

**FRANCHISE DISCLOSURE DOCUMENT
FLOUR POWER BUSINESS DEVELOPMENT INC.**

a North Carolina corporation
445 South Main Street, 4th Floor, Davidson, North Carolina 28036
Telephone: (919) 435-8261
www.flourpowerstudios.com



Flour Power Business Development Inc. sells franchises in which the franchisee will operate, under the name and mark "Flour Power Kids Cooking Studios®," a business offering cooking and etiquette classes, parties, and special events for children and team-building events for adults.

The total investment necessary to begin operation of a single Flour Power studio ranges from \$203,200 to \$431,800. This includes \$50,000 that must be paid to us. The total investment necessary to begin operation of two (2) to ten (10) franchised businesses under the Development Agreement ranges from \$240,700 to \$769,300. This includes \$87,500 to \$387,500 that must be paid to us.

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 fourteen (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 franchise disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Robert Maynard at 445 South Main Street, 4th Floor, Davidson, North Carolina 28036, (919) 435-8261.

The terms of your contract will govern your franchise relationship. Do not rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like an attorney 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 ("FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit a public library for other sources of information on franchising.

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

ISSUANCE DATE: April 26, 2022 as amended September 15, 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:

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in North Carolina. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in North Carolina than in your own state.
2. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Financial Condition**. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
4. **Mandatory Minimum Payments**. You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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.

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonably opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising of other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer or ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

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

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

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

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

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

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE ATTORNEY GENERAL. ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

State of Michigan
Office of the Attorney General
Consumer Protection Division
Attention: Franchise Section
670 Law Building
525 West Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

Despite subparagraph (f) above, we intend to enforce fully the provisions of the arbitration section contained in our Franchise Agreement. We believe that subparagraph (f) is unconstitutional and cannot preclude us from enforcing our arbitration section. You acknowledge that we will seek to enforce that section as written.

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor is Flour Power Business Development Inc. To simplify the language in this Disclosure Document we refer to the Franchisor as "Flour Power", "we" and "our." We refer to the person interested in buying the franchise as "you" or "your" and, if such person is a partnership, corporation, limited liability company, or other entity, it includes persons that own equity interests in such entity.

Franchisor, Parents and Predecessors

We are a North Carolina corporation that was incorporated on March 24, 2015. Our principal business address is 445 South Main Street, 4th Floor, Davidson, North Carolina 28036. We operate under our corporate name and "Flour Power" and no other name. We have not conducted business in this line of business or offered franchises in any other line of business. We began offering franchises in August of 2015. Our current principal owners purchased the stock from the original founders of the Flour Power franchise system on August 4, 2022.

Except as described in this Item, we have no corporate parents or predecessors.

Agent for Service of Process

If we have an agent in your state for service of process, we disclose that agent in Exhibit D.

Affiliates

Holiday Park Partners, LLC

Our affiliate Holiday Park Partners, LLC is a North Carolina limited liability company established on February 19, 2013. This affiliate maintains a principal business address at 445 South Main Street, 4th Floor

Davidson, North Carolina 28036. This affiliate is the franchisor of the Famous Toastery franchise system which has approximately 25 outlets. You will not do business with this affiliate.

Cartridge World USA, LLC

Our affiliate Cartridge World USA, LLC is a Nevada limited liability company established in June 2002. This affiliate maintains a principal business address at 445 South Main Street, 4th Floor, Davidson, North Carolina 28036. This affiliate is the franchisor of the Cartridge World franchise system which has approximately 194 outlets. You will not do business with this affiliate.

The Business We Offer

Your studio ("Studio") will offer cooking and etiquette classes, parties, and special events for children and adults, all in accordance with our franchise manuals (the "Manual").

Development Agreement

We also offer qualified individuals the right to open and operate multiple Franchised Businesses within a designated development area (the "DDA") by: (i) executing our current form of development agreement (the "Development Agreement") attached as Exhibit B to this Disclosure

Document; and (ii) paying our then-current development fee upon execution of your Development Agreement, which will depend on the number of Franchised Businesses you agree to open (the “Development Fee”).

You will be required to enter into our then-current form of Franchise Agreement for each Franchised Business you are required to open under the Development Agreement, which may differ from the current franchise agreement included within this FDD. You must execute the Franchise Agreement for your initial Franchised Business contemporaneously with the execution of your Development Agreement. You must then ensure that you open and commence operations of each additional Franchised Business in the DDA in accordance with the mandatory development schedule set forth in your Development Agreement (the “Mandatory Development Schedule”).

