operations Manual or otherwise with Franchisor’s prior written consent. Franchisor reserves the right to specify which Licensed Marks Franchisee may use and how Franchisee may use them.

Franchisee acknowledges that the Licensed Marks as well as any Carré d’artistes® distinctive designs are the exclusive property of Carré d’artistes®. Franchisee acknowledges that it has not acquired, and will not during the Term acquire any right whatsoever in the Licensed Marks, except for the right set forth in this Section 5.1. The Franchisee therefore agrees not to register, in France, the United States, or in any other country or jurisdiction, any Licensed Mark and/or any trademark, trade name, service mark, logotype or design likely to cause confusion with any Licensed Mark. The rights in the Licensed Marks granted in this Agreement are specific to Franchisee and Franchisee has no right to sublicense the Licensed Mark to any other person or otherwise permit any other person to use them.

Franchisee may use the Licensed Marks only in the manner and format specified in the Operations Manual or otherwise with Franchisor’s prior written consent. Franchisor reserves the right to specify which Licensed Marks Franchisee may use and how Franchisee may use them, and to pre-approve in writing any non-specified use of the Licensed Marks.

### **5.2. Goodwill and Ownership of Licensed Marks.**

Franchisee acknowledges and agrees that Franchisee will not acquire any proprietary rights in the Licensed Marks by virtue of the license granted to Franchisee in this Agreement or otherwise. All goodwill established by Franchisee’s use of the Licensed Marks will inure to the sole and exclusive benefit of Carré d’artistes® France and Franchisor. Franchisee agrees not to contest at any time either the validity, or Carré d’artistes® France’s ownership, of any of the Licensed Marks. Any unauthorized use by Franchisee of the Licensed Marks will constitute an infringement of Franchisor’s and Carré d’artistes® France’s rights in and to the Licensed Marks.

### **5.3. No Use in Business Name**

The Licensed Marks shall not appear in the Franchisee’s formal business name or tradename, or in connection with any prefix, suffix or other modifying words, terms, designs or symbols (except those licensed hereunder) or in any modified form. Franchisee may not use any Licensed Marks when selling any unauthorized product or service or in any manner that Franchisor has not expressly authorized in writing in advance.



#### **5.4. Identification.**

Franchisee must identify itself as the independent owner of its Art gallery, give notices of trademark and service mark registrations in the manner Franchisor specifies, and obtain such fictitious or assumed name registrations as may be required under applicable law or as may be required by Franchisor to distinguish Franchisee from Franchisor. The phrase “Carré d’artistes® Franchisee” or a similar phrase, as Franchisor may require from time to time, must be displayed on the stationery and other business documents of the Franchisee preceded by the words “Independent Business.”

#### **5.5. Infringing Use of Licensed Marks**

Franchisee shall not concede to any third party the right to use any Licensed Marks and/or Concept, and generally any of Carré d’artistes® distinctive designs, symbols or signage. If Franchisee becomes aware of any unauthorized use by any third party of any Licensed Mark, use of any other confusingly similar trademark, signage or name which may constitute an infringement of any of the Licensed Marks, or any claim by any third party of any rights in the Licensed Marks or any similar mark, or any acts pertaining to unfair competition, Franchisee shall promptly notify Franchisor of such use or acts. Franchisee shall use its reasonable efforts to provide Franchisor with all information on infringements of the Licensed Marks or unfair competition acts that Franchisee becomes aware of. Franchisee acknowledges that Carré d’artistes® and/or Franchisor shall decide, at their own discretion, whether to institute action, proceedings or litigation against any third party that infringes on any Licensed Mark or with practices which may constitute acts of unfair competition. Franchisee may not communicate with any person other than Franchisor or Franchisor’s attorneys and Franchisee’s attorneys in connection with the alleged infringement, challenge or claim. Franchisor will indemnify Franchisee and hold Franchisee harmless from any out of pocket expense or liability arising from Franchisee’s use of the Licensed Marks in accordance with this Agreement. Franchisor and Carré d’artistes® France have the sole discretion to take the action, if any, that Franchisor and Carré d’artistes® France deem appropriate, and the right to exclusively control any litigation, trademark office proceeding or other administrative proceeding arising out of any infringement, challenge or claim or otherwise concerning any of the Licensed Marks. Franchisee must sign all instruments and documents, provide assistance and take any action that, in the opinion of Franchisor’s or Carré d’artistes® France’s attorneys, may be necessary or advisable to protect and maintain Franchisor’s interests in any litigation, trademark office proceeding or other administrative proceeding or to otherwise protect and maintain Franchisor’s interest in the Licensed Marks. Franchisor or Carré d’artistes® France will bear all legal expenses incident to Franchisee’s participation, at Franchisor or Carré d’artistes® France’s request, in any action to prevent the infringement or illegal use of the Licensed Marks, except for the cost of any legal counsel Franchisee separately retain. Except as expressly provided in this Section, Franchisor will not be liable to Franchisee for any loss of profits or business opportunities, or indirect, incidental or consequential damages of any kind or nature whatsoever relating to any action involving the Licensed Marks.

#### **5.6. Modifications or Discontinuance of Licensed Marks**

Franchisor has the right to modify or discontinue their or Franchisee’s use of the Licensed Marks or the specifications for use of the Licensed Marks, or to require Franchisee to commence the use of new or substitute Licensed Marks. Franchisee agrees that Franchisor may change the mark under which Franchisee operates the Art gallery to another mark, and, if such change is made, Franchisee must use the other mark as we direct at Franchisee’s sole

expense. If such change is made, reference in this Agreement to the Licensed Marks shall be deemed to refer to such new mark(s).

#### **5.7. Electronic Commerce.**

Franchisee must comply with the requirements set forth in the Operations Manual regarding Franchisee's use of the Licensed Marks in electronic commerce, which includes all forms of electronic or computer communication, including Franchisee's use of social media, mobile marketing or other Online Presence. Franchisee is not allowed to have Franchisee's own website for Franchisee's Art gallery, except with Franchisor's prior written approval. Franchisor may require that various types of marketing or advertising utilize a specific template or format. Franchisee must give Franchisor copies of all proposed applications for registrations of any of the Licensed Marks or any variation thereof for use in and for electronic commerce, including Franchisee's social media or mobile marketing applications. Franchisee must obtain Franchisor's prior written approval before filing any such application, which approval Franchisor may withhold in its sole discretion. Upon expiration or termination of this Agreement, Franchisee must transfer all registrations, including Franchisee's social media or mobile marketing accounts, to Franchisor upon its written request. Franchisee will not receive any compensation for such transfer.

#### **5.8. On-line Promotions/Social Media.**

Franchisee agrees and acknowledges that Franchisee is obligated to comply with Franchisor's online policies which are subject to change by Franchisor from time to time. Franchisee agrees that Franchisee's on-line promotional strategies must comply with Franchisor's online policy. Franchisee further agrees and acknowledges that Franchisor may review and monitor all online content on social media sites, blogs, electronic communication and other Online Presence on which the Licensed Marks, service marks, trade names, copyrights or any similar marks are used. Franchisee agrees to remove any usage or content that Franchisor requires, including without limitation, content that Franchisor deems to be scandalous, immoral or detrimental to the Network, Franchisor or Carré d'artistes® France's image. Franchisee further agrees and acknowledges that Franchisor may prohibit use of the Licensed Marks, service marks, trade names, copyrights or any similar marks on any site or all sites.

#### **5.9. Third Party Beneficiary.**

As the owner of the Licensed Marks, Carré d'artistes® France is a third party beneficiary of Section 5 and has an independent right to enforce these provisions.

### **6. FRANCHISOR'S OBLIGATIONS**

#### **6.1. Training**

Franchisor will provide Initial and Continuing Training programs to the Franchisee, its owners and managers, and Franchisee undertakes for the duration of this Agreement to attend and cause its owners and, to the extent applicable, managers, to attend, the Initial Training and Continuing Training.

### 6.1.1. Initial Training

- (i) Franchisor shall provide the owner and/or manager (the “**Manager**”) of the Art gallery, who shall be the Franchisee’s company main owner and representative, an initial training program (the “**Initial Training**”) of a duration ~~of a minimum~~ of seven (7) days, ~~and a maximum of fifteen days (15)~~ comprising pertaining to the Concept and operation of the Art gallery at Carré d’artistes® France’s or Franchisor’s headquarters or any other location as designated by Franchisor and online training.
- (ii) The Franchisee shall pay for its travel, lodging and food expenses while attending training.
- (iii) Provided that Franchisee and all of Franchisee’s required participants in the Initial Training complete the Initial Training to Franchisor’s satisfaction, Franchisor shall issue the Franchisee a Certificate for the training called “Carré d’artistes® Training Certificate” (the “**Training Certificate**”), allowing Franchisee to operate the Art gallery. Should one or more of the required participants in the Initial Training fail to obtain the Training Certificate, then such participant shall be required to attend the program again until Franchisor issues a Training Certificate for such person.

### 6.2. Continuing Training

- (i) Franchisor may provide to Franchisee continued optional or mandatory training (the “**Continuing Training**”) and Franchisee agrees to attend all such mandatory Continuing Training sessions.
- (ii) Franchisee undertakes to receive Continuing Training at a pilot art gallery or other location designated by Franchisor at least two (2) days a year. Continuing Training may also be provided online.
- (iii) Franchisee shall pay for its attendees’ travel, lodging and food expenses while attending training. Franchisor may charge a reasonable fee for Continuing Training.

### 6.3. Operations Manual

Carré d’artistes® has summarized and documented details of the Concept in the Operations Manual and Franchisee must comply with all mandatory provisions of the Operations Manual. The Operations Manual may include provisions regarding mandatory and suggested Standards applicable to the Concept and information relative to Franchisee’s other obligations under this Agreement and to the operation of the Art gallery, for example, Concept processes, commercial and marketing techniques and training, management methods, general layout and design of a Carré d’artistes® Space, Artwork display methods and Online Presence. The Operations Manual consists of Carré d’artistes® Process Book, Opening Book and Road Book, and other documentation in tangible form. The Operations Manual may be modified, amended and supplemented from time to time in Carré d’artistes® and Franchisor’s sole discretion to reflect improvements and changes to the Concept, including changes to the business, authorized products and services (and specifications therefor), FF&E requirements, quality

standards, and operating procedures for the Art gallery. Franchisor shall provide Franchisee with access the Operations Manual in a format determined by Franchisor and inform Franchisee of improvements or changes to the Concept, and provide Franchisee with the latest version of the Operations Manual. Such additions or modifications may be made through various communications by Franchisor, including policy statements, memoranda, bulletins, directives, instructions, intranet, electronic communications, or other material prepared by or on behalf of Franchisor. The Operations Manual shall remain the sole property of Carré d'artistes® and shall be loaned to the Franchisee free of charge for the Term.

#### **6.4. Assistance prior to the opening and assistance pertaining to the layout and the decoration of the Carré d'artistes® space**

##### **6.4.1. Assistance prior to the opening of the Art Gallery**

- (i) Franchisor shall assist Franchisee by reviewing Franchisee's proposed location for the Art gallery and assist Franchisee in the selection and of the Manager and/or personnel of the Art gallery.
- (ii) Franchisor's review and approval of Franchisee's Location only means that Franchisor believes that the Location falls within Franchisor's then current criteria for Art gallery locations. Franchisee acknowledges that its selection of a location is based on Franchisee's own independent investigation of the suitability of the location and that Franchisor's approval is not a guarantee or promise of success. Likewise, any assistance Franchisor may provide Franchisee in the selection of a Manager or other personnel for the Art gallery is purely advisory. Franchisee is solely responsible for hiring and firing of staff and employees.
- (iii) Franchisor shall provide to Franchisee: a set of then-current prototype plans (not for construction) and specifications; specifications for layout and decoration of the Art gallery, interior displays, FF&E, Art gallery interior and exterior signage, as determined by Franchisor for a typical Art gallery. These plans must be adapted to Franchisee's site by the appropriate licensed architects. The construction and build-out of the Art gallery is the Franchisee's responsibility and will be done at Franchisee's expense.

#### **6.5. Opening Assistance**

- (i) Franchisor shall send, at its expense, one (1) of its representatives for a minimum duration of two (2) days to provide assistance to Franchisee on the opening of the Art gallery.
- (ii) Franchisor shall provide commercial and technical assistance to Franchisee in connection with the opening of the Art gallery.

## **6.6. Commercial Assistance and Continuing Support**

### **6.6.1. General Assistance**

- (i) Franchisor will endeavor in the exercise of its business judgment to maintain a high standard of quality for the Concept, and to promote, protect and enhance the public image and reputation of the Concept.
- (ii) Franchisor will develop and maintain a list of standards for equipment, uniforms, computer systems, point of sale and membership management systems, transaction processing and accounting platforms, software, telephones and other items which Franchisee must use in its Art gallery.
- (iii) Franchisor will make available to Franchisee throughout the Term such sales, marketing and technical assistance, and consultation and advice on operating procedures, that Franchisor may deem necessary or desirable in the exercise of its business judgment. At Franchisee's request, Franchisor may provide specific advertising or communication tools and services to Franchisee at reasonable fees.
- (iv) Franchisor may provide the Franchisee with additional operating assistance and similar services Franchisee may require, at a reasonable fee. Franchisor will endeavor to visit the Art gallery at least once per year to review System compliance and provide operating assistance and similar services.
- (v) Franchisor reserves the right to offer and make available for Franchisee's purchase, and at its discretion and at prices Franchisor has established, Artwork, equipment and other items.
- (vi) The Art gallery shall benefit from all improvements of any Carré d'artistes® systems, methods and techniques.

### **6.6.2. Sales prices**

Franchisor shall regularly provide the Franchisee with the updated whole-sale prices for available Artwork and may, at its option, provide minimum or maximum retail prices. Franchisor may provide Franchisee recommended minimum or maximum resale prices and to the extent permitted by Applicable Law, Franchisee will not sell Artwork below the recommended minimum resale prices. It is expressly pointed out that, except as set forth in the previous sentence, the Franchisee, as an independent business, may freely set its resale prices for any and all Artwork and that the recommended minimum or maximum resale prices provided by the Franchisor are purely indicative.

## **6.7. Inspections and Audits**

- (i) Franchisor or its authorized agents and representatives have the right during business hours, to inspect all aspects of the operation of Franchisee's Art gallery, together with all accounting and other records, books of account, tax returns and other documents and materials in Franchisee's possession or under Franchisee's control relating to the Art

gallery and the subject matter and terms of this Agreement, including, without limitation, all Franchisee's records required to be maintained pursuant to applicable law. Such visits may be unannounced. The purpose of such evaluations is for Franchisor to ensure that the Concept is complied with and to advise Franchisee with respect to any required changes and modifications. For each inspection or site visit, the representative shall provide Franchisee with a Visit Report and it shall make all necessary changes within a maximum of 30 (thirty) days as of the date of the site visit. Franchisor or its representative may proceed with all necessary visits and all observations without Franchisee's prior information. An inventory of the Artwork may be made within the premises of the Art galleries.

- (ii) Franchisor and its authorized agents and representatives must be allowed to make extracts from or copies of all accounting and other records, books of account, tax returns and other documents. In the event that the inspection reveals a discrepancy which has resulted in the underpayment of any fee, Franchisee must promptly pay any such underpayment and a past due service charge, and if the underpayment of any fee shows a discrepancy of more than three percent (3%), Franchisee must also reimburse Franchisor upon receipt of an invoice for all expenses associated with such inspection or audit.
- (iii) Franchisor may also conduct "secret shopper" visits in order to help the Franchisee improving its services to its customers. Secret shopper visits may be conducted by Franchisor or by third parties contracted by Franchisor for that purpose.

#### 6.8. Meetings

- (i) Franchisor may conduct meetings with its franchisees, in order to maintain and develop a constant transfer of information throughout the year, and to ensure the cohesion of the Carré d'artistes® brand image of the art galleries operated under the Licensed Marks and uniformity with the Carré d'artistes® Know-How ("**Franchisees Meeting**").
- (ii) To enable each franchisee to position themselves in relation to the others, financial results and ratios from the Carré d'artistes® art galleries may be provided to the other members of the network during such meetings.
- (iii) Franchisee acknowledges that Franchisor may require participation in Franchisee Meetings, but that it may limit participation to franchisees not in breach of their obligations under their franchise agreement.

#### 6.9. Advisory Committees

To serve the purpose of a structure for discussion, exchange and proposals, and in view of the constant improvement by Carré d'artistes® of the Concept, Franchisor may set up advisory committees (jointly, the "**Committees**"). Apart from Franchisor, Network franchisees shall be



the sole members of these Committees. The organization and functioning of the Committees shall be further defined by Franchisor.

#### 6.10. The Artists Fund

- (i) Given that the Concept is linked to the development and reputation of the artists affiliated with Carré d'artistes<sup>®</sup>, Carré d'artistes<sup>®</sup> has set up an artist fund (the “**Artist Fund**”), of which Carré d'artistes<sup>®</sup> has sole control.
- (ii) Franchisee shall contribute to such fund and shall pay to Carré d'artistes<sup>®</sup> an Artist Fund Fee (the “**Artists Fund Contribution**”) equal to such percentage of the total sales of Artwork invoiced to Franchisee as Franchisor may require from time to time. As of the Effective Date, the Artist Fund fee is 0.4% of the total sales of Artwork. The contribution to the Artist Fund shall be paid by and invoiced to Franchisee on an annual basis. Franchisee acknowledges that the Artist Fund Fee is subject to change by the French government.

#### 6.11. Designees

Any obligations imposed on Franchisor under this Agreement may, in Franchisor's discretion, be performed by one or more designees that may or may not be Franchisor's affiliates.

### 7. OBLIGATIONS OF THE FRANCHISEE

#### 7.1. Operation of Art gallery

##### 7.1.1. Franchisee Involvement in Operation of Art gallery

Franchisee, if Franchisee is an individual, or Franchisee's owners, if Franchisee is an entity, agree to devote themselves exclusively to the operation of the Art gallery. Notwithstanding the foregoing, in lieu of Franchisee or Franchisee's owners devoting themselves full-time to the operation of the Art gallery, Franchisee may employ a Manager who has completed, to the Franchisor's satisfaction, the initial training required pursuant to this Agreement, and continues to complete any mandatory continuing training for managers.