Market and Competition

The general market for kids cooking-related classes, camps, and parties is not yet fully established, but it is growing. There are independently-owned cooking schools that may already be in existence in your area. In a broader sense, we compete with anyone offering activities, childcare, birthday parties, etiquette classes, or camps for kids, and other businesses offering corporate events to adults.

The market for our services is year-round, but it will fluctuate to some degree depending on the time of year. The success of your Studio will depend in large measure on the demographics of the residents of your territory, the competition surrounding your Studio, local labor conditions and wage rates, the local costs of advertising, the availability of suitable facilities in convenient locations and at affordable rents, school system calendars, and your management, marketing, and selling skills and work ethic.

Industry-Specific Regulations

You will have to comply with laws and regulations that are applicable to business generally (such as workers’ compensation, OSHA, and Americans with Disabilities Act requirements). Federal, state, and local governmental laws, ordinances, and regulations periodically change. It will be your responsibility to ascertain and comply with all federal, state, and local governmental requirements. We do not assume any responsibility for advising you on these regulatory matters. You should consult with your attorney about laws and regulations that may affect your Studio.

Prior Business Experience

We have offered franchises since August 2015. No predecessor or affiliate has offered franchises in this business or in other lines of business.

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ITEM 2 BUSINESS EXPERIENCE

Robert Maynard, Chief Executive Officer

Robert Maynard is our CEO and Robert Maynard has served in this role since August 4, 2022. Since February 2013 and continuing to date, Robert Maynard has served as Managing Member of our affiliate, Holiday Park Partners, LLC, located in Davidson, North Carolina.

Michael Mabry, Managing Director

Michael Mabry is our Managing Director and Michael Mabry has served in this role since August 4, 2022. Since December 21, 2022 and continuing to date, Michael Mabry has served as President of our affiliate, Holiday Park Partners, LLC, located in Davidson, North Carolina. Prior to that, he was Senior Vice President/General Manager at REEF Technology in Miami, Florida from May 2020 to May 2021. Prior to that, he was Chief Development Officer at Fuzzy's Taco Shop in Irving, Texas from March 2019 to March 2020. From August 2009 to April 2019, he held numerous positions at MOOYAH Burgers Fries & Shakes, from Vice President to Chief Operating Officer & President.

Sarah Moritz, President

Sarah Moritz is our President and Sarah Moritz has served in this role since August 4, 2022. Prior to that, Sarah Moritz was with Pegasus Technology Solutions in Frisco, Texas serving as Sr. Director of Sales Operations from January 2022 to July 2022 and Director of Operations from January 2015 to December 2021.

Eric Gustafsson, Vice President of Franchise Development

Eric Gustafsson is our Vice President of Franchise Development and Eric Gustafsson has served in this role since August 4, 2022. Since December 21, 2022 and continuing to date, Eric Gustafsson has served as Vice President of Franchise Development for our affiliate, Holiday Park Partners, LLC, located in Davidson, North Carolina. Prior to that, Eric Gustafsson was Director of Business Development at REEF Technology in Miami, Florida from July 2020 to May 2022. Prior to that, he was Franchise Business Consultant at Goddard Systems, Inc. in King of Prussia, PA from March 2019 to July 2020. Prior to that, he was Area Director at Hurricane Grill & Wings in West Palm Beach, Florida from October 2010 to March 2019.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

No bankruptcy proceedings are required to be disclosed in this Item.

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ITEM 5 INITIAL FEES

Franchise Fee. You pay an initial franchise fee to us of \$50,000 (the "**Franchise Fee**") in a lump sum at the time you sign the Franchise Agreement for your Studio. The Franchise Fee is non-refundable. In our previous fiscal year, our Franchise Fee ranged from \$29,895 to \$44,895.

Development Agreement

If we grant you the right to open two (2) or more Franchised Businesses under a Multi-Unit Development Agreement, you must pay us a one-time Development Fee upon executing your Development Agreement. The Development Fee will depend on the number of Franchised Businesses you are obligated to open, and will be \$37,500 for each subsequent Franchised Business over and above your first Franchised Business, you are obligated to open under the Development Agreement. As of the Issuance Date of this Disclosure Document, we have not entered into any Development Agreements. We anticipate entering into Development Agreements for the development of between two (2) and ten (10) Franchised Businesses.

It is important to note that the Development Fee will be deemed fully earned upon execution of your Multi-Unit Development Agreement and will not be refundable under any circumstances. The Development Fee is calculated and imposed uniformly to all developers who invest in a Multi-Unit Development Agreement under this offering.

ITEM 6 OTHER FEES

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty	7% of Net Sales	Payable weekly on the Monday following the calendar week to which such payments relate	See footnotes 1, 2, and 3.
Minimum Royalty	\$1,250	Monthly	Beginning on the 4 th month that your Studio is processing payments, you shall pay the Minimum Royalty Fee to us if your royalty fee of 7% of Net Sales per week is less than \$1,250 for any given month. See footnotes 1, 2, and 3.

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Brand Fund	2% of Net Sales each month,	Payable monthly with your first weekly payment of the month	See footnotes 1, 2, and 10.
Local Marketing Obligation	1% of Net Sales	Currently payable to us weekly on the Monday following the calendar week to which such payments relate	We currently collect the Local Marketing Obligation from you and (i) spend it on local advertising we conduct on your behalf, or (ii) reimburse you for expenditures you make for local marketing that meets our specifications and standards.
Software License Fee	\$300 per month	Payable monthly with your first weekly payment of the month	See footnotes 1 and 2.
Studio Opening Promotion Funds	\$5,000	Prior to opening	We may require you to pay to us amounts you are required to spend on your grand opening marketing to spend on your behalf, or reimburse you for expenditures you make.
Insurance	Premiums vary depending on location	As agreed upon or upon billing	We have the right to obtain insurance for your Studio at your expense for premium if you fail to purchase or renew your required insurance and provide proof of coverage to us. See footnote 4.
Additional Training	\$150/hour plus costs of travel, lodging, meals, and wages for	As incurred	We may offer or require additional training programs

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
	our representatives, you or your employees		and seminars as we determine in our discretion (including if an audit or inspection discloses your failure to operate in accordance with Flour Power standards and specifications and/or your breach of the Franchise Agreement). For all such training, we will provide the instructors and training materials; however, we reserve the right to impose a reasonable fee for such training.
Audit	Cost of audit plus the lesser of 15% simple interest or maximum rate allowed by law	30 days after billing	Payable only if audit shows understatement of at least 2% of Net Sales for any month. See footnotes 1, 3, 6, and 7.
Transfer	The greater of (a) \$30,000, and (b) 60% of the then current initial franchise fee payable by a franchisee who is new to the Flour Power system.	5 days prior to confirmation of transfer	Payable to Flour Power when you transfer the franchise or your ownership. No charge for transfer to an entity which you control; we may defer, reduce, or waive for transfer of a distressed Studio. See footnotes 1 and 6. Subject to state law.

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Renewal	\$5,000	5 days prior to commitment of 5-year renewal term	Payable to Flour Power if you elect to renew your franchise prior to expiration of initial 10-year term. See footnotes 1 and 6.
Management Fee	5% of Net Sales	Payable monthly	Only payable if Flour Power or an affiliate operates the Studio after your death or disability or upon your default or abandonment. See footnotes 1 and 3.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims from the Studio's operations and other damages we incur
Interest	15% or maximum rate allowed by law, whichever is less	Upon billing	See footnotes 1 and 6.
Insufficient Funds Fee	\$35 per occurrence	Upon billing	Payable if any payment or fee due under the Franchise Agreement is returned Insufficient Funds
Cost of inspection/correcting deficiencies	Actual costs of inspection and correcting deficiencies	Upon billing	If deficiencies are detected during inspection, we reserve the right to charge you for the inspection. If we correct any deficiency on your behalf, we may charge you for our expenses in so acting.

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Legal	Actual legal fees and expenses	Upon billing	Incurring only if a court determines you have breached the Franchise Agreement. See footnotes 1 and 9.
Termination	Liquidated damages equal to the present value of your Royalty for the number of months remaining in the term of the Franchise Agreement, up to two years.	Upon billing or termination	See footnotes 1, 3, and 11.

Footnotes:

(1) The fee is uniformly imposed for all new franchisees, is collected by and payable only to Flour Power, and is nonrefundable.

(2) You are required to pay to Flour Power a royalty fee equal to 7% of Net Sales of the Studio, or \$1,250 per month beginning in your 4th month of operation if 7% of Net Sales of the Studio for any given month is less than \$1,000, for each calendar week period (the "**Sales Period**"). This payment is electronically drafted from your account by ACH transfer based on the sales as reported and recorded in the current IT reporting system. The amount may be adjusted once we receive your statement certifying Net Sales for the Sales Period. You are also required to pay to Flour Power a monthly Marketing Fee of 2% of your prior month's Net Sales and a monthly Software License Fee of \$300. These payments are electronically drafted from your account by ACH transfer.