##### 7.1.2. Days and hours of operation

Franchisee will operate the Art gallery during such days and hours of operation as are customary in the location of the Art gallery, provided that Franchisor may require different days and hours of operation in the Operations Manual.

##### 7.1.3. Efficient Operation of Art gallery

Franchisee will not operate any business other than the Art gallery, and will not permit any other party to operate another business, at or out of the Carré d'artistes<sup>®</sup> Space. Franchisee will ensure that it has sufficient staff to operate the Art gallery during its hours of operation. It is Franchisee's sole responsibility to hire such employees and to ensure that they have the training required to efficiently operate the Art gallery. If any training is provided by Franchisor

to Franchisee's employees it is solely to ensure their knowledge of System and brand standards and Franchisee's compliance with the same. Franchise is solely responsible for the day-to-day operation of the Art gallery and for the hiring, firing and supervision of its employees.

## **7.2. Training**

### **7.2.1. Initial Training**

- (i) Franchisee, one of Franchisee's owners and the Manager shall attend and complete to Franchisor's satisfaction, the Initial Training.
- (ii) Franchisee acknowledges and agrees that the transport, lodging and food costs and any other expenses of it incurs on its own behalf or for any individual attending the Initial Training on behalf of Franchisee are to be paid for by Franchisee.

### **7.2.2. Continuing Training**

- (i) The Franchisee and such representatives of Franchisee as Franchisor may require, shall attend and complete to Franchisor's satisfaction, all mandatory Continuing Training.
- (ii) Periodically Franchisor may organize a Carré d'artistes® academy, in France or in any other location as provided by Franchisor. Franchisee agrees that Franchisor may require Franchisee or its Manager ~~will to~~ attend ~~at least one~~ such academy at least every two years. Periodically Franchisor may also organize other forms of Continuing Training, such as workshops, groups and committees that the Franchisee or its Manager may be required to participate in.
- (iii) Franchisee acknowledges and agrees that Franchisor may charge reasonable fees for Continuing Training and that the transport, lodging and food costs and any other expenses it incurs on its own behalf or for any individual attending any Continuing Training, including the Carré d'artistes® academy, on behalf of Franchisee are to be paid for by Franchisee.

## **7.3. Compliance with the Concept and Brand Image**

Franchisee agrees comply with, and cause its Manager and all of its employees to comply with, all of the mandatory Concept Standards, methods, policies, procedures, techniques and specifications prescribe from time to time by Franchisor, whether in the Operations Manual or in other written or electronic communications, including regarding:

- providing the customers with the highest quality of service;
- seeing to it that the reputation of the Concept and the Licensed Marks is preserved, and that the brand continues to represent the highest quality standard for customers;



- ensuring that the Carré d'artistes® Space, all equipment, inventory and products, are properly maintained and kept perfectly clean;
- ensuring that the Concept Standards regarding merchandising and proper storage of the Artwork are complied with;
- ensuring that both the inside and outside of the Art gallery, including all signage, are maintained at all times in compliance with then required standards;
- complying with the Know-How, the brand image, layout and design that Carré d'artistes® may decide to adopt for all Art galleries or for any group of Art galleries;
- using its best efforts with regards to the actions recommended by Franchisor and complying with the recommendations relating to any advertising campaigns or theme-based operations undertaken by Franchisee;
- being courteous towards all clients, suppliers and Network members and partners;
- ensuring that its commercial reputation is not tarnished;
- ensuring that the use of all advertising elements, formulas, techniques provided by Franchisor and generally, any methods and techniques for the operation of the Carré d'artistes® Space, as well as any other specific elements of Licensed Marks shall be in compliance with Carré d'artistes® Standards and Concept; and
- ensuring strict maintenance of the Space in accordance with the Concept, especially as regards the Furniture and design.

Franchisee acknowledges the Carré d'artistes® copyright on the Operations Manual and the confidentiality of its contents, and undertakes to refrain from making any copies or transmit any part of the Operations Manual, in any form, to any third party, without prior written approval of Carré d'artistes® and Franchisor, which consent may be withheld by Carré d'artistes® and Franchisor in their sole discretion without stating any reasons for such decision.

## **7.4. Site Selection, Construction and Design of the Art Gallery and Space**

### **7.4.1. Site Selection**

- (i) If Franchisee has not yet submitted a suggested site for a Location at the time this Agreement is executed, Franchisee must submit such application within sixty (60) days of the Effective Date. If the initial site application for an approved location is denied by Franchisor, or should the approved location not be acquired by Franchisee or become redundant for any reason, Franchisee may submit a replacement site application. Franchisee will have no more than sixty (60) days from the date (a) that Franchisor notifies Franchisee the initial site application was denied or (2) that Franchisee first communicated to Franchisor its intention to abandon development of the previously approved site, to submit a replacement site application. Failure to do so may result in a

termination of this Agreement. Franchisor shall have sixty (60) days after receipt of the initial or replacement site application and all other such information and materials required by Franchisor to approve or disapprove the replacement site application for any reason. If a replacement site application is submitted it will be approved or disapproved under the same terms and conditions as the initial site application. Franchisor shall have no obligation to consider more than 2 site applications under this Agreement.

- (ii) Within thirty (30) days of Franchisor's approval of the Location, Franchisee shall execute a lease for the Location. The lease must include a right for Franchisor to: (i) receive copies of any notice of default by Franchisee under the lease; (ii) cure any defaults and at least thirty (30) days in addition to any cure period given Franchisee to do so; and (iii) assume Franchisee's obligations under the lease in the event Franchisee does not cure a default. The lease must be for the duration of the Initial Term.

#### 7.4.2. Construction and Opening

- (i) Franchisor will provide Franchisee with standard layout drawings and design plans. Within thirty (30) days of Franchisee's execution of a lease for the Location, Franchisee will provide Franchisor with a precise blueprint of the premises with all the dimensions, prepared by a licensed architect. The plan shall include such details as are required by the Operations Manual at the time of submission. Within thirty (30) days of receipt, Franchisor will review the blueprints for compliance with Concept Standards, but it is Franchisee's responsibility to ensure that the blueprints comply with Applicable Law. Franchisee shall implement the completed premises blueprint provided by Franchisor. Franchisor shall approve the premises before authorizing the opening of the Art gallery. The uniformity in appearance amongst the Carré d'artistes® Art galleries is a key component of the System. As such, Franchisee must only purchase materials, furniture, fixtures and equipment for the Art gallery and Space that conform with the standards set forth in the Operations Manual and must only use duly licensed and insured contractors for the construction and build-out of the Art gallery Space. Franchisor may further require Franchisee to only use its approved architects for all architectural work required in connection with the construction and build-out of the Art gallery Space. Prior to opening, Franchisor will conduct a conformity review of the Space and the Art gallery and it shall issue a report of the review to Franchisee. If the Art gallery Space is in compliance with the Carré d'artistes® Standards, Franchisor shall deliver to Franchisee a Compliance Certificate (the "**Compliance Certificate**") and the Franchisee will be allowed to open and start operating according to the Concept. The Art gallery must open within six (6) months of the Effective Date. Except as set forth in the next subparagraph, Franchisee may not start operating the Art gallery without first obtaining the Compliance Certificate. Failure to timely open the Art gallery shall constitute a default of this

Agreement. If the Art gallery does not comply with the Carré d'artistes® Standards and Franchisor does not issue a Compliance Certificate, Franchisee will be given two (2) months, or such longer amount of time as Franchisor may grant in its discretion, to address the non-complying items. If Franchisee fails to fully address all non-complying items within such time period, Franchisor may, at its option, terminate this Agreement.

- (ii) In Franchisor's sole discretion, the conformity process of premises can occur after opening Franchisee's Carré d'artistes® Art gallery. In such case, Franchisee shall provide Franchisor with photographs and relevant videos of premises so as that Franchisor can deliver a pre-certification given that adjustments to the premises layouts and furniture display in particular may be requested by Franchisor following the visit for delivery the Compliance Certificate.
- (iii) The Franchisee acknowledges that Franchisor's issuance of the Compliance Certificate pertains only to the conformity of the Space to Carré d'artistes® Concept's standards, and does not pertain to the compliance of the Space to applicable building codes or Applicable Law. It is the Franchisee's responsibility to ensure that the Space complies with building codes and Applicable Law.
- (iv) Notwithstanding any support provided by Franchisor to Franchisee in connection with the construction of the Art gallery space, whether in the form of blue prints, recommendations or requirements for material and contractors, the construction, layout, design and furnishing of the Art gallery consistent with all Standards set forth in the Operations Manual is the responsibility of Franchisee. All costs and expenses pertaining to the construction, layout, design and furnishing of the Space and the Art gallery shall be born and paid solely by the Franchisee.

## **7.5. Evolution of the Concept, Remodeling and Renovation**

- (i) The Franchisee acknowledges the importance and necessity to adapt the Concept and the Network to changes in the market, customers and customer preferences, the economy and many other factors and acknowledges the evolving nature of the Know-How. The Franchisee further acknowledges the need to implement changes to the Concept from time to time and the Franchisor's right to make and require such changes in its sole discretion. Franchisee agrees to implement such changes promptly, at its sole cost and expense.
- (ii) Franchisee must, at its own expense, maintain the Art gallery and its appearance in accordance with Franchisor's Standards which Franchisor will communicate to Franchisee from time to time in the Operations Manual, or by other written or electronic communications. Franchisor may require that Franchisee periodically, at its own expense, remodel or renovate the Space and the Art gallery to comply with Franchisor's then current standards, including installing new color schemes, flooring, signage or other visual elements within the Art

gallery. Unless Franchisor provides a different time-frame, required remodeling and renovations must be completed within six (6) months' from the date of notification. In no event will Franchisee be required to spend more than \$250 per square foot of the Art gallery (both front of store and back of store of the Art gallery) per year of the Term on remodeling and renovations required by this subsection (ii). The annual maximum expenditure required by this subsection (ii) is cumulative and to the extent less than \$250 per square foot is expended by Franchisee in any year of the Term, the remaining balance for that year and any previous year in which the full amount was not spent, will be added to the maximum expenditure for the subsequent year of the Term. The per square foot maximum expenditure is also cumulative for the Art gallery premises and Franchisor may require that the maximum amount be expended on certain parts of the Art gallery only. Expenses for general day-to-day maintenance of the Art gallery, for renovations and remodeling for wear and tear on the Art gallery, as well as any renovations and remodeling that are optional and undertaken by the Franchisee voluntarily are not counted towards the maximum annual expenditure. Franchisor will not require Franchisee to expend funds on any major remodeling and renovation of the Art gallery if there is less than two years remaining of the then current term of the Agreement, provided that Franchisor may require Franchisee to expend funds on general day-to-day maintenance of the Art gallery and renovations and remodeling for wear and tear. If Franchisee fails to timely comply with any remodeling or renovations required by Franchisor, Franchisee will pay Franchisor a fee of \$250 per square foot that Franchisee is in arrears with starting or completing the required remodeling or renovations.

- (iii) Any addition, modification, adaptation, improvement, refinement, discovery, invention or innovation of the Concept or any Licensed Mark (collectively, a **"Business Improvement"**) made by Franchisee or by Franchisee's employees or owners shall be Franchisor's sole and exclusive property, regardless of Franchisee's, Franchisee's employee's or its owners' participation or sole participation in its development, and shall be deemed assigned to Franchisor. Upon Franchisor's request, Franchisee and its owners shall, and shall cause Franchisee's employees and all owners, to execute any instruments and documents that Franchisor requests and shall assist Franchisor to perfect or protect all intellectual property rights in such Business Improvement. Franchisee, its employees and its owners shall not be entitled to any compensation for the use or licensing of any Business Improvement. Franchisee may not implement any Business Improvement without Franchisor's prior written consent.

## 7.6. Operation of the Space and Art Gallery

### 7.6.1. Point-of-Sales and Computer System

- (i) The Franchisee undertakes to use the point-of-sale system as required by Franchisor from time to time (the **"POS System"**). The Franchisee may

use any computer system of its choice as long as it is compatible with the POS System. The fee for the initial installation is ~~five~~ THREE thousand dollars (\$~~5,000~~ 3,000). An annual maintenance fee of shall be paid by Franchisee to Franchisor. The maintenance fee is one percent (1%) of the Franchisee's Net Sales, provided that Franchisor may adjust the fee annually. Franchisor may also require Franchisee to use other Software and to maintain a computer system that can support the required Software. Franchisor may, within its reasonable discretion, change the maintenance fee during the term of this Agreement.

- (ii) In order to enable Franchisor to have a thorough knowledge on any information necessary to the Network's management in the interest of all its members, Franchisee shall cooperate with Franchisor in good faith by providing Franchisor with the information from the use of the POS System and other Software and provide Franchisor such access to the POS System and other Software used by Franchisee as Franchisor may request from time to time.
- (iii) Franchisee shall enter all Art gallery sales data that may be requested by Franchisor from time to time in POS System not less frequently than weekly. All Art gallery sales must be entered daily in the POS System and all sales data for any calendar month must be entered within five (5) days of the end of such calendar month.
- (iv) The day-to-day management and operation of the Art gallery is the sole responsibility of Franchisee and the parties agree that the use of POS System or any other Software shall not in any way be deemed as interference by Franchisor in the management or operation of the Art gallery. Franchisee is and shall remain at all times an independent operator and free to manage its business in compliance with the obligations set out in this Agreement.
- (v) Franchisor reserves the right to modify, supplement and replace the POS System and other Software, and change the computer hardware requirements from time to time. Franchisee agrees to pay for such modifications, additions and replacements, with respect to Franchisee's Art gallery. Franchisee further acknowledges that the installation, operation and maintenance of the POS System, Software and computer hardware for the Art gallery is at Franchisee's expense.
- (vi) The data collected through the POS System and other software or applications from Franchisee and other franchisees operating under the Concept may be beneficial for the development and growth of the Concept, of Franchisee's Art gallery, and the Art galleries of other franchisees. Franchisee agrees to enter such data as is required under the Operations Manual into the POS System, and other software, or applications, and to use the POS System and other software and applications as directed in this Agreement and the Operations Manual. Franchisee further agrees that Franchisor or its affiliates may, to the extent permitted under Applicable Law (as defined below), use and disclose to third parties (including other System franchisees) data

concerning and relating, directly or indirectly, to the Franchisee, the operations of Franchisee, and Franchisee's customers ("**Operations Data**"). Operations Data may also be used by Franchisor to review and analyze Franchisee's System compliance, its operations of the Art gallery, and to make suggestions for operational improvements, and to request operational changes required for the Art gallery to operate in compliance with this Agreement and the System. Data regarding Franchisee's customers is deemed the property of Franchisor. To the extent permitted under Applicable Law, Franchisee waives any notice in connection with the disclosure of Operations Data. Franchisor ~~agrees, that it,~~ or its affiliates, ~~will~~may from time to time disclose to the Franchisee such operations data as it deems appropriate regarding other franchisees of Franchisor (Operations Data jointly with operations data of other franchisees, "**System Operations Data**"). Franchisor may, in its sole discretion, determine when and what System Operations Data will be disclosed, and may, without prior notice to, or consent from Franchisee, change the scope of the Systems Operations Data being disclosed to Franchisee or when it is disclosed. Systems Operations Data disclosed to Franchisee is disclosed solely for Franchisee's internal business purposes and to enable Franchisee to compare its results with those of other franchisees of Franchisor. The disclosed Operations Data and Systems Operations Data remains confidential information of Franchisor. Franchisee may not disclose Systems Operations Data to other franchisees of Franchisor, prospective franchisees of Franchisor, competitors of Franchisor, prospective purchasers of Franchisee or any of the Franchisee's assets, financial institutions, or any other third parties. The Systems Operations Data so disclosed will be based on information provided to Franchisor by its franchisees. Such information will not be verified by Franchisor or any of its affiliates. Franchisor has no obligation to correct Systems Operations Data disclosed after it learns that it was incorrect or incomplete, or to inform Franchisee thereof. If, at any time during the Term, privacy or data protection laws applicable to: the data, the processing thereof, to Franchisor, or to Franchisee, would invalidate or make unenforceable all or part of this Section Franchisor and Franchisee agree to, in good faith, take all reasonable steps to make it enforceable, including renegotiation of the provision so to make it compliant with all applicable laws, while maintaining as much as possible of the intent and purpose of this Section.

## 7.7. Yearly Business Plan and Reports

- (i) Franchisee shall provide Franchisor by September, 15th of each year with its business plan for the next calendar year, including its turnover goals. The business plan, including the turnover goals for the Franchisee's Art gallery, is subject to Franchisor's approval.
- (ii) Franchisee shall provide Franchisor, before the 30th of June of the following year, ~~of~~ the detail of its turnover and its financial statements, certified by an auditor. If the financial statements show sales in excess



of what Franchisee has previously reported, an additional invoice may be issued for the balance. Upon request, Franchisee will also provide a copy of its income tax return for the past year to Franchisor.

- (iii) In addition, Franchisee undertakes to use the business logs provided by Franchisor and to comply with the frequency and deadlines for the communicating of information to Franchisor and provide Franchisor with such reports in the format Franchisor prescribes from time to time.
- (iv) The quality and timeliness of the information significantly contribute to the operation of the Carré d'artistes® network and influence the relationship with Selected Artists. Franchisee agrees to scrupulously provide the information requested by Franchisor.
- (v) Franchisor will use the software Franchisor specifies from time to time to gather information on Franchisee's Art gallery and the Network. Franchisee hereby grants Franchisor independent access to the information maintained in the electronic format Franchisor specifies at all times, including Franchisee's financial reports. Franchisor has the right to collect and retain from Franchisee's computer system all data concerning the Art gallery, and to use such data in any manner Franchisor deems appropriate without compensating Franchisee. Franchisor may use this information, if it so chooses, to prepare a financial performance representation for its Franchise Disclosure Document. Franchisee further agrees that Franchisor may disclose to third parties Operations Data concerning and relating, directly or indirectly, to Franchisee and the operations of the Art gallery. Franchisee waives any notice in connection with the disclosure of Operations Data. Franchisor agrees that it will from time to time disclose to Franchisee such Systems Operations Data as it deems appropriate regarding other franchisees. Franchisor may, in its sole discretion, determine when and what System Operations Data will be disclosed, and may, without prior notice to, or consent from Franchisee, change the scope of the Systems Operations Data being disclosed to Franchisee or when it is disclosed. Systems Operations Data disclosed to Franchisee is disclosed solely for Franchisee internal business purposes and to enable Franchisee to compare its results with those of other franchisees. The disclosed Operations Data and Systems Operations Data remains Franchisor's confidential information. Franchisee may not disclose Systems Operations Data to other franchisees, prospective franchisees, competitors, prospective purchasers of Franchisee or any of its assets, financial institutions, or any other third parties. The Systems Operations Data so disclosed will be based on information provided to Franchisor by its franchisees, and Franchisor will not verify such information. Franchisor has no obligation to correct Systems Operations Data disclosed after it learn that it is incorrect or incomplete, or to inform Franchisee thereof.