(3) "**Net Sales**" includes all revenue you derive from operating the franchised business, including, but not limited to, all amounts that you receive at or away from the Studio for classes, camps, parties, other events and the sale of merchandise (e.g., T-shirts, aprons, kitchen utensils, etc.), and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions and all other income of every kind and nature related to the Studio and franchised business, but (1) excluding all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority and (2) reduced by the amount of any documented refunds, credits, allowances, and charge-backs the Studio in good faith gives to customers.

(4) If you, for any reason, fail to obtain or maintain the insurance required by each Franchise Agreement entered into between Flour Power and you, as these requirements may be revised from time to time by Flour Power in the Manuals or otherwise in writing, Flour Power has the right and authority (but not the obligation), to immediately obtain such insurance and to charge the same to

you, which charges, together with a reasonable fee for Flour Power expenses in so acting, will be payable by you immediately upon notice. Insurance costs are non-refundable. Insurance coverage requirements are uniformly imposed on all new franchisees. However, the costs of this coverage may not be uniform for all franchisees because premiums may vary according to the insurer, marketplace conditions, the location of the insured's premises, the insurance requirements of applicable law and other factors. These costs will not be collected or imposed in whole or in part on behalf of any third party by Flour Power and are payable to the applicable insurer or agent.

(5) Your Owner/Operator and at least one manager must attend an initial training session in at an approved training location. We provide the initial training program for the first appointed Owner/Operator and one manager at no additional cost. The training fee is \$1,000 for each successor and replacement Owner/Operator and \$300 for each successor, replacement and additional manager and other employee who attends. You are responsible for your travel and other expenses associated with this training. The training materials, however, are covered in the training fee.

(6) Interest is charged when any of the Royalty, Brand Fund contribution, Software License Fee, transfer or renewal fee payments, or any other sum due to Flour Power is not paid when due or an audit reveals underpayments based on incorrect Net Sales.

(7) Although audit costs are uniformly imposed on all franchisees subject to this Disclosure Document, the cost of each audit may not be the same for each franchisee. Audit costs will vary depending on factors such as the audit firm utilized, billing arrangements and time spent to complete the audit.

(8) Although evaluation costs are uniformly imposed on all franchisees subject to this Disclosure Document, the cost of each such site evaluation may not be the same for each franchisee. Evaluation costs (including on-site evaluation costs) will vary depending on factors such as the location of the franchisee, travel expenses, and duration of the site visit.

(9) Legal fees and expenses will vary depending on factors such as the nature of the legal matter, venue, and the complexity of the legal matter.

(10) Although there is currently no advertising cooperative in place, Flour Power may require that you participate in an approved local or regional advertising cooperative with certain other franchisees. If you are required to participate in a Flour Power-approved advertising cooperative, a certain percentage of your Brand Fund contribution may be applied towards the local or regional advertising, marketing, and promotions targeting the geographic area in which your Studio is located. There are no franchisor-owned outlets. However, if there are franchisor-owned outlets in the future, they will have equal voting power with franchisees in franchisee cooperatives.

(11) Unless otherwise indicated in writing from Flour Power, and to the extent permitted by applicable law, you must pay to Flour Power in a single lump sum payment, as liquidated damages and not as a penalty, after early termination of the Franchise Agreement, liquidated damages equal to royalty fees for the number of months remaining in the term of the Franchise Agreement (or the renewal term, if applicable) based on the monthly average of the royalty payable to us. If the Franchise Agreement terminates after the second year of the term, then liquidated damages shall

be calculated based upon the average monthly Net Sales of your Studio reported for the 12 months preceding termination. Liquidated Damages are the present value of the annuity represented by the Royalty for the months remaining in your Franchise Agreement term assuming these average Net Sales, without adjustment for inflation. The discount rate for calculating present value is 110% of the long term Applicable Federal Rate for monthly compounding published by the Internal Revenue Service immediately prior to termination. If your Studio has not yet opened or has not been open for at least 24 months at the time of termination, the average monthly Net Sales used to calculate Liquidated Damages will be based upon the average monthly Net Sales of all Flour Power Studios for the preceding fiscal year as determined from the audited financial statements of Flour Power published in its Franchise Disclosure Document. Both assume an aggregated monthly average of the Royalties paid each week, and that Royalties represent 63% of the "Operating Income" revenue line in our audited financial statements.

ITEM 7 ESTIMATED INITIAL INVESTMENT

Your Estimated Initial Investment					
Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low Estimate	High Estimate			
Franchise Fee ^{1, 13}	\$50,000	\$50,000	Lump Sum	Execution of Franchise Agreement	Us
Architectural Plans ^{2, 14}	\$5,000	\$11,000	Installments	As Arranged	Architectural Firm
Permits ^{5, 14}	\$1,000	\$5,000	Lump Sum	As Incurred	State or Municipal Agencies
Leasehold Improvements ^{3, 14}	\$80,000	\$225,000	Negotiable	Negotiable	General Contractor
Furniture, Fixtures, Equipment, and Signage ^{4, 14}	\$20,000	\$45,000	Lump Sum	As Incurred	Vendors / Contractors
Lease Deposits ^{14, 15}	\$3,500	\$6,800	Lump Sum	As Incurred	Landlord / Utilities
Computer ¹⁴	\$1,000	\$1,000	As Arranged	As incurred	Vendors
ServSafe and CPR Training ^{17, 14}	\$600	\$1,000	As Arranged	As Arranged	ServSafe / CPR instructors
Opening Inventory and Services ^{7, 14}	\$3,500	\$5,000	Lump Sum	Vendors' Terms/As Incurred	Vendors
Insurance ^{6, 14}	\$3,600	\$7,000	Annually	Annually	Insurance Agents

Your Estimated Initial Investment					
Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low Estimate	High Estimate			
Studio Opening Promotion Funds ^{9, 13}	\$5,000	\$5,000	Cash	Period beginning 60 days prior to the scheduled opening and continuing for 30 days after opening	Vendors / Media outlets
Professional Fees ^{11, 14}	\$0	\$10,000	As Arranged	As Arranged	Vendors
Closing and Finance Costs ^{12, 14}	\$0	\$10,000	As Arranged	As Arranged	Lender
Additional Funds – 3 Months ^{8, 10, 14}	\$30,000	\$50,000	Cash	As Needed	Various Payees
Total	\$203,200	\$431,800			

(1) Neither Flour Power nor any affiliate of Flour Power offers any financing for your Franchise Fee or any portion of your initial investment.

(2) These amounts are estimated costs for acquiring and adapting Flour Power prototype plans for use in connection with your proposed Studio.

(3) Flour Power requires that you lease the premises for the Studio. The amounts provided are based on a double kitchen Studio of approximately 1,600 square feet. Your costs may be lower if the landlord assumes the costs of converting and finishing out the space to Flour Power prototypical standards and specifications. Even if the landlord agrees to pay, you may be required to front the money and seek reimbursement from the landlord later. Any such contribution by the landlord will likely, however, be factored into a higher lease rental rate. These amounts are Flour Power's best estimate based upon commercial leasing and remodeling/finish-out rates and conditions in the Raleigh, North Carolina metropolitan area and may vary substantially based upon local commercial leasing conditions, cost of utility deposits, and labor rates and conditions and the availability and prices of materials.

(4) These amounts include costs for worktables, benches, lighting fixtures, cabinets and decor items required for the Studio, computer hardware and software, refrigeration and dishwashing equipment, security equipment, and cooking equipment. We require that all furniture, fixtures, and equipment are purchased new and meet the specifications set forth in the Manual. These figures are Flour Power's best estimate based on current equipment costs and financing conditions in the Raleigh, North Carolina metropolitan area. Costs may vary substantially depending on geographic location, creditworthiness and financing arrangements. These amounts also include interior and

exterior signage. All exterior signage must be approved by Flour Power in writing. The cost of signage may vary significantly depending on the location of the Studio, landlord, and municipal requirements, and market conditions. Within fourteen (14) days after signing the lease agreement with your Landlord, you must submit for approval to Flour Power, in the form requested by Flour Power, a drawing prepared by your signage vendor that depicts the primary external signage that you are proposing for use at your Studio that meets local regulatory guidelines and restrictions.

(5) Permit fees will vary depending on location and on whether any applicable federal, state, or municipal laws or regulations require the payment of occupational taxes for Studios. Permit fees will be greater for any construction for the finish-out or renovation of the Studio and will likely take more time to obtain. Any state income or franchise taxes required to be paid for corporate franchisees are not included.