## 7.8. Compliance with Law and Regulations

Franchisee shall, at Franchisee's expense, comply with all federal, state and local laws, statutes and regulations ("**Applicable Law**") and shall timely obtain and keep in force as required through the Term, any and all permits, certificates, licenses and approvals necessary for the full and proper conduct of the Art gallery.

## 7.9. Rules of good conduct

- (i) Franchisee shall comply with the duty to cooperate in fair terms with Franchisor. It shall therefore at all times check any information and provide Franchisor with complete, truthful, sincere and accurate information, the quality of each of them being essential to contractual relationships.
- (ii) Franchisee hereby represents that it has provided Franchisor with complete, veracious, sincere, and accurate information during the pre-contractual period.

## 7.10. Insurance

- (i) Franchisee shall obtain and maintain in full force and effect insurance policies with an insurance company of its choice, provided that the carrier must have a current A.M. Best industry rating of no less than B+. Insurance coverage shall provide without limitation, (i) commercial general and product liability insurance, (ii) all risk property insurance, including fire and extended coverage, vandalism and malicious mischief insurance for the replacement value of the Art gallery and its contents, and (iii) any other insurance policies, such as business interruption, automobile and unemployment and workers compensation issuance, as Franchisor may specify from time to time in the Operations Manual and any such other insurance coverage as Franchisor may require from time to time and on such terms (including regarding policy limits) as Franchisor may require from time to time.
- (ii) Franchisee shall also insure any equipment, decoration, software and computer equipment, and the Furniture.
- (iii) In all such policies of insurance, Franchisor and its affiliates must be named as an additional insureds.
- (iv) Franchisee shall ensure that all insurance policies for the Artwork are procured and maintained and must provide Franchisor with copies of all insurance policies and all premiums receipts at Franchisor's request. Franchisee agrees to provide a certificate from its insurers to Franchisor each year on the anniversary date of the insurance policy, detailing the coverage obtained, the amounts, and the period of validity. Any change, suspension or termination of this insurance policy for any reason whatsoever shall immediately be communicated to Franchisor.



- (v) Franchisee must obtain all insurance coverage required by this Agreement at least 15 days prior to opening of the Art gallery, or in the case of the construction of the Art gallery, 15 days prior to commencement of construction. If Franchisee does not obtain or maintain such insurance as required, Franchisor may obtain such insurance from an insurer of its choice and keep the same in full force and effect at Franchisee's sole expense. In such event, Franchisee must promptly reimburse Franchisor for the cost of such insurance upon receipt of an invoice therefor.
- (vi) Failure by the Franchisee to maintain the insurance coverage required from time to time is a material breach of this Agreement and Franchisor may terminate the Agreement for such breach, irrespective of Franchisor's choice to maintain the required insurance in Franchisee's stead.
- (vii) Franchisee agrees to notify Franchisor of any claims brought against Franchisee alleging property or personal injury related to the operation for the Art gallery.

#### **7.11. The Artists Fund**

Franchisee undertakes to contribute to the Artists Fund pursuant to Section 6.10.

#### **7.12. Guarantor**

Franchisee acknowledges that in view of the execution of this Agreement, the natural person listed in Appendix 1 as direct or indirect owners of Franchisee shall execute a guaranty and assumption of Franchisee's obligations under this Agreement on the form of Guaranty attached in Appendix 4, in order to personally and unconditionally guarantee to Franchisor, for the Term of the Agreement and thereafter as provided in the Agreement, to be personally bound by and personally liable for the breach of each and every undertaking, agreement, covenant, and provision in the Agreement.

### **8. ARTWORK**

#### **8.1. Line of Artwork to Display and Sell**

- (i) In order to ensure the needs of the Network Art galleries, Franchisor and Carré d'artistes® have created and regularly update a complete line of Artwork that meet the customers' expectations and are integral to the Concept and the Network's communication policy.
- (ii) The Artwork is distributed by Carré d'artistes® or Franchisor through the Artist List of Selected Artists. These Artwork meet the high quality Standards set out by Carré d'artistes® which preserve the brand image and the reputation of the Concept. Franchisee may not offer or sell any other products or services than the Artwork from the Art gallery or from or through any other location.

- (iii) The selection of the artists and Artwork is one of the main elements of the Know-How, and of the renown and quality of the Network. The Franchisee hereby expressly acknowledges the right of Franchisor to control the specific artists-mix.
- (iv) The parties acknowledge that, even though Franchisee may express its preferences with respect to Artists and Artwork to be sold to Franchisee, Artwork and Selection of Artists sold to each franchisee are selected by Franchisor in accordance with the needs of each market and its growth and evolution.
- (v) The parties acknowledge that the Artists whose Artwork is provided to Franchisee are not subject to any exclusivity arrangements and may sell their artwork through other channels in the Franchisee's market, and online.
- (vi) The parties acknowledge that Concept changes over time may include the expansion of the product line to be sold at the Art gallery to other products. If the product line is expanded to include any other products, for purposes of this Agreement, such products will be included in the definition of "Artwork" and all provisions in this Agreement applicable to Artwork will also apply to such products. By way of example, any provisions applicable to inventory levels and the quantity and quality of Artwork will apply to such products. Concept changes may require an increase in Artwork inventory carried by Franchisee, or in more expensive inventory to be carried by Franchisee.

## 8.2. Supply of Artwork

### 8.2.1. Selection of Artwork

- (i) As a determining condition for signing this Agreement and in order to protect the Know-How, the Concept and to maintain the reputation, identity and coherence of the Network, as well as Carré d'artistes<sup>®</sup>'s intellectual property rights, Franchisee expressly agrees to display only Artwork by artists selected by Carré d'artistes<sup>®</sup> France or Franchisor ("**Selected Artists**") and not to sell any other artwork, products or services in the Art gallery, except as expressly permitted or required by Franchisor in prior writing. The Selected Artists are carefully chosen by Carré d'artistes<sup>®</sup> France or Franchisor so as to adapt to the Concept and local market. If Franchisee wishes to recommend artists to become Selected Artists Franchisor will take such recommendations into consideration, provided that the final decision whether to include such artists as Selected Artists will be in the sole discretion of Franchisor.
- (ii) Franchisee shall be supplied with Artwork by Franchisor, its affiliates, or by Carré d'artistes<sup>®</sup> suppliers. Franchisee shall benefit from the Network supply chain, prices, quality conditions and shipping terms, and from Carré d'artistes<sup>®</sup> and Franchisor's skill in seeking out and selecting artists and works, so as to continuously benefit from a suitable and sufficient collection to meet the needs of the clientele for the

duration of this Agreement. Franchisor will request Franchisee's input in Artwork to be supplied to Franchisee, provided that if Franchisee does not respond in a timely manner, Franchisor may ship to Franchisee Artwork of Franchisor's choice.

- (iii) Franchisor shall ensure that Artwork provided to Franchisee and its supply chain is updated from time to time to maintain their competitiveness compared with the market. The Artwork by Carré d'artistes® or Franchisor and the supply chain thus change over time, which the Franchisee expressly acknowledges and accepts.
- (iv) Franchisee expressly acknowledges that the supply standard described in this Agreement is well adapted and necessary for the operating of Art galleries insofar as it reflects the experience of the Network. The Franchisee also acknowledges that such standards evolve over time to ensure that the range of specific Artwork is always suited to the changing needs of the clientele.
- (v) Franchisee agrees to, throughout the Term, maintain a sufficient inventory of Artwork to meet the requirements of the market served by the Art gallery. Franchisor may through the Operations Manual or otherwise, from time to time, specify specific levels of Artwork inventory that the Franchisee must maintain in the Art gallery.

#### **8.2.2. General Terms and Conditions of Sale**

- (i) The current general terms and conditions of sales on commission are attached in Appendix 2, provided that such terms and conditions of sale are subject to change in Franchisor's sole discretion from time to time.
- (ii) To protect the identity and reputation of the Carré d'artistes® Network and ensure the quality and uniformity of the products and services distributed under Licensed Marks, which are an integral part of the Network's image, Franchisee may use its own suppliers to supply these specific products and materials, provided that the quality and specific features thereof are equivalent to those of Franchisor's suppliers. The specific products and materials must be approved prior by Franchisor. Any artwork so approved shall be considered "Artwork" and the artist behind such artwork will be considered a "Selected Artist."
- (iii) The quality of products sold to the clientele is one of the key components of the Carré d'artistes® network's image. For that reason, Franchisee agrees to be supplied with Artwork by Franchisor, its designee or by suppliers selected by Franchisor.
- (iv) The Artwork must be installed and presented according to Franchisor's recommendations and require handling by Franchisee's staff. An adequate training in how to handle Artwork is provided before the opening of the Art gallery by Franchisor. Any Artwork that has been

damaged, due to a mishandling by the Franchisee, will be invoiced to Franchisee in the value of the original purchase price.

- (v) In view of the selling deposit system of Artwork, the total stock value of the Artwork in the Art gallery shall not exceed the amount of the guarantee deposit multiplied by 1.5, thus the value of 90,000 US Dollars (60,000 Dollars multiplied by 1.5).
- (vi) Deliveries of Artwork will be postponed at any time the stock value exceeds 90,000 US Dollars.
- (vii) Each piece of Artwork not returned to Franchisor for any reason whatsoever will be invoiced monthly at the value of the franchise purchase price.
- (viii) Franchisee shall provide Franchisor with an inventory count twice a year, on June 30 and December 31 of each year during the Term, and shall analyze discrepancies between the theoretical and the actual stock. Each missing Artwork shall be invoiced to Franchisee.
- (ix) For the purposes of exhibitions, Franchisor may request Franchisee to return Artwork in possession of Franchisee, at Franchisee's expense, and Franchisee shall within two (2) weeks of a request from Franchisor send such Artwork to Franchisor or its designee or to any other art gallery in the Network, as designated by Franchisor. Franchisor has the right to suspend the supply of Artwork if Franchisee fails to meet such requests.

### **8.3. Exclusive resale**

- (i) Franchisee may only offer and sell Artwork in the Carré d'artistes<sup>®</sup> Space and Franchisee agrees not to sell Artwork and products outside the Art gallery without the express prior consent of Franchisor.
- (ii) Franchisee agrees not to resell or transfer any Artwork to any other business, reseller or sales agency without Franchisor's prior written approval. This prohibition applies even if such entity is an affiliate, subsidiary or company sharing the same management as Franchisee, except if such entity is a Carré d'artistes<sup>®</sup> franchisee.
- (iii) Franchisee shall keep Franchisor informed of all resales or transfers of Artwork to other Carré d'artistes<sup>®</sup> franchisees, whether in the United States of America or anywhere else in the world.

## **8.4. Orders, Deliveries and Payment**

### **8.4.1. Orders**

Franchisee shall purchase the Artwork from Franchisor or its designee in accordance with the general sale terms and conditions of Franchisor in force on the day Franchisor accepts the order.

### **8.4.2. Deliveries**

- (i) Shipping and returns of Artwork, including all transport, logistic costs, and importation and exportation customs taxes, shall be at Franchisee's cost and Franchisee shall reimburse Franchisor and its affiliates any costs and expenses they may incur in connection with such shipping and returns. Franchisee shall systematically use the information system in order to notify to Franchisor of the sending and receiving of the Artwork.
- (ii) All taxes and customs fees on all sales of Artwork shall be borne by Franchisee.
- (iii) Import and/or export duties, and any other duties related to the purchase and shipment of Artwork and other products within the Carré d'artistes® Network, shall be paid by Franchisee and shall, if applicable, be invoiced by Franchisor.
- (iv) The Artwork, no matter what the delivery conditions, is shipped at the Franchisee's own risk, and Franchisee shall verify the condition of the shipped goods at delivery and immediately indicates any problems to the carrier and in the delivery note. Franchisee must notify Franchisor of all claims within 3 (three) days after delivery.
- (v) Franchisor and/or its designee shall bear no responsibility whatever regarding the delay of delivery of Artwork or any other event that could lead Franchisee to claim damages against the carrier.
- (vi) Franchisor or its designee will select the carrier which shall transport the Artwork to Franchisee and Franchisee shall select the carrier which shall transport the Artwork to Franchisor or its designee.

### **8.4.3. Payment**

- (i) Franchisee shall pay Franchisor each month the purchase price for Artwork sold during such month on the basis of POS System information (number of works sold) against Franchisor's (or its designee's) invoice. Such invoice will typically be sent on the 10th day of the following month, and Franchisee shall make such payment by bank transfer to Franchisor within eight (8) calendar days. The price for the sale of Artwork by Franchisor to Franchisee is set by Franchisor, and Franchisor shall provide Franchisee with 60 days' notice of any change in the price of any Artwork.

- (ii) Any other invoices for sales of other products or for services provided by Franchisor shall be paid by bank transfer to Franchisor within a period not to exceed eight (8) calendar days following receipt of the invoice for such products or services.
- (iii) In the event of any late payment, even if partial, of any invoice to be paid to Franchisor, a surcharge of the lesser of ten percent (10%) per year, or the highest interest permitted under Applicable Law, shall be added to the overdue amount from the due date to the date of payment. If Franchisor must use a third party collection agency to collect the overdue amount, Franchisee shall reimburse Franchisor for the cost of the collection services.
- (iv) Franchisor may suspend or cancel the deliveries to be made in case any invoice is overdue. Any and all amounts outstanding to Franchisor or its designee shall become immediately due and payable if any amount outstanding to Franchisor or its designee is overdue.
- (v) All payments shall be in US Dollars.
- (vi) A guarantee deposit in an amount of sixty thousand (60,000) US dollars shall be paid by Franchisee to the Franchisor to ensure the return of the Artwork on deposit in the Franchisee's Art gallery. At the end of the Term, Franchisor may draw from the guarantee deposit an amount equal to the then current stock value of Artwork provided to Franchisee for which Franchisor or its designee have not been paid in full and that have not been returned to Franchisor in resaleable condition. The guarantee deposit is payable before the delivery of the Artwork prior the opening of the Art gallery and will be retained by Franchisor during the Term and will not produce any interest. Upon expiration or termination of this Agreement, if Franchisee fails to pay any amounts due to Franchisor within seven (7) days, Franchisor has the right to deduct any and all amounts outstanding from the guarantee deposit. Upon termination or expiration of the Agreement, Franchisor will return the guarantee deposit to Franchisee within ninety (90) days of Franchisee returning all unsold Artwork, less any unpaid amounts outstanding upon termination or expiration, and less the price of any Artwork that are returned in such condition that it cannot be resold at its regular resale price.

## 9. MARKETING

### 9.1. General Marketing Requirements

Franchisor and Franchisee acknowledge the importance of maintaining a uniform image of the Concept throughout the Network and the development and promotion of the Concept to promote the image and awareness of the Network and the Concept, and to develop new and repeat customers. In order to accomplish the above goals, Franchisor will provide marketing assistance which may include: creation of marketing materials for use in different media, including digital media; creation and maintenance of a website and other Online Presence (as defined below); PR and other press relations; advertising campaigns; gallery opening assistance; and partnerships with artists and organizations. Franchisee agrees to comply with



the marketing and advertising provision set forth in this Agreement, the marketing and advertising policies and procedures in the Operations Manual, and Applicable Law.

#### **9.1.1. Additional services**

If Franchisee requests, Franchisor or its Affiliates may provide additional services to Franchisee. If such services are provided, Franchisee agrees to pay to Franchisor a reasonable fee, as determined by Franchisor, for such services and to reimburse Franchisor and its Affiliates for any costs (including attorney's fees) incurred in connection with the provision of such services.

### **9.2. Local Advertising**

#### **9.2.1. Opening and Ongoing Local Advertising**

Before and in connection with opening the Location, Franchisee will conduct Franchisor-approved advertising and public relations activities in connection with the opening of the Location to promote the Location and raise public awareness of the Location and the Concept. Franchisor and Franchisee will jointly develop an opening advertising budget, but in no event will Franchisee spend less than \$1,800. Throughout the Term, Franchisee shall market and promote its Art gallery locally and shall create an annual budget for such promotion, marketing and advertisement. All promotion, marketing and advertisement undertaken by Franchisee will be at Franchisee's expense.

#### **9.2.2. Advertising Inside and Outside of the Location**

In order to present a uniform brand image and to respect the Carré d'artistes® Concept and Licensed Marks, Franchisee must not display, either inside or outside of the Art gallery, any promotional, marketing or advertisement materials or items other than those related to the Concept and to the Licensed Marks, unless given a previous and written consent by Franchisor. Franchisor will also provide Franchisee with local marketing and communications assistance to assist Franchisee in the promotion of the Art gallery. Franchisor will determine the scope of such assistance and may revise such scope from time to time. As of the Effective Date the assistance includes help setting up Franchisee's social media presence, creation of event pages for Art gallery events, graphic design assistance for event flyers, marketing e-mail communications, and content for local newsletters.

### **9.3. Advertising Format and Content Requirements and Approval Process**

Franchisee must only use marketing and advertising materials (including those in digital or electronic format), and other materials displaying the Licensed Marks, prepared by Carré d'artistes® or approved by Franchisor. Franchisee must obtain Franchisor's express written approval before using any marketing and advertising materials, and all other materials displaying the Licensed Marks, not previously approved by Franchisor. Franchisor may disapprove any advertising or marketing materials, or other materials displaying the Licensed Marks, that Franchisee uses or proposes to use, without liability to Franchisee for any costs incurred by Franchisee in connection with the same. Franchisee must provide samples all advertising and marketing materials, or other materials displaying the Licensed Marks, it wishes to use to Franchisor at least 10 days before the deadline for submitting the advertisement.