(6) The costs of insurance may vary substantially depending on the insurer, the location of the Studio, the value of the equipment and improvements, and your claims history. The cost does include worker's compensation insurance. The cost does not include any premium for auto liability or any non-subscription alternatives, and the amount of such premium will vary widely based upon state insurance markets, number of employees, and other factors.

(7) Flour Power estimates that the range given will be sufficient to cover ingredient and paper inventory needs for the first month of operations when training and dry runs of Studio services occur prior to the opening of the Studio to the general public. These amounts may vary according to your sales volume during the indicated period and according to local suppliers' terms.

(8) The amounts provided will be used by you to cover costs and expenses such as debt service, wages, rent, and other occupancy costs, uniforms, initial stocking of inventory, food stocks and supplies, and other operating expenses during the initial three months of operations. These amounts may vary depending upon your sales volume, your management skill, how closely you follow Flour Power's methods and procedures, local economic conditions and wage rates, competition, your financing costs and upon other circumstances. These amounts are estimates, and Flour Power cannot guaranty that you will not have additional expenses starting the Studio.

(9) The amounts shown include costs and expenses of a new store opening promotion/initial marketing package for the Studio, for which you are required to spend at least \$5,000. You are also required to spend, or pay to us, at least 1% of Net Sales each week on location advertising and marketing.

(10) This estimate also reflects the cost of your Owner/Operator and one Studio manager to attend and complete the initial training. These amounts include estimated transportation costs, the cost of lodging and meals, employee wages (but no salary for the Owner/Operator), and incidental expenses. Your costs may be greater depending upon your distance from the location we authorize for your training and the lodging and meals chosen, and your employee wages.

(11) These amounts only apply if you choose to employ professionals to review this Disclosure Document and assist you in your organization and formation and are Flour Power's best estimate of legal and accounting fees associated with such costs and expenses. Your actual costs may vary

substantially depending on difficulties encountered, the individual professionals utilized, and organizational structure chosen.

(12) These amounts only apply if you choose to finance certain costs related to opening the Studio (including, without limitation, any finish-out or renovation costs and equipment, inventory, and working capital) with a third-party lender. These amounts are not payable to Flour Power and will vary depending on the terms of the financing you negotiate with your lender and the fees, costs and expenses incurred by the lender, and any other party involved in the financing. All amounts are estimates only based upon Flour Power's experience to date.

(13) These amounts are non-refundable.

(14) These amounts may or may not be refundable depending on the nature of the expenditure and your arrangement with the supplier.

(15) The amounts provided are based on Studios located within shopping centers.

(16) Flour Power has relied on its recent experience to compile these estimates. We cannot assure you that you will incur the same costs in your market.

(17) This estimate assumes that your Owner/Operator and one other manager will be required to attend, complete training, and become ServSafe certified by a ServSafe-approved instructor and to attend, complete training, and become certified by a CPR course conducted by a American Heart Association-approved instructor. The current cost of ServSafe training (including the exam fee) is approximately \$175 per person. The current cost of CPR training is approximately \$125.

B. Development Agreement

YOUR ESTIMATED INITIAL INVESTMENT ^(Note 1)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Development Area Fee (Note 2)	\$37,500 - \$337,500	Lump sum	When you sign the Franchise Agreement	Us
Initial Investment to Open Franchised Business (Note 3)	\$203,200 - \$431,800	See Chart A of this Item 7		
TOTAL ESTIMATE	\$240,700 - \$769,300			

Note 1: About Your Estimated Initial Investment – All payments and fees are non-refundable unless otherwise noted. We do not offer direct or indirect financing. This chart and estimated initial investment applies to your signing of a Development Agreement that will designate and grant to you the right to, potentially, develop and operate between two (2) to ten (10) Flour Power Studios, as well as the estimated initial investment for you to open your first Studio under your Multi-Unit Development Agreement.

Note 2: Development Area Fee and Franchise Fees – When you sign a Development Agreement you must also sign a Franchise Agreement for the first Studio that you will be required to develop under your Development Agreement. At the time of signing your Development Agreement, you must pay to us a Development Area Fee. The amount of the Development Area Fee varies depending on the number of additional Studios that you will be authorized and required to develop and operate within the Development Area.

Note 3: Initial Investment. This figure represents the estimated initial investment to open one (1) Flour Power Studio, less the initial franchise fee, as that will be replaced by the Development Area Fee pursuant to the Development Agreement.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases and Approved Suppliers

You must purchase your food and ingredient items, paper stocks, and other supplies only from approved suppliers under the standards and specifications prescribed in the Manuals. Flour Power has developed a list of approved suppliers for these items. You may request that Flour Power approve alternative suppliers.

Flour Power requires that you purchase and utilize its current-approved software system (currently, the Oscar software system) and may from time to time additionally require Flour Power franchisees to utilize additional hardware or software programs. Flour Power has developed a list of approved suppliers for related software and hardware. If so required by Flour Power, you are obligated to use such hardware and software in the operation of your Studio. In addition, Flour Power may subsequently from time to time require you to purchase and utilize any upgrades, additions, enhancements, or replacements of the hardware or software that are developed by or on behalf of Flour Power, or otherwise required by Flour Power at such cost as Flour Power or its approved vendors make such upgrades, additions, enhancements, and replacements available to franchisees operating under the System (See Item 6). Flour Power does not permit franchisees to contract with any alternative suppliers of computer hardware and software, nor does it issue specifications for these items.

You must purchase or lease all of your equipment under any specifications prescribed in the Manuals, Spec Guidelines and Vendor Lists. These specifications include standards for temperature, design, and performance, and are at Flour Power's sole judgment and discretion, based on the experience of the company-owned Studios and Flour Power's experience as a franchisor. Flour Power has developed a list of approved equipment suppliers; however, you may purchase this equipment from any supplier approved by Flour Power.

Flour Power will allow franchisees to contract with an architect. Franchisees may use their own general contractor for the actual construction of the Studio. All architectural plans must be approved by the Franchisor.

Flour Power may make available at a reasonable cost and, at its option, will require you to purchase from Flour Power, for resale to your customers, certain promotional merchandise identifying the System (such as T-shirts, sweatshirts, etc.), in amounts necessary to meet your customer demand. Flour Power may also make available at a reasonable cost, and at its option, will require you to purchase from Flour Power, staff uniforms.

Flour Power may also provide you with written guidelines governing the minimum standards and specifications of certain products, services, and equipment which you procure from unrelated third parties. These standards and specifications may be set forth in the Manuals. Flour Power may from time to time modify these standards and specifications, as well as the other standards and specifications discussed in this Item 8, by providing you with written notification.

Flour Power reserves the right to approve suppliers and distributors of certain food and beverage items, ingredients, supplies, equipment (including the Software System allowing remote access by Flour Power), computer hardware and software, materials and other products and services that meet Flour Power's reasonable standards and requirements. If Flour Power does so, you agree to purchase only such products and services meeting those specifications, and if Flour Power requires it, only from distributors and other suppliers Flour Power has approved, including or limited to Flour Power or its affiliates.

Flour Power may limit the number of approved distributors or suppliers (collectively "suppliers") with whom you may deal, designate sources that you must use, and/or refuse any of your requests for any reason, including that Flour Power has already designated an exclusive source (which might be Flour Power or its affiliate) for a particular item or service.

Flour Power and its affiliates may mark up and profit on the sale of goods or services to you and/or receive payments, rebates, or other material consideration from suppliers on account of such suppliers' dealings with Flour Power, you and other franchisees, and may keep or use any amounts so received without restriction and for any purpose Flour Power and its affiliates deem appropriate. Flour Power may concentrate purchases with one or more suppliers or distributors to obtain lower prices or the best advertising support or services. Approval of a supplier or distributor may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria and may be temporary, pending Flour Power's continued evaluation of the supplier or distributor at any time.

There are currently no required purchases or leases for which Flour Power or its affiliates are the approved supplier, nor does any officer of Flour Power own an interest in any of the approved suppliers. Neither Flour Power nor any affiliate derived any revenue or other material consideration during 2021 from selling items to franchise owners. Flour Power reserves the right in the future to designate Flour Power, an affiliate, or a supplier in which an officer of Flour Power owns an interest, as an approved supplier for additional items.

Approval of Alternate Suppliers

We reserve the right at our discretion to approve suppliers and to revoke the approval of any supplier. We must approve alternative suppliers in writing before you use them. If you request approval of a new supplier, you must do so in writing, and must include pertinent information about the supplier, your reasons for the request, and a list of products to be supplied by the proposed supplier. If your request is approved or disapproved, we will notify you in writing within 7 days. While Flour Power does not maintain written criteria for alternate suppliers, upon request, Flour Power will evaluate alternative suppliers based upon many factors such as their ability to meet our standards and specifications, ingredient quality and freshness and dry goods quality, and based upon the supplier's financial position, business reputation, delivery performance, accessibility, credit rating, and other criteria. We may establish and revise approved supplier criteria from time to time as we deem appropriate and will make them available to our franchisees upon written request. Any charges incurred by Flour Power in connection with the testing and inspection of the proposed supplier's offering must be paid by the franchisee requesting such approval.