#### **9.4. Compliance with Advertising Policies and Applicable Law**

All advertising, marketing, promotional, and sales communications (including press releases and communications with the press) and materials used by Franchisee in any medium shall be conducted in such manner, and shall conform to such standards and requirements, as Franchisor may specify from time to time. Franchisee agrees to comply with all of Franchisor's advertising, marketing and promotions policies, as well as all Applicable Law regarding the same. All advertising and marketing materials and communications must be factual, ethical, and in good taste and judgment.

#### **9.5. Online Presence**

##### **9.5.1. Franchisor's Online Presence**

Franchisor has established and may establish one or more websites (currently <https://www.carredartistes.com>), social media accounts, mobile applications, and other platforms, accounts and mechanisms using the internet and other digital and electronic communication methods (jointly, the **"Online Presence"**) intended to promote the Concept and the Network. Provided that Franchisee remains in compliance with the terms of this Agreement, Franchisor will from time to time include on its main website and other forms of Online Presence used to promote the Concept and the Network, such information about Franchisee and its Location as is included about other Art galleries in the Network. Franchisee acknowledges that Franchisor may offer and sell Artwork through its Online Presence and that even though such offers and sales may impact sales from the Location Franchisee has no right to compensation from Franchisor or Carré d'artistes from or in relation to such sales and may not claim any indemnity or damages of any nature whatsoever in relation to such online sales, no matter where the online customer is located.

##### **9.5.2. Franchisee's Online Presence**

- (i) If Franchisee wishes to promote itself or its Art gallery through its own website, through social media or any other Online Presence, it must first obtain Franchisor's written approval, provided that Franchisee may not develop or use mobile applications, except such mobile applications as it may be directed to use by Franchisor. For each website, social media account, or other form of Online Presence set up by Franchisee, it must provide Franchisor with at least 30 days' advance notice and opportunity to review the proposed content. All Franchisee's Online Presence must comply with Franchisor's mandatory policies and requirements relating to Online Presence, including, but not limited to policies and requirements regarding: (a) the use of Licensed Marks; (b) domain names and account or profile names or identifiers; (c) linking to Franchisor's Online Presence and other Online Presence; (d) identifying Franchisee as an independent operator; (e) clearly identifying the Online Presence as originating from and being managed by Franchisee and its Location, as opposed to from Franchisor, Carré d'artistes, or any other location in the Network and (f) Franchisor's administrative rights to any and all social media accounts and profiles, mobile applications and other applications used by Franchisee as part of its Online Presence. Such compliance is essential for the development and maintenance of a uniform image of the Concept and the Network. Franchisee shall at all



times keep Franchisor informed of its Online Presence, including the creation of new websites, social media accounts and of any material changes to the content of such Online Presence.

- (ii) Any sales of products or services through Franchisee's Online Presence, including its own website, must only be of Artwork exhibited in its Art gallery(ies) and provided that the artists whose Artwork is displayed and sold has agreed to the promotion prior to the Artwork being so exhibited through Franchisee's Online Presence.

## 9.6. Loyalty Programs and Campaigns

Franchisee agrees, to the extent permitted by Applicable Law, to participate in any customer loyalty programs and campaigns that Franchisor may establish from time to time and also participate in any customer research and analysis programs organized by Franchisor. Franchisee further agrees that Franchisor may contact Franchisee's customers in connection with such loyalty programs and campaigns, as well as contact Franchisee's customers in connection with the opportunity to participate in any customer research and analysis programs.

## 9.7. Marketing Fund

### 9.7.1. Marketing Fund Contributions and Use

Franchisor has not, but reserves the right to establish and maintain and administer a marketing fund ("**Marketing Fund**"). As of the Effective Date, there is no Marketing Fund Contribution required, but Franchisor may, upon thirty (30) days' prior notice to Franchisee Set a Marketing Fund Contribution of up to two percent (2%) of your Net Sales. Franchisor may modify the amount of the Marketing Fund Contribution at any time on not less than thirty (30) days' prior notice to Franchisee. If instituted, Franchisee must pay the Marketing Fund Contribution as required by Section 10.3. In lieu of charging a Marketing Fund Contribution Franchisor may charge Franchisee on a pro rata basis for marketing and advertising projects that fall within the scope of the permissible use for the Marketing Fund. Franchisor directs all marketing programs financed by the Marketing Fund and have sole discretion over the creative concepts, materials and endorsements used and the geographic, market and media placement and allocation of the marketing programs. Among other things, and without limitation, Franchisor may use the Marketing Fund to pay the costs of preparing and producing video, audio and written advertising materials; administering local, regional, multi-regional and national advertising programs including, without limitation, purchasing direct mail and other media advertising; employing advertising, public relations and media buying agencies to assist in these activities; supporting public relations, market research and other advertising and marketing activities; and construction and maintaining Franchisor's Online Presence, used to promote Franchisor's marketing programs. Franchisor may elect to use the Marketing Fund to provide Franchisee with marketing, advertising and promotional formats and sample materials without additional charge, or to provide Franchisee with multiple copies of marketing, advertising and promotional materials at a reasonable price. In Franchisor's sole discretion, Franchisor can cause the Marketing Fund to be incorporated or operated through a separate entity which will have all the rights and duties described in this Agreement.

### 9.7.2. Marketing Fund Accounting

The Marketing Fund is not a trust. However, Franchisor will account for the Marketing Fund separately from its other funds, and will not use the Marketing Fund to defray any of its general operating expenses, except for costs, salaries, travel expenses, administrative costs, overhead and other similar expenses Franchisor may incur in activities reasonably related to the administration of the Marketing Fund and its marketing programs (including, without limitation, conducting market research, preparing advertising and marketing materials, conducting or employing mystery shopping services, general production costs and collecting and accounting for contributions to the Marketing Fund). Franchisor may spend in any fiscal year an amount greater or less than the total contributions of all Art galleries in the U.S. to the Marketing Fund in such year and Franchisor may cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. Franchisee authorizes Franchisor to collect for remittance to the Marketing Fund any advertising or promotional monies or credits offered by any supplier to the Marketing Fund based upon Franchisee's purchases. Interest earned on monies contributed to the Marketing Fund will be used to pay advertising costs of the Marketing Fund. Franchisor will prepare an annual statement of monies collected and costs incurred by the Marketing Fund and will furnish it to Franchisee upon written request. The Marketing Fund will not be audited.

### 9.7.3. Benefit of Marketing Fund.

Franchisee agrees that the Marketing Fund will be intended to maximize recognition of the Licensed Marks and patronage of all Art galleries in the United States. Although Franchisor will endeavor to utilize the Marketing Fund to develop advertising and marketing materials and programs, and to place advertising, that will benefit all Art galleries in the United States, Franchisor will not be obligated to ensure that expenditures of the Marketing Fund in or affecting any geographic area will be proportionate or equivalent to the contributions to the Marketing Fund by franchisees operating in that geographic area or that any Art gallery will benefit directly or in proportion to its contribution to the Marketing Fund from the development of advertising and marketing materials or the placement of advertising. Although Franchisor intends the Marketing Fund to be of unlimited duration, once created, Franchisor has the right to terminate and, if terminated, to reinstate, the Marketing Fund at any time after all money in the Marketing Fund has been expended.

### 9.7.4. Franchisor's Obligations.

Except as expressly provided in this Article 9.7, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction or administration of the Marketing Fund.

## 10. FEES

### 10.1. Franchise Fee

Franchisee shall pay, upon execution of this Franchise Agreement a non-refundable Franchise Fee of an amount of ~~forty~~thirty-five thousand dollars (\$~~45,000~~35,000), fully earned upon execution. The Franchise Fee shall be paid by Franchisee to Franchisor by wire transfer to the

account designated by Franchisor. Bank fees and charges on the transfer shall be at Franchisee's cost.

### **10.2. Execution of a new unit franchise agreement**

Upon the expiry of the Agreement, in the case the parties agree upon the execution of a new franchise agreement pursuant to terms and conditions set forth in Article 4.2, Franchisee shall pay Franchisor a Franchise Fee of an amount of fifteen thousand (15,000) US Dollars.

### **10.3. Royalty Fee and Marketing Fund Contribution**

- (i) During the Term, Franchisee will pay Franchisor a fee (“**Royalty**”) of seven percent (7%) of Net Sales, and, if instituted, a Marketing Fund Contribution (“Marketing Fund Contribution”) of up to two percent (2%) of Net Sales.
- (ii) “**Net Sales**” means the total sales revenue from the Art gallery, including any online sales, exclusive of sales tax, refunds to customers and discounts.
- (iii) The Royalty and, if applicable, Marketing Fund Contribution shall be paid weekly against invoice no later than by the 5th day of the following week. The Royalty and, if applicable, Marketing Fund Contribution, will be based on the Net Sales for the preceding week as entered into Franchisee's POS system.
- (iv) If the actual Net Sales for any year is more or less than the Net Sales for such year that were entered into Franchisee's POS system, then an adjustment shall be made at the end of the year so that the Royalty and, if applicable, Marketing Fund Contribution, paid for that year reflects the actual Net Sales for such year. An adjustment will be made by bank transfer no later than August 31 of the following year. If the Franchisee's actual Net Sales is higher than the Net Sales that were entered into Franchisee's POS system, then Franchisee will pay the Royalty and, if applicable, Marketing Fund Contribution, balance due to Franchisor. If the Franchisee's actual Net Sales is lower than the estimated Net Sales revenue, then the Franchisor will pay the Royalty and, if applicable, Marketing Fund Contribution, balance due to Franchisee.
- (v) All payments shall be made with VAT, corresponding to the rate applicable on the date of payment (if there is VAT).
- (vi) All fees shall be increased with any taxes imposed by the Applicable Law.
- (vii) To allow the Franchisor to determine the accuracy of the Franchisee's sales on the aforementioned terms, the Franchisee agrees to provide its sales report at the end of each week.

- (viii) In the event of any late payment, even if partial, a surcharge of the lesser of ten percent (10%) per year, or the highest interest permitted under Applicable Law, shall be added to the overdue amount from the due date to the date of payment. If Franchisor must use a third party collection agency to collect the overdue amount, Franchisee shall reimburse Franchisor for the cost of the collection services.
- (ix) If verifiable accounting documents are not produced, are produced late, or are erroneous, incomplete or falsified and Franchisee has failed to provide a response to a formal request, Franchisor shall have the option of conducting an audit on Franchisee, pursuant to Article 6.7.

#### 10.4. Marketing and communication fees

During the Term, Franchisee will pay Franchisor an annual fee for the services referenced in Section 9.2.2. As of the Effective Date the fee is ~~three~~four thousand ~~five~~three hundred and fifty dollars (\$~~3,500~~4,350), provided that Franchisor may adjust the fee upon notice to Franchisee. The fee is payable upon invoice.

#### 11. AUTONOMY OF FRANCHISEE AND INDEMNIFICATION

- (i) The parties hereby expressly acknowledge that they are independent of each other, and will remain so for the duration of this Agreement. Franchisee will at all times remain an independent contractor and will not represent itself as Franchisor's agent, joint venture, partner or employee, or otherwise related to Franchisor other than as its independent franchisee. Franchisee may not make any representations or take any acts which could establish any apparent relationship of agency, joint venture, partnership or employment with Franchisor, and Franchisor will not be bound in any manner whatsoever by any agreements, warranties, representations or undertakings made by Franchisee to any other person nor with respect to any other action by Franchisee. Franchisee may not establish any bank account, make any purchase, apply for any loan or credit, or incur or permit any obligation to be incurred in Franchisor's name or on Franchisor's credit. No acts of assistance given by Franchisor to Franchisee will be construed so as to alter this relationship. Franchisee is solely responsible for paying all the operating costs of its Art gallery, including all taxes.
- (ii) It is hereby expressly agreed that compliance with the rules and standards specific to this Agreement are necessary to enable Franchisee to benefit from the advantages of the Know-How and Concept and to allow its coherence with the Network, but does not imply any limitation whatsoever of its independence or responsibility in its management of the Art gallery, and does not affect its status as an independent operator.
- (iii) It is agreed that the Franchisee will be in no way empowered to act in the name of or on behalf of Carré d'artistes<sup>®</sup>, to represent it or to sign agreements in its name. Likewise, the Franchisee shall act only in its own capacity with respect to its customers. It shall not be able to legally involve or bind Carré d'artistes<sup>®</sup> France or Franchisor in any way

outside of the scope of execution of the obligations expressly stated in this Agreement. Franchisee shall ensure that there can be no confusion as to its status as an independent Franchisee and member of the Carré d'artistes® Network.

- (iv) Franchisee reaffirms and acknowledges that it is capable of making the investments required to comply with its obligations and to benefit from the Carré d'artistes® Concept. Franchisor or Carré d'artistes® France shall not be held responsible for any of the actions of the Franchisee, its employees or managers. Franchisee agrees to indemnify and hold Carré d'artistes® France or Franchisor and Carré d'artistes® harmless in the event any claim arises from the operations of Franchisee's Art gallery.
- (v) If two (2) or more individuals execute this Agreement as Franchisee, the liability of each such individual hereunder shall be joint and several.
- (vi) Franchisor is not obligated or liable for any injury or death of any person or damage to any property caused by Franchisee's action, failure to act, negligence or willful conduct, nor for any other liability Franchisee has.
- (vii) Franchisee agrees to indemnify, hold harmless and, upon request, defend Franchisor, Franchisor's affiliates, and their respective officers, directors, owners, shareholders, managers, employees and agents (hereinafter each an **"Indemnified Party"** and jointly the **"Indemnified Parties"**), from and against all losses, suits, proceedings, arbitrations, claims, damages (direct, consequential, or otherwise), demands, causes of action, liabilities, fines, penalties, costs or expenses (including reasonable attorney's fees, expenses, or costs, including, but not limited to, any expert fees, costs, and/or expenses) of whatever kind and nature, directly or indirectly arising in whole or in part out of: (a) any default or breach by Franchisee of any obligation contained in any agreement with any Indemnified Party; (b) any act, failure to act, negligence, or willful conduct at or in connection with Franchisee's Art gallery; (c) Franchisee's operation of the Art gallery; (d) any allegation of agency or other alleged legal relationship by which any Indemnified Party is being held or might be held responsible for Franchisee's acts or omissions; (e) Franchisee's use of the Licensed Marks, including the use of the Licensed Marks on signage and in the advertising or promoting of any aspect of the Art gallery; (f) the violation of any federal, state, municipal or local law, rule, regulation, court order, ordinances, government directive or the like by Franchisee or any of its employees or agents; (g) all taxes, levies, or assessments incurred and owed by Franchisee of whatever kind and nature; (h) the revocation of any prior approval to use or display, or the loss of any right to use or display, any or all of the Licensed Marks; (i) the investigation by any Indemnified Party of any claim, suit, proceeding, demand, and/or cause of action, (j) any claims arising out of or in relation to information posted by Franchisee and its employees, or use by Franchisee and its employees, of Franchisee's Online Presence; or (k) any other act or omission of Franchisee, its customers, or any of its agents, employees, contractors,

invitees, licensees, or business associates, except such as may be due to the negligence of the Indemnified Parties.

- (viii) Franchisee agrees that the defense obligation in this Section will be immediate and ongoing, regardless of any ultimate allocation of negligence or other form of liability.
- (ix) To the extent to which Franchisee is required hereunder to provide any Indemnified Party with a defense as set forth in this Agreement, the Indemnified Parties shall have the sole and absolute right to select counsel to represent the Indemnified Party(ies) at Franchisee's sole expense, and the Indemnified Parties shall have the sole and absolute right to direct the defense of the Indemnified Parties and/or the settlement of any such claim or suit on behalf of the Indemnified Parties.
- (x) In the event that the Indemnified Parties, in their sole and absolute discretion, allow Franchisee to select counsel to represent both Franchisee and the Indemnified Parties pursuant to this Agreement and the representation of Franchisee and the Indemnified Parties by the same counsel would be or becomes a conflict of interest for such counsel, the Indemnified Parties may select independent counsel to represent it or them without relieving Franchisee of its obligations of indemnification and defense as set forth in this Agreement.
- (xi) Franchisee shall provide prompt, written notice to Indemnified Parties of any claim, suit, or proceeding, including, but not limited to, any arbitration, lawsuit, or any action taken by any local, municipal, state, or federal government or any local, municipal, state, or federal governmental agency, that names any Indemnified Party as a party and/or that could actually or potentially involve any Indemnified Party in any way.
- (xii) The provisions in this Section survive the expiration, transfer and termination of this Agreement.

## 12. TRANSFER

### 12.1. Transfer by Franchisor

Franchisor has the right, directly or indirectly, to sell, assign, transfer or otherwise dispose of or deal with this Agreement, or any or all of its rights and obligations under this Agreement, to any individual, firm, partnership, association, bank, lending institution, corporation, limited liability company or other person or entity as it may in its sole discretion deem appropriate. In the event of any such transfer, Franchisor will be released from any liability under this Agreement for the obligations transferred. Furthermore, any changes that could occur in the ownership of Franchisor, such as merger, acquisition, takeover, partial business transfer, assignment, transfer to an affiliate, as well as stock or asset sale to a third party, shall have no effect whatsoever on the validity or performance of this Agreement and do not require the Franchisee's consent or notice to Franchisee.



## 12.2. Transfer by Franchisee

### 12.2.1. Definition of Transfer

Franchisor is entering into this Agreement in reliance on the qualifications of the individual owners listed in **Appendix 1**, and whose personal qualities are the essential reason for Franchisor to enter into this agreement. Therefore, neither Franchisee, nor any of its direct or indirect owners, shall directly or indirectly sell, divide, encumber, assign, hypothecate, mortgage, sub-license, transfer through bequest, inheritance, transfer in trust, divorce or operation of law or by any other means, or otherwise dispose of the rights granted hereunder, or any part of this Agreement, or any rights or privileges incidental to this Agreement, or in the Art gallery or any interest therein, or their rights or interest in this Agreement, or any owner's direct or indirect ownership interest in Franchisee (herein collectively referred to as a **"Transfer"**), to any individual, firm, partnership, association, bank, lending institution, corporation, limited liability company or other third party without Franchisor's prior written consent.

### 12.2.2. Written Consent

Any Transfer by Franchisee or its owners is subject to Franchisor's prior written consent, which will not be unreasonably withheld, taking into consideration such factors as the Franchisor reasonably determines, including, without limitation, the viability of the investment by the transferee based on the price for the Art gallery payable by the transferee, except that a Transfer may not be made to one of Franchisor's competitors or to a person operating a Competitive Business. Any actual, attempted or purported Transfer occurring without our prior written consent will constitute a default of this Agreement and shall be null and void. In no event will Franchisor provide its consent to any Transfer, unless:

- (i) The proposed transferee is acceptable to Franchisor based upon standards for new franchisees it uses at such time, which may include, but not be limited to, the proposed transferee's management experience, professional experience, financial wherewithal, its Network prone attitude.
- (ii) Franchisee is not in default in the performance or observance of any of its obligations under this Agreement (including, without limitation, making all payments in full when due), or any other agreement between Franchisee and Franchisor relating to the Art gallery or any other agreement between Franchisee and Franchisor or one of Franchisor's affiliates;
- (iii) Franchisee has settled and paid, or made satisfactory arrangements to pay, all outstanding accounts with and amounts owed to Franchisor or its affiliates, and all trade creditors of the Art gallery;
- (iv) Franchisee has delivered to Franchisor a general release, in form satisfactory to Franchisor, of all claims Franchisee may have against Franchisor and its members, officers, directors, owners, employees, affiliates, successors and assigns;

- (v) Prior to the Transfer, the proposed transferee has successfully completed the initial training program and has paid us Franchisor's reasonable costs of administering such program and administering the transfer. The proposed transferee shall bear all transportation and accommodation costs and living expenses of the transferee and its manager for such initial training program and pay a training and transfer fee of thirty thousand dollars (\$30,000); and
- (vi) The proposed transferee has assumed in writing all of Franchisee's rights and the obligations under this Agreement.

It is understood and agreed that upon satisfaction of all the foregoing conditions and upon payment of all amounts which Franchisee owes, Franchisee will be released from any further liability under this Agreement with respect to matters or periods subsequent to the date of Transfer.

### **12.3. Right of First Preference**

- (i) During the Term of this Agreement, should Franchisee and/or its owners wish to Transfer Franchisee or substantially all of its assets, Franchisee shall grant to Franchisor a right of first preference.
- (ii) Franchisor will have ninety (90) days to inform in writing Franchisee if it wishes to exercise its right of preference.
- (iii) The parties shall then discuss and negotiate a possible transaction within a timeframe of sixty (60) days. In case of failure of the parties to reach an agreement within such timeframe, it is understood that Franchisee and/or its owners shall be free to sell Franchisee or its assets to any third party that is not a Competitive Business and that has been approved by Franchisor pursuant to Article 12.2.

### **12.4. Proposed Transfer**

- (i) Franchisee shall provide Franchisor with all information pertaining to the proposed Transfer and the proposed transferee(s) that Franchisor may reasonably request.
- (ii) Upon receipt of the notice, Franchisor shall inform Franchisee if it wishes to exercise its right of preference as per the terms of Article 12.3 at the same price and conditions as the proposed terms to such prospective transferees. If Franchisor does not exercise such right of preference, Franchisor shall inform Franchisee of its decision regarding the approval of the proposed project within sixty (60) days. Franchisor shall neither have the obligation to approve a candidate, nor be liable to pay any compensation should it refuse to approve a prospective transferee.
- (iii) The transferee shall acknowledge having been fully informed about the Concept and having met with a duly authorized representative of Franchisor.



- (iv) Any Transfer by Franchisee or its owners without Franchisor's prior written consent and compliance with the conditions set forth in this Article 12 shall be null and void and a default under this Agreement.

### 13. TERMINATION

#### 13.1. Termination Upon Notice Without Opportunity to Cure

- (i) This Agreement may not be terminated prior to the expiration of the Term except as provided in this Article. Termination of this Agreement shall not relieve Franchisee of any unfulfilled obligations to Franchisor created hereunder unless it is so agreed by Franchisor in writing.
- (ii) Franchisor may, at its option, terminate the Agreement, effective immediately upon giving Franchisee written notice:
- should Franchisee not timely open the Art gallery;
  - should Franchisee abandon the Art gallery and not operate the Art gallery for more than four (4) days, for any reason whatsoever, except in case of force majeure or with Franchisor's prior written consent to the closure;
  - should Franchisee provide Franchisor with false, fraudulent information or omit to provide any information or document relevant to the contractual relationships in violation of Section 7.8 (Rules of Good Conduct);
  - should Franchisee provide deceptive and/or, false or untrue information to other franchisees of the Network.
  - any violation of Articles 12 (Transfer), 14 (Non-Competition), or 15 (Confidentiality),
  - in the case Franchisee does not honor payments following one-month notice, the Agreement shall be terminated,
  - if Franchisee forfeits the legal right to do business in the jurisdiction where the Art gallery is located,
  - if Franchisee is convicted of a felony or other crime involving moral turpitude, consumer fraud, or crime or offense Franchisor believes is likely to have an adverse effect on Franchisee's ability to carry out the duties imposed by this Agreement or to have an adverse effect on the Network and the goodwill associated therewith,
  - if Franchisee knowingly makes any false statements in any report or document submitted to Franchisor
  - if Franchisee submits more than 2 written statements of net sales which under-report net sales for any reporting period by 5% or more,
  - if Franchisee suffers a final judgment to remain unsatisfied or of record for 30 days or longer (unless supersedeas bond is filed), or has execution levied

against Franchisee's business or property, or any suit is filed to foreclose any lien or mortgage against the premises or equipment and not dismissed within 30 days

- if Franchisee becomes insolvent or has a receiver appointed to take possession of Franchisee's business or property or any part thereof or makes a general assignment for benefit of creditors
- if Franchisee engages in public conduct that reflects materially and unfavorably upon the operation of the Network and Concept, the reputation of the Network and Concept, or the goodwill associated with the Licensed Marks; provided that engaging in legitimate political activity (including testifying, lobbying, or otherwise attempting to influence legislation) shall not be grounds for termination
- if Franchisee is in default under any other Franchise Agreement or other agreement with Franchisor or any of its affiliates which is not curable, or, if such default is curable, has not cured such default within the applicable cure period
- if any affiliate of Franchisee defaults under any Franchise Agreement or other agreement with Franchisor or any of its affiliates which is not curable, or if such default is curable, has not cured such default within the applicable cure period, or
- if Franchisee fails two (2) or more Location inspections within one (1) year period on five (5) points or more.

### **13.2. Termination Without Notice**

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

### **13.3. Termination After Opportunity to Cure**

Except as set forth in Articles 13.1 and 13.2, Franchisor may terminate this Agreement should Franchisee commit a breach of any of its obligations under this Agreement or act in a way

which prejudices Carré d'artistes® and/or Franchisor, and fail to remedy said breach within 10 (ten) days in the case of non-payment of any amounts due under this Agreement, and within 30 (thirty) days in the case of any other breach or default, after receiving a written notice. The Agreement will terminate automatically on the last day of the cure period without further notice from Franchisor if Franchise fails to timely cure all defaults set forth in any default notice provided pursuant to this Article 13.3.

#### **13.4. Damages for Early Termination**

The parties recognize the difficulty of ascertaining damages to Franchisor resulting from premature termination of this Agreement and hereby provide for the payment of liquidated damages by Franchisee, which liquidated damages represent the parties' best estimate as to the damages arising from the circumstances in which they are provided and which are the only damages for the premature termination of this Agreement and not as a penalty or as damages for breaching this Agreement or in lieu of any other payment. Accordingly, if this Agreement is terminated pursuant to Sections 13.1 or 13.3, or by Franchisee without cause, Franchisee shall pay to Franchisor within 10 days of termination a lump sum payment (as liquidated damages and not as a penalty or in lieu of any other payments required under this Agreement) an amount equal to the Royalty payable for the preceding calendar year, multiplied by two (2). If the termination happens prior to the thirteenth month of the Term, then the Royalty shall be prorated based on a twelve-month period.

#### **14. NON COMPETITION**

- (i) As an essential condition for signing this Agreement and in order to protect the Know-How, the reputation, the identity of the Network and the Concept during the Term, the Franchisee itself, its managing director, owners, shall not, directly or indirectly, have any interest, create or participate, directly or indirectly in the operation of an art gallery competing with Carré d'artistes® or the distribution of artwork ("**Competitive Business**").
- (ii) Further, the Franchisee undertakes not to undermine the reputation and renown of the Licensed Marks, the Concept, the reputation of Carré d'artistes® and of the Network, or Franchisor.
- (iii) Upon expiration or termination of the Agreement for any reason or any Transfer, the Franchisee itself, its managing director and owners, shall not, directly or indirectly, operate or participate in any way whatsoever, directly or indirectly, in the operation, management or administration of a Competitive Business for a period of two (2) years following the termination or expiration of this Agreement in any location located within a 5 mile radius from any Carré d'artistes® location anywhere in the U.S. The breach by any such party of this provision shall toll the 2-year period.

#### **15. CONFIDENTIALITY**

- (i) The Franchisee and/or its manager or chairman or any person taking part in the operation of the Art gallery, undertake, during the Term and after termination or expiration of this Agreement, for any reason whatsoever,

not to communicate, disclose, use for its own account or any third party's account (person or legal entity), any confidential information, knowledge or Know-How and operating methods of the Concept.

- (ii) Any information, knowledge, operating methods and among others, the Know-How, the Operations Manual for the operation of Art gallery, communicated to the aforementioned persons by Franchisor shall be deemed confidential.
- (iii) Any attempt of Franchisee and/or a manager (whether or not a majority owner), to use Carré d'artistes®'s methods in whole or in part in any of its companies or the company of his or her spouse, shall be considered a breach of confidentiality if this Agreement has not been entered into for this or these companies, except for their subsidiaries beforehand declared and agreed by Franchisor.
- (iv) The Franchisee and/or the person herein designated shall request and ensure that its staff, any outside intervening party whose post is close to the management of the company, or who have access to any of the confidential information aforementioned, execute an agreement containing corresponding confidentiality covenants.
- (v) The parties acknowledge that the actual damages for the breach of this Article are hard to determine. Consequently, should Franchisee fail to comply with the above provisions, it shall pay Carré d'artistes® and Franchisor liquidated damages in the amount of ten thousand (\$10,000), without prejudice to any further legal action Carré d'artistes® and Franchisor may decide to undertake to enforce their rights under this Article.

## 16. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

- (i) Upon expiration or termination of this Agreement, for any reason whatsoever, the parties agree as follows:
- (ii) Franchisee shall immediately cease to operate the Art gallery under the Licensed Marks and using the Concept. Likewise, it shall not present itself as or avail itself of being a present or former Carré d'artistes® franchisee. It shall return all copies of the Operations Manual immediately to Franchisor. Franchisee shall inform forthwith all relevant third parties (for example, telephone operators, guides, and directories) of the termination or expiration of its right to operate under the Licensed Marks and shall ensure that any listings referencing the Art gallery are changed accordingly.
- (iii) The Franchisee shall cease forthwith to use the Know-How, any methods, techniques and formulas provided by Franchisor pursuant to the Agreement in any way or form whatsoever, as well as, within a period of ten (10) days following the expiration or termination, the use of emblems, logos, posters, catalogues and any Network's advertising or

promotional materials, and in particular, all specific Furniture, materials, documents or items displaying any Licensed Mark.

- (iv) Franchisee shall return to Franchisor and/or its designee all Artwork still in its possession no later than within ten (10) days following the expiration or termination at Franchisee's cost.
- (v) Franchisee shall carry out any specific additional changes as regards the Carré d'artistes<sup>®</sup> Space, of its layout or decoration that would be necessary to prevent any association or resemblance with an Art gallery, and particularly with respect to the color scheme.
- (vi) Franchisee shall permit access to the Art Gallery premises to Franchisor's representatives for duration of thirty (30) days following the termination or expiration of the Agreement.
- (vii) Franchisee shall immediately cease any Online Presence related to the Art Gallery and the Franchisee's business under this Agreement, and shall within fifteen (15) days of termination or expiration of this Agreement close down all such websites, social media accounts, and other forms of Online Presence.
- (viii) Should the Franchisee fail to comply with one of the aforementioned provisions, for every day in which this de-identification is delayed after notice is delivered, Franchisee agrees to pay to Franchisor an administrative fee of in the amount of five hundred dollars (\$500) exclusive of VAT per day.
- (ix) Franchisee shall forthwith pay all sums that remain due to Franchisor or any of its affiliates within a period of thirty (30) days as from the expiry or termination of the Agreement.
- (x) In case the Master Franchise Agreement has been executed, and in case of termination or expiration of the Master Franchise Agreement for any reason whatsoever, the Franchisee expressly acknowledges that the Carré d'artistes<sup>®</sup>, or any third party shall approve shall be integrally subrogated in all rights, titles and interests arising from the present Agreement. Carré d'artistes<sup>®</sup> shall exercise such right within one (1) month upon termination or expiration of the contract of Master Franchise Agreement. Such conventional subrogation, accepted by Franchisee, shall come into force without any other formality or indemnity whatsoever.

## 17. NOTIFICATION – CHOICE OF LOCATION

All notices, consents and approvals permitted or required to be given under this Agreement shall be in writing and shall be deemed to be sufficiently and duly given if set forth in writing and be delivered either (i) personally; (ii) by certified or registered mail; or (iii) by overnight courier services to the addresses first set forth in this Agreement. Any notice so given or made shall be deemed to have been given and delivered or made and received at the earlier of actual receipt or one (1) business day after sending by overnight courier service, or at the earlier of

actual receipt or three (3) business day after sending certified or registered mail. Any party may from time to time by notice in writing given pursuant to this Article change its address for purposes of this Agreement. All correspondences shall be in the English or the French language.

## 18. APPENDIXES

It is hereby expressly agreed that all appendixes mentioned in this Agreement are integral parts of this Agreement.

## 19. SEVERABILITY

In the event that any provision of this Agreement is held to be void, invalid or unenforceable by reason of any final court decision, the remaining provisions shall remain in effect and be enforceable between the parties provided that this does not prejudice the fundamental provisions of this Agreement.

## 20. WAIVER

Failure by Franchisor to take immediate action with respect to acts or failures of the Franchisee in the performance of this Agreement shall not constitute a waiver of Franchisor's remedies, or right to take judicial or other appropriate measures, nor shall it constitute waiver of such action in the future.

Should Franchisor expressly waive a breach or default, such waiver shall not be applicable to any future breach or default.

## 21. GOVERNING LAW – CHOICE OF FORUM

### 21.1. Governing Law

~~This~~ Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.), ~~this~~ Agreement shall be governed by and construed in accordance with the laws of ~~New York~~ Arizona without giving effect to its conflicts of law principles. Notwithstanding the foregoing, if the covenants in Article 14 of this Agreement would not be enforceable under the laws of ~~New York~~ Arizona, and the Art gallery is located outside of that state, then such covenants shall be interpreted and construed under the laws of the state in which the Art gallery is located. Nothing in this Section 21.1 is intended by the parties to subject this Agreement to any franchise, business opportunity, of similar law, rule or regulation of the State of ~~New York~~ Arizona to which this Agreement would not otherwise be subject. If applicable law provides Franchisee with additional rights as to notices, opportunities to cure or otherwise than as are provided by this Agreement as to termination, renewal, transfers or otherwise, Franchisor will comply with the requirements of such laws to the extent they exceed Franchisor's obligations under this Agreement.

### 21.2. Dispute Resolution

- (i) This Agreement is based on mutual trust, and the parties shall use their best efforts to resolve any dispute, in good faith.
- (ii) In case of dispute which may not be amicably ~~solved~~ resolved, the federal and state courts located in ~~New York~~ the county and state, or in



the United States District Court for the district, in which Franchisor has its principal place of business at the time any such dispute is instituted, shall have exclusive jurisdiction regarding all disputes arising out of the performance, interpretation, termination for any reason whatsoever of this Agreement.

- (iii) In the event of any unsettled claims, disputes, controversies between Franchisor and/or any of its affiliates and Franchisee, and other matters arising between them relating to this Agreement, the dealings or relationship between them, or Franchisee's development or operation of the Art gallery ("**Dispute**"), either party has the option of initiating a mediation procedure by submitting a written request for mediation to the American Arbitration Association in accordance with the Commercial Mediation Rules.
- (iv) The mediation process shall begin promptly, but in no event later than 30 days after cessation of negotiations between the parties, and shall be concluded within 30 days of the day the request for mediation is made, unless the parties mutually agree otherwise.
- (v) Mediation shall be private, voluntary, and nonbinding. Any party may withdraw from the mediation at any time before signing a settlement agreement upon written notice to each other party and to the mediator. The mediator shall be neutral and impartial. The mediator's fees shall be shared equally by the parties. The mediator shall be disqualified as a witness, consultant, expert, or counsel for either party with respect to the matters in Dispute and any related matters.
- (vi) Unless the parties agree otherwise, the entire mediation process shall be confidential and without prejudice. The parties and the mediator shall not disclose any information, documents, statements, positions, or terms of settlement. Nothing said or done or provided by the parties in the course of mediation shall be reported or recorded or, except as ordered by a court of competent jurisdiction, placed in any legal proceeding or construed for any purpose as an admission against interest. Nevertheless, evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in mediation.
- (vii) All mediation proceedings shall take place in ~~New York, New York~~ such city and state in which the Franchisor has its principal place of business at the time the mediation proceedings are instituted.
- (viii) The commencement of any mediation shall not act to prevent either party from instituting or proceeding with any action which may be the subject of the Dispute.

Notwithstanding anything to the contrary contained in this Article, Franchisee, Franchisor and Carré d'artistes® France each have the right in a proper case to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction. Franchisee acknowledges that a proper case to obtain temporary restraining orders and temporary or permanent

injunctive relief from a court of competent jurisdiction shall include, but not be limited to, the following:

- (a) Any Dispute involving actual or threatened disclosure or misuse of the contents of the Operations Manual or any other confidential information or trade secrets of Franchisor and/or Carré d'artistes® France;
  - (b) Any Dispute involving the ownership, validity, use of, or right to use or license the Licensed Marks;
  - (c) Any action by Franchisor and/or Carré d'artistes® France to enforce the covenants set forth in Article 14 and Article 15 of this Agreement; and
  - (d) Any action by Franchisor to stop or prevent any threat or danger to public health or safety resulting from the construction, maintenance, or operation of the Art gallery.
- (ix) The provisions of this Article are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.
- (x) The parties acknowledge that Franchisor and Carré d'artistes® France operate a nationwide and international franchise system, with franchisees located in numerous different states and cities within such states. Accordingly, the parties hereby agree that in view of the fact that the books, records, and business personnel of Franchisor are located, for the most part, in ~~New York, New York~~ its principal place of business, and in order to minimize disruption or interference with operation of the license system as a whole, the parties agree as follows:
- (xi) Any and all court proceedings arising from or relating in any manner to any dispute between Franchisor and/or its affiliates, and Franchisee arising out of, relating to or referencing this Franchise Agreement or its breach in any way, shall be brought in, and only in, the United States District Court for the ~~Southern District of New York (whether named or otherwise designated)~~ district in which the Franchisor has its principal place of business at the time such dispute is instituted. No individual shall be joined as a party to such proceedings if such joinder has the effect of destroying federal court jurisdiction unless that individual or entity is a necessary party to the proceeding as a matter of law. If the United States District Court does not have jurisdiction over the dispute, the proceeding may be initiated in, and only in state court in ~~New York, New York~~ the county and state where Franchisor has its principal place of business. In either case, Franchisor, its affiliates, and Franchisee hereby consent and submit to the exercise of jurisdiction by such courts.

THE PARTIES AGREE THAT ALL DISPUTES ADMITTED TO THE COURT PURSUANT TO THIS PROVISION SHALL BE TRIED TO THE COURT SITTING



WITHOUT A JURY, NOTWITHSTANDING ANY STATE OR FEDERAL CONSTITUTIONAL OR STATUTORY RIGHTS OR PROVISIONS.

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

- (xii) Franchisor, Franchisee and their respective affiliates, agree that no form of action or proceeding permitted hereby will be maintained by any party to enforce any liability or obligation of the other party, whether arising from this Agreement or otherwise, unless the proceeding is brought before the expiration of the earlier of (i) 1 year after the date of discovery of the facts resulting in such alleged liability or obligation; or (ii) 2 years after the date of the first act or omission giving rise to such alleged liability or obligation. Notwithstanding the foregoing, where state or federal law mandates or makes possible by notice or otherwise a shorter period, such shorter period shall apply in all cases, in lieu of the time specified in (i) or (ii) above.
- (xiii) The parties hereto recognize, and any mediator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of Franchisor and/or Carré d'artistes® France to take (or refrain from taking) certain actions in the exercise of its discretion based on its assessment of the overall best interest of the Network and/or franchise program. Where such discretion has been exercised, and is supported by the business judgment of Franchisor and/or Carré d'artistes® France, neither a mediator nor a judge shall substitute his or her judgment for the judgment so exercised by Franchisor and/or Carré d'artistes® France.
- (xiv) In the event Franchisor and/or Carré d'artistes® France incurs legal fees or costs or other expenses to enforce any obligation of Franchisee hereunder, or to defend against any claim, demand, action or proceeding by reason of Franchisee's failure to perform or observe any obligation imposed upon Franchisee by this Agreement, then Franchisor and/or Carré d'artistes® France shall be entitled to recover from Franchisee the amount of all legal fees, costs and expenses, including reasonable attorneys' fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action, or proceeding to enforce any obligation of Franchisee hereunder or thereafter or otherwise.
- (xv) Any disagreement between Franchisee and Franchisor (and Franchisor's affiliates) will be considered unique as to its facts and must not be brought as a class action, and Franchisee waives any right to proceed against Franchisor (and Franchisor's affiliates, stockholders, officers, directors, employees, agents, successors and assigns) by way of class action, or by way of a multi-plaintiff, consolidated or collective action.

## 22. ENTIRE AGREEMENT AND AMENDMENTS

## 22.1. Entire Agreement.

Franchisor and Franchisee each acknowledge and warrant to each other that they each wish to have all terms of their business relationship defined in this Agreement. Neither Franchisee nor Franchisor wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, Franchisee and Franchisor agree that this Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto, supersede and cancel any prior and/or contemporaneous discussions (whether described as representations, inducements, promises, agreements or any other term) between Franchisor or anyone acting on Franchisor's behalf and Franchisee or anyone acting on Franchisee's behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such terms) with respect to the relationship between the parties, and Franchisor and Franchisee each agree that they each have placed, and will place, no reliance on any such discussion; provided, however, that nothing in this or any related agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document furnished to Franchisee. This Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto or incorporated herein by reference, constitutes the entire agreement between the parties and contains all of the terms, conditions, rights and obligations of the parties with respect to any aspect of the relationship between the parties. No further franchise rights or offer of franchise rights have been promised to you and no such franchise rights or offer of franchise rights shall come into existence, except by means of a separate writing, executed by one of Franchisor's officers or such other entity granting the franchise rights and specifically identified as a modification of this Agreement.

## 22.2. Amendments.

No change, modification, amendment or waiver of any of the provisions hereof, including by custom, usage of trade, or course of dealing or performance, shall be effective and binding upon either party unless it is in writing, specifically identified as an amendment hereto and signed by a duly authorized representative of both parties.

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

DATED: \_\_\_\_\_

**Carré d'artistes Great America LLC,**  
A New York limited liability company

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

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

DATED: \_\_\_\_\_

**"Franchisee"**

\_\_\_\_\_

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

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

### Owners' Acknowledgment

Each following party is mentioned in this Agreement as having certain rights and/or duties as an owner of the Franchisee. Each following party is signing this Acknowledgment, not as a party, but only to the extent necessary to indicate its, his or her acceptance of, and agreement to be bound by, the specific rights and duties of an Owner mentioned in this Agreement.

Owner:

\_\_\_\_\_

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

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

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

Owner:

\_\_\_\_\_

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

Owner:

\_\_\_\_\_

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

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

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

Owner:

\_\_\_\_\_

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

## APPENDIX 1

### SPECIFIC INFORMATION

- 1) Location: \_\_\_\_\_
- 2) Surface: \_\_\_\_\_
- 3) Date upon which the financial statements must be provided to Franchisor: \_\_\_\_\_
- 4) Owners:

| Name | Percentage Ownership |
|------|----------------------|
|      |                      |
|      |                      |
|      |                      |
|      |                      |

## APPENDIX 2

### EQUIPMENT – TERMS AND CONDITIONS OF ORDER, SUPPLY AND PAYMENT

## APPENDIX 3

**GENERAL TERMS OF SALE OF ARTWORK TO FRANCHISEES**

These general conditions govern the consignment, conservation and sale of artworks exclusively between Carré d'artistes® (referred to as "the Franchisor") and its Franchisees (hereinafter "the Franchisee"). ~~These terms and conditions are available at all times in the computer sharing system Google Drive of the Franchisor.~~ Any change in the general terms and conditions of sale of artworks shall be communicated to the Franchisee ~~three~~two months prior to the effective date.

Any order of artwork placed by the Franchisee to the Franchisor implies the acceptance of the general terms and conditions.

Any order of artwork placed by the Franchisee directly to the artist requires exceptional prior agreement in writing from the Franchisor and implies the full acceptance of the general terms and conditions.

**1. Artworks in consignment**

The artworks supplied by the Franchisor to the Franchisee or directly by the artist in a contract with the Franchisor are deemed to be consigned in a facility of the Franchisee. The Franchisee keeps the artworks in his facility to market them and provides exposure in accordance with the "artists planning" communicated by the Franchisor. The Franchisee is solely responsible for his policy for the end consumer and for the advertising of the displayed artworks.

The Franchisee pays the Franchisor for the "sold artworks" in his Carré d'artistes® gallery/ies, through his website, at shows or one-off events previously approved by the Franchisor or the "sold artworks" in any other manner.

As soon as the sale is completed by the Franchisee, the Franchisee agrees to pay the Franchisor on the basis of the applicable rate.

The Franchisor is solely responsible for the payment of the artworks to the artist. The terms for buying the artworks negotiated by the Franchisor with each artist are adapted, variable and strictly confidential. The Franchisee shall not interfere in this business relationship between the Franchisor and the artist.

**2. Sales tariff for the sale of artworks by the Franchisor to the Franchisee**

The tariff for the sale of artworks by the Franchisor to the Franchisee is set by the Franchisor. The sales tariff for the sale of artworks by the Franchisor to the Franchisee is permanently available on the Franchisor's computer sharing system Google Drive. The sales tariff for the sale of artworks to the Franchisee is adapted to the geographic location of the Franchisee's gallery.

Each variation of the sales tariff of artworks by the Franchisor to the Franchisee is communicated two months before the effective date. The Franchisor may increase the sales tariff by thirty percent (30%) in such case as a specific order and/or nonstandard formats artworks.

**3. Terms of payment for artworks**

The Franchisee is committed to report the sales of artworks in the POS system each week and on the last day of each month.

The Franchisor bills the sold artworks reported in the POS system by the Franchisee as follows:

| Sale period of artworks | Billing date          | Date of payment to the Franchisor |
|-------------------------|-----------------------|-----------------------------------|
| January                 | Weekly – every Monday | on receipt of invoice             |
| February                | Weekly – every Monday | on receipt of invoice             |
| March                   | Weekly – every Monday | on receipt of invoice             |
| April                   | Weekly – every Monday | on receipt of invoice             |
| May                     | Weekly – every Monday | on receipt of invoice             |
| June                    | Weekly – every Monday | on receipt of invoice             |
| July                    | Weekly – every Monday | on receipt of invoice             |
| August                  | Weekly – every Monday | on receipt of invoice             |
| September               | Weekly – every Monday | on receipt of invoice             |
| October                 | Weekly – every Monday | on receipt of invoice             |
| November                | Weekly – every Monday | on receipt of invoice             |
| December                | Weekly – every Monday | on receipt of invoice             |

The security deposit is paid before delivery of the artworks for the opening of each Carré d'artistes® gallery of the Franchisee and retained by the Franchisor throughout the entire duration

In case of a breach, late payment, non-payment of one or more invoices by the Franchisee, the Franchisor will redefine the terms of payment of artworks sold by the Franchisee. In case of default or late payment, the Franchisor may require the Franchisee to pay for the sold artworks on a weekly basis, or may restrict or interrupt the provision of artworks to the Franchisee.

Any invoice not paid on the due date will result in the payment of a contractual penalty on the basis of 10% a year prorated to the number of late payment days.

#### **4. Ownership and responsibility of artworks**

The artworks consigned in the Carré d'artistes® gallery/ies of the Franchisee are the property of the artist. From the delivery of the artworks, the liability associated with the artworks is transferred to the Franchisee. The franchisee must verify the conformity of the delivery and email within five days an acknowledgment of receipt to the sender of the parcel and the Franchisor.

The Franchisee who takes in the artworks as a consignment to keep them or sell them is liable for them and undertakes to:

- store the artworks on the sale premises and storage rooms of his Carré d'artistes® gallery/ies
- purchase an insurance against covering the risks that could result in the damage or destruction of the artworks
- report to and pay the Franchisor any missing, stolen, lost or damaged artwork

The Franchisor or / and the artist may take back at any time the consigned artworks, the Franchisee however undertakes to ensure a varied exhibit in quality and quantity.

#### **5. Security deposit on artworks**

Under the Franchisee agreement, the Franchisee pays a security deposit to the Franchisor's bank account. This deposit guarantees the potential "non return" of part of the artworks stock on consignment in a gallery of the Franchisee or any default of payment of the Franchisee at the end of the contract. The value of the non returned stock will be assessed on the basis of the applicable prices and billed to the Franchisee.

#### **6. Stock and inventory**

The Franchisee is committed to managing the stock of artworks consigned in his Carré d'artistes® gallery/ies in a serious and organized manner. Any stock movement (entry-departure) must be reported in the POS system. The Franchisor alone is authorized to set the number of artworks necessary for the galleries of the network and consigned in the Carré d'artistes® galleries of the Franchisee. The Franchisor may increase or reduce the consignment inventory in the gallery/ies. The Franchisor may ask, at any time, the Franchisee for a physical inventory check in the gallery, against the book inventory. This verification must be provided within a maximum of seven days at the request of the Franchisor.



## APPENDIX 4

### GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Unit Franchise Agreement ("**Agreement**"), by Carré d'artistes Great America LLC ("**Franchisor**") in favor of \_\_\_\_\_ (the "**Franchisee**"), the undersigned ("**Guarantor**") hereby personally and unconditionally guarantees to Franchisor, and their successors and assigns for the term of the Agreement and thereafter as provided in the Agreement, the following:

1. **Obligations.** That Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement. The undersigned Guarantor agrees to be personally bound by and personally liable for the breach of each and every undertaking, agreement, covenant, and provision in the Agreement. Guarantor further agrees to be personally and unconditionally bound by each and every undertaking, agreement and covenant set forth in the Agreement.

2. **Non-Competition/Non-Disclosure.** The Guarantor agrees to personally comply with and abide by the non-competition provisions, other restrictive covenants and nondisclosure provisions contained in the Agreement, as well as the provisions in the Agreement relating to trademarks, assignment and transfer, to the same extent as and for the same period of time as Franchisee is required to comply with and abide by such covenants and provisions. All of the foregoing obligations of the undersigned shall survive any expiration or termination of the Unit Franchise Agreement or this Guarantee.

3. **Waiver.** The undersigned Guarantor waives the following:

(a) Notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed;

(b) Protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; and

(c) Any right he or she may have to require that any action be brought against Franchisee or any other person as a condition of liability.

The undersigned Guarantor consents and agrees that:

(d) His or her direct and immediate liability as defined herein will be joint and several;

(e) He or she will render any payment or performance required under the Agreement upon demand, if Franchisee fails or refuses punctually to do so;

(f) Such liability will not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and

(g) Such liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which will in any way modify or amend this guaranty, which will be continuing and irrevocable during the Agreement Term, including renewals thereof.

4. **Attorneys Fees; Costs.** If Franchisor is required to enforce this Guarantee in any judicial proceeding or appeal thereof, the Guarantor shall reimburse Franchisor and its Affiliates for their costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.

5. **Disputes.** The terms contained in the Agreement any applicable Addendum and this Guarantee constitute the entire agreement between the parties, and there are no representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied herein. The Guarantor further agrees to the dispute provisions of the Agreement and agree to be subject to the terms thereof.

**IN WITNESS WHEREOF**, the undersigned Guarantor has affixed his or her signature effective as of the same day and year as the Agreement was executed.

**FRANCHISOR**

**GUARANTOR**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**APPENDIX 5**  
**STATE ADDENDA**

**[Execute only the state addendum that is applicable, if any]**

**CALIFORNIA AMENDMENT  
TO FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of California that are subject to the California Franchise Investment Law (the "Act") and is for the purpose of complying with Illinois statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Franchise Agreement will be amended as follows:

1. Section 8.1 of the Franchise Agreement is amended by adding the following:

"Payment of all initial fees is postponed until after all of franchisor's initial obligations are complete and franchisee is open for business."

Dated: \_\_\_\_\_

Franchisor:

Franchisee:

CARRE D' ARTISTES GREAT AMERICA LLC

\_\_\_\_\_

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

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

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

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

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

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

**ILLINOIS AMENDMENT  
TO FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of Illinois that are subject to the Illinois Franchise Disclosure Act (the “Act”) and is for the purpose of complying with Illinois statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Franchise Agreement will be amended as follows:

1. Illinois law shall supersede any provisions of the Franchise Agreement or New Hampshire law which are in conflict with the law.

2. Nothing in Section 21.1 of the Franchise Agreement waives any rights Franchisee may have under Section 41 of the Illinois Franchise Disclosure Act of 1987, which provides:

“Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.”

3. Section 21.2(ii) of the Franchise Agreement is amended to provide that venue shall be in an appropriate Illinois court of general jurisdiction or United States District Court in Illinois.

Dated: \_\_\_\_\_

Franchisor:

Franchisee:

CARRE D’ ARTISTES GREAT AMERICA LLC

\_\_\_\_\_

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

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

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

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

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

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

## MARYLAND AMENDMENT TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of Maryland that are subject to the Maryland Franchise Registration and Disclosure Law (the “Law”) and is for the purpose of complying with Maryland statutes and regulations. A franchise is subject to the Law if the Franchisee is a Maryland resident, the franchised business will be operated in Maryland, the offer to sell was made in Maryland, or the offer to buy was accepted in Maryland (See Section 14-203 of the Law). Signing this Amendment where the jurisdictional requirements of the Law are not met does not subject the parties to the provisions of the Law.

Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement between the Franchisor and Franchisee dated \_\_\_\_\_, 20\_\_\_\_ to include the following:

1. Section 8.1 of the Franchise Agreement is amended by adding the following:

“Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its preopening obligations under the franchise agreement.
2. The following language is added to Section 12.2.2(iv) of the Franchise Agreement dealing with “Transfer by Franchisee”:

“, except that the general release provisions shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”
3. The following language is added to the end of Section 21.2(ii) of the Franchise Agreement dealing with the Venue:

“You may bring a lawsuit in Maryland for claims arising out of the Maryland Franchise Registration and Disclosure Law.”
4. The following language is added to the end of Section 21.2(xvii) of the Franchise Agreement dealing with the Limitations Period:

“All claims arising under the Maryland Franchise Registration and Disclosure Law shall be commenced within three (3) years after the grant of the franchise.”
6. Sections 1.3, dealing with “The Franchisee”, and 22.1, dealing with “Entire Agreement”; of the Franchise Agreement and the Franchisee Disclosure Questionnaire are amended to state:

“Representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

MD-1

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

Franchisor:

Franchisee:

CARRE D' ARTISTES GREAT AMERICA LLC

\_\_\_\_\_

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

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

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

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

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

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

MD-2

## MINNESOTA AMENDMENT TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of Minnesota that are subject to the Minnesota Franchise Act (Minn. Stat. Sec. 80C.1 et seq., the “Act”) and is for the purpose of complying with Minnesota statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Franchise Agreement will be amended as follows:

1. MINN. STAT. SECTION 80C.21 and MINNESOTA RULES 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 (1) any of the franchisee's rights as provided for in MINN. STAT. CHAPTER 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
2. With respect to franchises governed by Minnesota law, the franchisor will comply with MINN. STAT. SECTION 80C.14 SUBD. 3-5, which require (except in certain specified cases)
  - (i) 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
  - (ii) that consent to the transfer of the franchise will not be unreasonably withheld.
3. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to MINN. STAT. SECTION 80C.12 SUBD. 1(G). The franchisor will protect the franchisee's rights 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.
4. MINNESOTA RULES 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See MINNESOTA RULES 2860.4400(J) also, a court will determine if a bond is required.
6. The Limitations of Claims section must comply with MINN. STAT. SECTION 80C.17 SUBD. 5.



IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment to the Franchise Agreement as of the day and year set forth above.

Franchisor:

Franchisee:

CARRE D' ARTISTES GREAT AMERICA LLC

\_\_\_\_\_

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

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

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

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

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

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

MN-2

**NEW YORK AMENDMENT  
TO FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of New York that are subject to the New York Franchise Act (New York State General Business Law, Article 33, Sec. 680 et seq., the “Act”) and is for the purpose of complying with New York statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Franchise Agreement will be amended as follows:

1. Franchisor and Franchisee are parties to that certain Franchise Agreement that has been signed concurrently with the signing of this Amendment. This Amendment is annexed to and forms part of the Franchise Agreement. This Amendment is being signed because: (a) you are a resident of the State of New York and your franchise will operate in New York; and/or (b) the offer or sale of the franchise occurred in New York.

2. The following is added as a new Section 13.1 of the Franchise Agreement:

“You may terminate this Agreement upon any grounds available at law.”

3. The following is added to Section 21.1 of the Franchise Agreement:

“This section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law and the regulations issued thereunder.”

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider on the day and year first above written.

Franchisor:

Franchisee:

CARRE D’ ARTISTES GREAT AMERICA LLC

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

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

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

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

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

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

NY-1

## NORTH DAKOTA AMENDMENT TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of North Dakota that are subject to the North Dakota Franchise Investment Law (the “Act”) and is for the purpose of complying with North Dakota statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Franchise Agreement will be amended as follows:

1. Section 16 of the Franchise Agreement is amended as follows:

“Remedies Upon Termination. If the Franchise Agreement is terminated, and in addition to your obligations as otherwise provided herein, we will retain the full amount of any fees heretofore paid to us and you will continue to remain liable to us for any and all damages which we have sustained or may sustain by reason of such default or defaults and the breach of the Franchise Agreement on your part for the unexpired Term of the Franchise Agreement.”

2. Section 21.2(ii) of the Franchise Agreement is deleted.
3. Section 21.2(xvii) of the Franchise Agreement is deleted.
4. The second paragraph of Section 21.2(xvi) of the Franchise Agreement is deleted.
5. Section 21.2(xix) of the Franchise Agreement is amended as follows:

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

6. The laws of the State of North Dakota supersede any provisions of the Franchise Agreement, the other agreements or New Hampshire law if such provisions are in conflict with North Dakota law.

CARRE D'ARTISTES ~~USA~~ GREAT AMERICA FRANCHISE AGREEMENT

Dated: \_\_\_\_\_

Franchisor:

Franchisee:

CARRE D' ARTISTES GREAT AMERICA  
LLC

\_\_\_\_\_

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

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

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

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

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

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

ND-2

**RHODE ISLAND AMENDMENT  
TO FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of Rhode Island that are subject to the Rhode Island Franchise Investment Act (the “Act”) and is for the purpose of complying with Rhode Island statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_ hereby agree that the Franchise Agreement will be amended as follows:

1. Section 19-28.1-14 of the Rhode Island Franchise Investment Act, as amended by the laws of 1991, provides that “A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

Dated: \_\_\_\_\_, \_\_\_\_.

Franchisor:

Franchisee:

CARRE D’ ARTISTES GREAT AMERICA LLC

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

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

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

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

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

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

RI-1

VIRGINIA AMENDMENT  
TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of Virginia that are subject to the Virginia Retail Franchising Act (the “Act”) and is for the purpose of complying with Virginia statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_ hereby agree that the Franchise Agreement will be amended as follows:

1. Sections 13.1 and 13.2 and 13.3 of the Franchise Agreement are amended by adding the following language:

“§13.1-564 of the Virginia Retail Franchising Act provides that it is unlawful for a franchisor to cancel a franchise without reasonable cause.”

Dated: \_\_\_\_\_, \_\_\_\_.

Franchisor:

Franchisee:

CARRE D’ ARTISTES GREAT AMERICA LLC

\_\_\_\_\_

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

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

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

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

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

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

WASHINGTON AMENDMENT  
TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of Washington that are subject to the Washington Franchise Investment Protection Act (the “Act”) and is for the purpose of complying with Washington statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_ hereby agree that the Franchise Agreement will be amended as follows:

1. The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with 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 Franchisor including the areas of termination and renewal of your license.

2. In the event of a conflict of law, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

3. A release or waiver of rights executed by a Franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

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

5. The undersigned hereby acknowledges receipt of this amendment.

Dated: \_\_\_\_\_, \_\_\_\_.

Franchisor:

Franchisee:

CARRE D’ ARTISTES GREAT AMERICA LLC

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

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

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

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

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

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

WA-1

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WA-1



Document comparison by Workshare Compare on Friday, July 22, 2022 11:04:14 AM

| Input:        |                                          |
|---------------|------------------------------------------|
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| Description   | Carre dartistes Franchise Agreement 2022 |
| Document 2 ID | netdocuments://4861-9177-9596/2          |
| Description   | Carre dartistes Franchise Agreement 2022 |
| Rendering set | Standard                                 |

| Legend:                   |  |
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| <u>Insertion</u>          |  |
| <del>Deletion</del>       |  |
| <del>Moved from</del>     |  |
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| Style change              |  |
| Format change             |  |
| <del>Moved deletion</del> |  |
| Inserted cell             |  |
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| Moved cell                |  |
| Split/Merged cell         |  |
| Padding cell              |  |

| Statistics:    |       |
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|                | Count |
| Insertions     | 108   |
| Deletions      | 80    |
| Moved from     | 0     |
| Moved to       | 0     |
| Style changes  | 0     |
| Format changes | 0     |
| Total changes  | 188   |



## **EXHIBIT D**

# **CARRE D'ARTISTES SAMPLE RELEASE**

**CARRE D'ARTISTES GREAT AMERICA LLC**  
**SAMPLE RELEASE**

Unless precluded by applicable state law, if you sell, assign or transfer your Franchise Agreement to a third party, you will sign a joint and mutual release containing language substantially similar to the following:

This Joint and Mutual Release is made, entered into and effective this \_\_\_\_ day of , 20\_\_, by and between CARRE D'ARTISTES GREAT AMERICA LLC (the “**Franchisor**”) and (the “**Franchisee**”).

The Franchisee entered into a Franchise Agreement, dated \_\_\_\_\_, 20\_\_ with the Franchisor (the “**Agreement**”) authorizing the Franchisee to open and operate a franchised Carré d'artistes Art Gallery(ies) at/in \_\_\_\_\_.

The Franchisee desires to transfer, sell and assign the Agreement to a third party (the “**Assignee**”).

The Franchisor has agreed to consent to the transfer, sale and assignment of the Agreement by the Franchisee to the Assignee, a condition of which is the execution of the following joint and mutual release by the Franchisor and the Franchisee:

1. Release of Franchisor by Franchisee. For and in consideration of the execution of this Joint and Mutual Release and the consent by the Franchisor to the assignment of the Agreement to the Assignee, the Franchisee and its affiliates hereby release and forever discharge the Franchisor and its affiliates from any and all claims which the Franchisee and its affiliates have had or now have or may in the future have against the Franchisor and its affiliates or any of them, for, upon or by reason of any matter, fact or thing whatsoever from the beginning of time through and including the date of this Joint and Mutual Release including, but not limited to, any alleged violations of the Federal Trade Commission's Trade Regulation Rule relating to Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures, “mini” FTC laws, deceptive or unfair trade practices laws, franchise laws or securities laws, and all other local, municipal, state, federal or other laws, statutes, rules or regulations, and any alleged breaches or violations of the Agreement and/or any other agreements between the Franchisee and its affiliates and any of them, and the Franchisor and its affiliates and any of them; provided, however, that this provision will not apply to any claims specifically excluded by terms of this Joint and Mutual Release.

2. Release of Franchisee by Franchisor. For and in consideration of the execution of this Joint and Mutual Release and the consent by the Franchisor to the assignment of the Agreement to the Assignee, the Franchisor and its affiliates hereby release and forever discharge the Franchisee and its affiliates from any and all claims which the Franchisor and its affiliates have had or now have against the Franchisee and its affiliates for, upon or by reason of any matter, fact or thing whatsoever from the beginning of time through, up to and including the date of this Joint and Mutual Release including, but not limited to, any local, municipal, state, federal or other laws, statutes, rules or regulations, and any alleged violations of the Agreement, and/or any other agreements between the Franchisee and its affiliates and any of them, and the Franchisor and its

affiliates and any of them; provided, however, that this provision will not apply to any claims specifically excluded by terms of this Joint and Mutual Release.

**“Franchisor”**

**CARRE D’ARTISTES GREAT AMERICA  
LLC**

By \_\_\_\_\_  
Signature

By \_\_\_\_\_  
Print Name

Its \_\_\_\_\_  
Title

**“Franchisee”**

\_\_\_\_\_  
Legal Name

By \_\_\_\_\_  
Signature

By \_\_\_\_\_  
Print Name

Its \_\_\_\_\_  
Title

The above language may be modified or supplemented to address issues specific to the transfer of your Franchise Agreement to a third party, or to comply with applicable law (see Addendum to the Franchise Disclosure Document).



## **EXHIBIT E**

# **CARRE D'ARTISTES STATE AGENCY EXHIBIT**

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

| <b>STATE</b>      | <b>STATE ADMINISTRATOR</b>                                                                                                                                                                                  | <b>AGENT FOR SERVICE OF PROCESS</b>                                                                                                                                                                                                                                                               |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CALIFORNIA</b> | Department of Department of Financial Protection and Innovation<br>State of California<br>320 West 4th Street<br>Suite 750<br>Los Angeles, California 90013<br>(213) 576-7500<br>(866) 275-2677             | Commissioner of Financial Protection and Innovation<br>Department of Financial Protection and Innovation<br>State of California<br>Suite 750<br>320 West 4th Street<br>Los Angeles, CA 90013-2344<br><br>National Registered Agents, Inc.<br>2875 Michelle Drive<br>Suite 100<br>Irvine, CA 92606 |
| <b>HAWAII</b>     | Hawaii Commissioner of Securities<br>Department of Commerce and Consumer Affairs<br>Business Registration Division<br>State of Hawaii<br>P.O. Box 40<br>Honolulu, Hawaii 96810<br>(808) 586-2722            | Hawaii Commissioner of Securities<br>Department of Commerce and Consumer Affairs<br>Business Registration Division<br>State of Hawaii<br>335 Merchant Street<br>Room 204<br>Honolulu, Hawaii 96813                                                                                                |
| <b>ILLINOIS</b>   | Franchise Bureau<br>Illinois Attorney General<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465                                                                                   | Office of Attorney General<br>State of Illinois<br>500 South Second Street<br>Springfield, IL 62706                                                                                                                                                                                               |
| <b>INDIANA</b>    | Franchise Section<br>Indiana Securities Division<br>Room E-111<br>302 West Washington Street<br>Indianapolis, Indiana 46204<br>(317) 232-6681                                                               | Secretary of State<br>State of Indiana<br>201 State House<br>200 W. Washington St.<br>Indianapolis, IN 46204                                                                                                                                                                                      |
| <b>MARYLAND</b>   | Office of the Attorney General<br>Securities Division<br>State of Maryland<br>200 St. Paul Place<br>Baltimore, Maryland 21202<br>(410) 576-6360                                                             | Maryland Securities Commissioner<br>Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, MD 21202-2020                                                                                                                                                       |
| <b>MICHIGAN</b>   | Consumer Protection Division<br>Franchise Section<br>Michigan Department of Attorney General<br>525 W. Ottawa Street<br>G. Mennan Williams Building, 1st Floor<br>Lansing, Michigan 48913<br>(517) 373-7117 | Consumer Protection Division<br>Franchise Section<br>Michigan Department of Attorney General<br>525 W. Ottawa Street<br>G. Mennen Williams Bldg., 1st Floor<br>Lansing, MI 48913                                                                                                                  |
| <b>MINNESOTA</b>  | Minnesota Department of Commerce<br>Commissioner of Commerce                                                                                                                                                | Minnesota Department of Commerce<br>Commissioner of Commerce                                                                                                                                                                                                                                      |

| STATE               | STATE ADMINISTRATOR                                                                                                                                                                             | AGENT FOR SERVICE OF PROCESS                                                                                                                                                      |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                     | 85 E 7th Place, Suite 280<br>St. Paul, Minnesota 55101-2198<br>(651) 539-1500                                                                                                                   | 85 E 7th Place, Suite 280<br>St. Paul, Minnesota 55101-2198<br>(651) 539-1500                                                                                                     |
| <b>NEW YORK</b>     | New York State Department of Law<br>Bureau of Investor Protection and Securities<br>28 Liberty Street, 21st Floor<br>New York, New York 10005<br>(212) 416-8222                                 | Secretary of State<br>State of New York<br>One Commerce Plaza<br>99 Washington Avenue<br>Albany, NY 12231                                                                         |
| <b>NORTH DAKOTA</b> | North Dakota Securities Department<br>State of North Dakota<br>Fifth Floor<br>600 East Boulevard Avenue<br>Bismarck, North Dakota 58505-0510<br>(701) 328-4712<br>Fax: 701-328-0140             | Securities Commissioner<br>State of North Dakota<br>5th Floor<br>600 East Boulevard Ave.<br>Bismarck, ND 58505-0510                                                               |
| <b>RHODE ISLAND</b> | Division of Securities<br>State of Rhode Island<br>233 Richmond Street, Suite 232<br>Providence, Rhode Island 02903<br>(401) 222-3048                                                           | Director of Business Regulation<br>Department of Business Regulation<br>Division of Securities<br>State of Rhode Island<br>233 Richmond Street, Suite 232<br>Providence, RI 02903 |
| <b>SOUTH DAKOTA</b> | Franchise Administration<br>Department of Labor and Regulation<br>Division of Insurance<br>Securities Regulation<br>124 South Euclid, Suite 104<br>Pierre, South Dakota 57501<br>(605) 773-3563 | Franchise Administration<br>Department of Labor and Regulation<br>Division of Insurance<br>124 South Euclid, Suite 104<br>Pierre, South Dakota 57501                              |
| <b>VIRGINIA</b>     | State Corporation Commission<br>Division of Securities & Retail Franchising<br>Commonwealth of Virginia<br>1300 E. Main Street, 9th Floor<br>Richmond, Virginia 23219<br>(804) 371-9051         | Clerk of the State Corporation Commission<br>Commonwealth of Virginia<br>1300 E. Main Street, 1st Floor<br>Richmond, VA 23219                                                     |
| <b>WASHINGTON</b>   | Department of Financial Institutions<br>Securities Division<br>State of Washington<br>P.O. Box 9033<br>Olympia, Washington 98507-9033<br>(360) 902-8738                                         | Director of Financial Institutions<br>Securities Division<br>State of Washington<br>150 Israel Rd., S.W.<br>Olympia, WA 98501                                                     |
| <b>WISCONSIN</b>    | Division of Securities<br>Department of Financial Institutions<br>Wisconsin Commissioner of Securities<br>P.O. Box 1768<br>Madison, Wisconsin 53701-1768<br>(608) 266-8559                      | Commissioner of Securities<br>Wisconsin Securities Commission<br>345 W. Washington Ave., 4th Floor<br>Madison, WI 53703                                                           |



## **EXHIBIT F**

# **CARRE D'ARTISTES FRANCHISEE QUESTIONNAIRE**



## FRANCHISEE QUESTIONNAIRE

As you know, CARRE D'ARTISTES GREAT AMERICA LLC (the “**Franchisor**”) and you are preparing to enter into a Franchise Agreement for the operation of a franchised CARRE D'ARTISTES Art Gallery(ies) business (the “**Franchise**”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest responses to each question.

| QUESTION                                                                                                                                                                                                                                                                                             | YES | NO |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| 1. Have you received and personally reviewed the Franchisor's Franchise Disclosure Document (the “ <b>Disclosure Document</b> ”) provided to you?                                                                                                                                                    |     |    |
| 2. Did you sign a receipt for the Disclosure Document indicating the date you received it?                                                                                                                                                                                                           |     |    |
| 3. Do you understand all of the information contained in the Disclosure Document?                                                                                                                                                                                                                    |     |    |
| 4. Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?                                                                                                                                                                                    |     |    |
| 5. Please insert the date on which you received a copy of the Franchise Agreement with all material blanks fully completed: _____                                                                                                                                                                    |     |    |
| 6. Do you understand the terms of and your obligations under the Franchise Agreement?                                                                                                                                                                                                                |     |    |
| 7. Have you discussed the benefits and risks of operating the Franchise with an attorney, accountant or other professional advisor?                                                                                                                                                                  |     |    |
| 8. Do you understand the risks associated with operating the Franchise?                                                                                                                                                                                                                              |     |    |
| 9. Do you understand that the success or failure of the Franchise will depend in large part upon your skills and abilities, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?                                                            |     |    |
| 10. Has any employee or other person speaking on behalf of the Franchisor or any of its affiliates made any statement or promise regarding the amount of money you may earn in operating the Franchise that is contrary to, or different from, the information contained in the Disclosure Document? |     |    |

| QUESTION                                                                                                                                                                                                                                                                                                                                                                                                                    | YES | NO |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| 11. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchise will generate that is contrary to, or different from, the information contained in the Disclosure Document?                                                                                                                                                    |     |    |
| 12. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs involved in operating the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?                                                                                                                                                               |     |    |
| 13. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual, average or projected profits or earnings or the likelihood of success that you should or might expect to achieve from operating the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?                                                  |     |    |
| 14. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, market penetration, training, support service or assistance relating to the Franchise that is contrary to, or different from, the information contained in the Disclosure Document? |     |    |

If you answered “**Yes**” to any of questions ten (10) through fourteen (14), please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered “**No**” to each of the foregoing questions, please leave the following lines blank.

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You understand that your answers are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. No representations contained herein are intended to or will act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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FRANCHISE APPLICANT

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FRANCHISE APPLICANT

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

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



## **EXHIBIT G**

# **CARRE D'ARTISTES STATE-SPECIFIC ADDENDA**

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE CALIFORNIA FRANCHISE INVESTMENT LAW**

**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 FRANCHISE DISCLOSURE DOCUMENT.**

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. These provisions may not be enforceable under Federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise or development rights. These provisions may not be enforceable under California law.

Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Neither the Franchisor nor any person listed in Item 2 of this Franchise 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.

Section 21.2(xvii) of the Franchise Agreement limits the statute of limitations to the earlier of (i) 1 year after the date of discovery of the facts resulting in such alleged liability or obligation; or (ii) 2 years after the date of the first act or omission giving rise to such alleged liability or obligation; notwithstanding state or federal law that mandates or makes possible a shorter period which should apply in lieu of the time specified in (i) or (ii) above. These provisions are void to the extent it is inconsistent with the provisions of Corporations Code 31303- 31304. Corporations Code Section 31512 provides that “Any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this law or any rule or order is void.”

OUR WEBSITE IS WWW.CARREDARTISTES.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

The Franchise Agreement provides for optional mediation. The mediation will occur in ~~New York, New York~~ the city and state where we have our principal place of business (currently Sedona, Arizona) with the costs of the mediation service being borne equally by both parties and with all other expenses relating to such mediation being borne by the party incurring them.

Item 5 is amended by adding the following: “Payment of all initial fees is postponed until after all of franchisor’s initial obligations are complete and franchisee is open for business.”

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE HAWAII FRANCHISE INVESTMENT LAW**

**THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

No release language included in the Franchise Agreement shall relieve the franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Hawaii.

## **ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE ILLINOIS FRANCHISE DISCLOSURE ACT**

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Illinois:

1. Item 17 of the Franchise Disclosure Document is amended by the addition of the following language at the beginning thereof:

### **“Notice Required By Law**

**THE TERMS AND CONDITIONS UNDER WHICH YOUR FRANCHISE CAN BE  
TERMINATED AND YOUR RIGHTS UPON NON-RENEWAL MAY BE AFFECTED  
BY ILLINOIS LAW, 815 ILCS 705/19 - 705/20.”**

2. Illinois law shall supersede any provisions of the Franchise Agreement or ~~New York~~Arizona law which are in conflict with Illinois law.

3. The provisions of Section 27 of the Act supersede the provisions of Section 21.2(xvii) of the Franchise Agreement that set a limitation period of 2 years to the extent that claims are brought under Section 26 of the Act.

4. Nothing in Section 21.1 of the Franchise Agreement waives any rights you may have under Section 41 of the Illinois Franchise Disclosure Act of 1987.

5. The provisions of Section 4 of the Act supersede Section 21.2(ii) of the Franchise Agreement which provide for venue in a forum outside of Illinois.

9. Item 11 is amended to add the following to the sixth paragraph under the heading “Advertising”:

Membership of the cooperative will include all franchised outlets and franchisor-owned outlets in a designated geographic area. A committee of the members of the cooperative, including a representative of any company-owned outlets in the area, will administer the cooperative. The cooperative will operate from written government documents.



**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW**

1. Item 5 Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its preopening obligations under the franchise agreement.

2. Item 17.c ("Requirements for franchisee to renew or extend") and Item 17.m ("Conditions for franchisor approval of transfer") of the Franchise Disclosure Document are amended to provide that "The requirement that you provide a general release of all claims against us in order to renew or transfer your franchise shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

3. Item 17.g ("Cause defined – curable defaults") of the Franchise Disclosure Document is amended to provide that "Termination upon filing of a bankruptcy petition against you or any shareholder may not be enforceable under federal bankruptcy law."

4. Item 17.v ("Choice of forum"), of the Franchise Disclosure Document is amended to provide that "Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

5. Any claim arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE MINNESOTA FRANCHISE INVESTMENT LAW**

Notwithstanding anything to the contrary set forth in the franchise disclosure document and/or Franchise Agreement, as applicable, the following provisions shall supersede and apply to all franchises offered and sold in the State of Minnesota:

1. MINN. STAT. SECTION 80C.21 and MINNESOTA RULES 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 (1) any of the franchisee's rights as provided for in MINN. STAT. CHAPTER 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
2. With respect to franchises governed by Minnesota law, the franchisor will comply with MINN. STAT. SECTION 80C.14 SUBD. 3-5, which require (except in certain specified cases)
  - (i) 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
  - (ii) that consent to the transfer of the franchise will not be unreasonably withheld.
3. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to MINN. STAT. SECTION 80C.12 SUBD. 1(G). The franchisor will protect the franchisee's rights 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.
4. MINNESOTA RULES 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See MINNESOTA RULES 2860.4400(J) also, a court will determine if a bond is required.
6. The Limitations of Claims section must comply with MINN. STAT. SECTION 80C.17 SUBD. 5.

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE NEW YORK FRANCHISE LAW**

1. The cover page of the Franchise Disclosure Document is amended to add the following statement:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. Item 3 of the Franchise Disclosure Document is amended by deleting the last paragraph and substituting the following:

“Neither we, our predecessor, nor a person identified in Item 2, nor an affiliate offering franchises under our principal trademark:

A. Has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion; misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. Moreover, there are no pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten 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, antitrust or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

C. Is subject to a currently effective injunction or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective

order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunction or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.”

3. Item 4 of the Franchise Disclosure Document is amended by deleting the last paragraph and substituting the following:

“Neither we, our affiliate, our predecessor nor our officers during the 10 year period immediately before the date of the Franchise disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership.”

4. Item 5 of the Franchise Disclosure Document is amended by adding the following to the subsection entitled “Initial Franchise Fee”:

“We will use the Initial Fee to cover our costs associated with fulfilling its obligations under the Franchise Agreement and to cover other overhead costs and expenses.”

5. Item 17 of the Franchise Disclosure Document is amended by deleting the first paragraph of summary columns (c) titled “**Requirements for franchisee to renew or extend,**” and (m), titled “**Conditions for franchisor approval of transfer**” and substituting the following:

“However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.”

6. Item 17 of the Franchise Disclosure Document is further amended by adding the following statement to the summary column (d) entitled “**Termination by franchisee**”:

“You may terminate upon any grounds available by law.”

7. Item 17 of the Franchise Disclosure Document is further amended by adding the following statement to the summary columns (v) titled “**Choice of forum**” and (w) titled “**Choice of law**”:

“The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.”

## **FRANCHISOR REPRESENTATION**

**THE FRANCHISOR REPRESENTS THAT THIS PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF MATERIAL FACT.**

## **ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE NORTH DAKOTA FRANCHISE LAW**

Notwithstanding anything to the contrary in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of North Dakota:

1. Waiver of trial by jury is prohibited by law in the State of North Dakota. Accordingly, the second paragraph of Section 21.2(xvii) of the Franchise Agreement is deleted.

2. Waiver of exemplary and punitive damages is prohibited by law in the State of North Dakota. Accordingly, the third paragraph of Section 21.2(xvii) of the Franchise Agreement is deleted.

3. North Dakota prohibits a provision that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the Franchise Agreement. Accordingly, Section 21.2(xix) of the Franchise Agreement is amended as follows:

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

4. The laws of the State of North Dakota supersede any provisions of the Franchise Agreement and the other agreements or ~~New York~~[Arizona](#) law if those provisions are in conflict with North Dakota law.

5. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the Franchisee to agree to jurisdiction or venue, in a forum outside of North Dakota, is deleted from any Franchise Agreement and issued in the State of North Dakota.

7. The summary column (r) in Item 17 of the Franchise Disclosure Document and Section 14(iii) of the Franchise Agreement prohibit you from owning or being involved with a company or other business within 5 miles of any other Carré d’artistes® location then in existence, that offers services competitive with those offered, franchised or licensed by us for 2 years after termination or expiration of the Franchise Agreement. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. The Commissioner has held that covenants restricting competition are contrary to Section 9-08-06 of the North Dakota Century Code, and are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE RHODE ISLAND FRANCHISE DISCLOSURE ACT

Section 19-28.1-14 of the Rhode Island Franchise Investment Act, as amended by the laws of 1991, provides that “A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE VIRGINIA RETAIL FRANCHISING ACT

Notwithstanding anything to the contrary in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Virginia.

The following paragraph is added at the end of Item 17:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement 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.



## ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE WASHINGTON FRANCHISE INVESTMENT LAW

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Washington.

1. If any of the provisions in the Franchise Disclosure Document or the Franchise Agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act (the “Act”), the provisions of the Act will prevail over the inconsistent provisions of the Franchise Disclosure Document or the Franchise Agreement with regard to any franchises sold in Washington.

2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

3. The State of Washington’s policy pursuant to its Administrative Regulations pertaining to releases is as follows:

The requirement of a release by the Franchisee to Franchisor is acceptable so long as it does not include a release of the Franchisee’s claims under the Washington Franchise Investment Protection Act.

4. Item 17 is amended to add the following:

“These states have statutes which limit the franchisor’s ability to restrict your activity after the Franchise Agreement has ended: California Business and Professions Code Section 16,600, Florida Statutes Section 542.33, Michigan Compiled Laws Section 445.771 *et seq.*, Montana Codes Section 30-14-201, North Dakota Century Code Section 9-08-06, Oklahoma Statutes Section 15-217-19, Washington Code Section 19.86.030. Other states have court decisions limiting the franchisor’s ability to restrict your activity after the Franchise Agreement has ended.

A provision in the Franchise Agreement which terminates the franchise upon bankruptcy of the franchise may not be enforceable under Title 11, United States Code Section 101.

The following states have statutes which restrict or prohibit the imposition of liquidated damage provisions: California [Civil Code Section 1671], Indiana [1C 23-2-2.7-1(10)], Minnesota [Rule 2860.4400J], South Dakota [Civil Law 53-9-5]. State courts also restrict the imposition of liquidated damages. The imposition of liquidated damages is also restricted by fair practice laws, contract law, and state and federal court decisions.”

5. The State Cover Page is amended to add the following additional Risk Factor:

4. “WE ARE A NEWLY ORGANIZED COMPANY WITH LIMITED OPERATING HISTORY TO ASSIST A PROSPECTIVE FRANCHISEE IN DECIDING WHETHER TO MAKE THIS INVESTMENT.”





## **EXHIBIT H**

# **CARRE D'ARTISTES CONFIDENTIALITY AGREEMENT**

## CONFIDENTIALITY AGREEMENT

**THIS CONFIDENTIALITY AGREEMENT** (the “Agreement”) is made and entered into as of the day of \_\_\_\_\_, 20\_ by and between \_\_\_\_\_ (“Prospective Franchisee”), and Carré d’artistes Great America LLC (“Carré d’artistes”).

### WITNESSETH:

**WHEREAS**, Prospective Franchisee desires to review the operating manual for the Carré d’artistes franchise system (the “Operations Manual”) that contains confidential and proprietary information regarding Carré d’artistes and the Carré d’artistes franchise system (the “Proprietary Information”), for the purpose of evaluating whether to directly or indirectly enter into a franchise agreement with Carré d’artistes; and

**WHEREAS**, Carré d’artistes desires to disclose the Operations Manual and the Proprietary Information to Prospective Franchisee, but only pursuant to the terms of this Agreement.

**NOW, THEREFORE**, in consideration of the covenants and premises herein contained, and for other good and valuable consideration received, it is hereby agreed as follows:

**Paragraph 1.** Prospective Franchisee acknowledges and agrees that the Operations Manual and all Proprietary Information is confidential and proprietary information in which Carré d’artistes has a proprietary interest. Prospective Franchisee agrees that any information received from Carré d’artistes, its subsidiaries, affiliates, or franchisees (a) shall only be used for purposes of evaluating whether Prospective Franchisee desires to directly or indirectly enter into a franchise agreement with Carré d’artistes, and (b) shall not be disclosed to any third party without the prior written consent of Carré d’artistes. Prospective Franchisee agrees to use reasonable care to prevent the disclosure of the Proprietary Information to any third party, and further agrees to limit the dissemination of the Operations Manual and any of the Proprietary Information within its own organization to individuals whose duties justify the need to know such information, and then only provided that there is a clear understanding by such individuals of their obligation to maintain the confidential status of the Operations Manual and the Proprietary Information and to restrict its use solely to the purposes specified herein.

**Paragraph 2.** Prospective Franchisee acknowledges that no other right or license to use the Operations Manual or the Proprietary Information is granted by this Agreement. Upon completion of its review of the Proprietary Information (or sooner upon request), Prospective Franchisee agrees to return the Operations Manual to Carré d’artistes.

**Paragraph 3.** Prospective Franchisee shall be under no obligation under this Agreement with respect to any information (a) which is, at the time of the disclosure, available to the general public; (b) which becomes at a later date available to the general public through no fault of the Prospective Franchisee and then only after said date; or (c) which Prospective Franchisee can demonstrate was in its possession before receipt.

**Paragraph 4.** This Agreement constitutes the entire agreement and understanding among the parties hereto, and shall not be amended except pursuant to a written agreement executed by each of the parties hereto. This agreement shall be binding upon the parties hereto and their respective heirs, administrators, successors, and assigns.

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

“Prospective Franchisee”

\_\_\_\_\_

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

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

“Carré d’artistes”

**CARRÉ D’ARTISTES GREAT AMERICA  
LLC**

\_\_\_\_\_

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

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

### 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:

|              |                                                |
|--------------|------------------------------------------------|
| California   | <del>Pending</del> _____, <u>2022</u>          |
| Hawaii       | Not registered                                 |
| Illinois     | Not registered                                 |
| Indiana      | Not registered                                 |
| Maryland     | Not registered                                 |
| Michigan     | <del>Pending</del> _____, <u>2022</u>          |
| Minnesota    | Not registered                                 |
| New York     | August 28, 2019, as amended _____, <u>2022</u> |
| North Dakota | Not registered                                 |
| Rhode Island | Not registered                                 |
| South Dakota | Not registered                                 |
| Virginia     | Not registered                                 |
| Washington   | Not registered                                 |
| Wisconsin    | Not registered                                 |

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 I**

# **CARRE D'ARTISTES RECEIPT**

## EXHIBIT I RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Carré d'artistes Great America LLC offers you a franchise, it must provide this Disclosure Document to you at least 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that Carré d'artistes give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that Carré d'artistes give you this Disclosure Document at least 10 business days before the execution of any binding Franchise Agreement or other agreement or the payment of any consideration, whichever occurs first.

If Carré d'artistes Great America 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 the state agency listed in the State Agency Exhibit (Exhibit E).

The franchisor is Carré d'artistes Great America LLC, located at c/o KVB, 60 Broad Street, Suite 3502, New York, NY 10004. Its phone number is 917-602-2686.

The issuance date is ~~November 19~~ June 23, 2021 2022.

The franchise seller \_\_\_\_\_, at \_\_\_\_\_. His/her phone number is \_\_\_\_\_.

Carré d'artistes authorizes the respective state agencies identified in Exhibit E to receive service of process for it in the particular state.

I received this Disclosure Document, dated ~~November 19~~ June 23, 2021 2022, that included the following exhibits:

|                                                         |                                      |
|---------------------------------------------------------|--------------------------------------|
| EXHIBIT A: LIST OF COMPANY-OWNED ART GALLERIES          | EXHIBIT F: FRANCHISEE QUESTIONNAIRE  |
| EXHIBIT B: FINANCIAL STATEMENTS                         | EXHIBIT G: STATE-SPECIFIC ADDENDUM   |
| EXHIBIT C: FRANCHISE AGREEMENT, INCLUDING STATE ADDENDA | EXHIBIT H: CONFIDENTIALITY AGREEMENT |
| EXHIBIT D: SAMPLE RELEASE                               | EXHIBIT I: RECEIPT                   |
| EXHIBIT E: STATE AGENCY EXHIBIT                         |                                      |

Dated: \_\_\_\_\_

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

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

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

City/State/Zip: \_\_\_\_\_

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

Individually and as \_\_\_\_\_

of \_\_\_\_\_

Franchisee's Copy





## EXHIBIT I RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Carré d'artistes Great America LLC offers you a franchise, it must provide this Disclosure Document to you at least 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that Carré d'artistes give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that Carré d'artistes give you this Disclosure Document at least 10 business days before the execution of any binding Franchise Agreement or other agreement or the payment of any consideration, whichever occurs first.

If Carré d'artistes Great America 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 the state agency listed in the State Agency Exhibit (Exhibit E).

The franchisor is Carré d'artistes Great America LLC, located at c/o KVB, 60 Broad Street, Suite 3502, New York, NY 10004. Its phone number is 917-602-2686.

The issuance date is ~~November 19~~ June 23, 2021 2022.

The franchise seller \_\_\_\_\_, at \_\_\_\_\_. His/her phone number is \_\_\_\_\_.

Carré d'artistes authorizes the respective state agencies identified in Exhibit E to receive service of process for it in the particular state.

I received this Disclosure Document, dated ~~November 19~~ June 23, 2021 2022, that included the following exhibits:

|                                                         |                                      |
|---------------------------------------------------------|--------------------------------------|
| EXHIBIT A: LIST OF COMPANY-OWNED ART GALLERIES          | EXHIBIT F: FRANCHISEE QUESTIONNAIRE  |
| EXHIBIT B: FINANCIAL STATEMENTS                         | EXHIBIT G: STATE-SPECIFIC ADDENDUM   |
| EXHIBIT C: FRANCHISE AGREEMENT, INCLUDING STATE ADDENDA | EXHIBIT H: CONFIDENTIALITY AGREEMENT |
| EXHIBIT D: SAMPLE RELEASE                               | EXHIBIT I: RECEIPT                   |
| EXHIBIT E: STATE AGENCY EXHIBIT                         |                                      |

Dated: \_\_\_\_\_

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

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

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

City/State/Zip: \_\_\_\_\_

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

Individually and as \_\_\_\_\_

of \_\_\_\_\_

FRANCHISOR'S COPY



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| Moved to       | 1     |
| Style changes  | 0     |
| Format changes | 0     |
| Total changes  | 551   |