Revenue from Franchisee Purchases and Payments from Designated Suppliers

No approved suppliers currently pay to Flour Power or an affiliate (including to the Brand Fund) compensation or otherwise credit the account of Flour Power or an affiliate any sales incentives or rebates in amounts based on a certain percentage of the purchases Flour Power's franchises make from such suppliers; however, we retain the right to do so.

Percentage of Total Purchases Represented by Required Purchases

We anticipate that the required purchases and leases from approved suppliers will constitute the substantial majority of all purchases by you for the development and operation of the Studio. Flour Power estimates that up to 25% of your initial investment to establish and open the Studio shall be applied to required purchases and leases, and that up to 50% of your expenditures to operate the Studio shall be applied to required purchases and leases.

Cooperatives

There are no purchasing or distribution cooperatives, although Flour Power retains the right to establish them.

Negotiated Purchases

Flour Power has not negotiated volume discount arrangements with any of the designated suppliers for its franchisees (including pricing and payment terms). If it does so in the future, it will notify you.

Material Benefit

Flour Power does not provide any material benefits to franchisees based upon their use of designated or approved suppliers.

Insurance Requirements

You must obtain, within five (5) days after the execution of the lease for the Studio, and shall maintain in full force and effect at all times during the term of the Franchise Agreement, at your expense, an insurance policy or policies protecting you and Flour Power and its subsidiaries, affiliates, successors and assigns and their respective officers, directors, shareholders, partners,

employees, servants, independent contractors, representatives and agents, against any demand or claim with respect to personal injury, death, sickness, disease, or property damage, or any loss, liability, or expense arising out of or occurring upon or in connection with the condition, operation, use, or occupancy of the franchised business.

Such policy or policies shall be written by an insurance carrier or insurance carriers with a Best's Insurance Guide rating of "A" or better, and shall include, at a minimum, the following:

Commercial general liability insurance

The commercial general liability insurance policy must include bodily injury, property damage, advertising and personal injury, and medical payments coverage parts, written on an occurrence reporting basis. The bodily injury, property damage, and advertising and personal injury coverage parts must have a minimum per occurrence liability limit of \$1,000,000.00 per Studio location and a general aggregate liability limit of \$2,000,000.00 per Studio location. The medical payments coverage part shall have a per occurrence liability limit of \$5,000.00 per Studio location. The commercial general liability policy must also have a products/completed operations coverage part with a minimum per occurrence liability limit of \$1,000,000.00 per Studio location and a general aggregate liability limit of \$2,000,000.00 per Studio location. The commercial general liability policy must also have the following endorsements: (i) an endorsement listing Flour Power as an additional named insured; (ii) a waiver of subrogation in favor of Flour Power; (iii) an endorsement making the commercial general liability policy primary and non-contributory with regards to any other insurance available to Flour Power; and (iv) an endorsement requiring the commercial general liability insurance carrier(s) to provide at least thirty (30) days' notice of any intent to cancel the commercial general liability policy, regardless of the reason for cancellation.

Crime (inside/outside) and employee dishonesty insurance

Crime (moneys and securities) inside/outside coverage shall have a minimum per occurrence liability limit of \$10,000.00 per Studio location for inside crime and a minimum per occurrence liability limit of \$2,000.00 per Studio location for outside crime. Employee dishonesty coverage shall have a minimum per occurrence liability limit of \$50,000.00 per Studio location.

Automobile liability insurance

Automobile liability insurance covering owned, non-owned, and hired automobiles in the amount of at least \$500,000 combined single limit.

Worker's compensation insurance

Worker's compensation insurance in amounts provided by applicable law, and employer's liability in the following limits: \$500,000 per accident, \$500,000 disease policy limit, \$500,000 each disease.

Building and personal property insurance coverage

Property coverage for physical loss or damage to personal property and real property including the leasehold improvements, at each Studio location. This coverage shall include all risk replacement cost property insurance for your Studio and its contents, awnings, equipment, signs, glass, additions under construction, outdoor fixtures, personal property, as well as business interruption insurance for income loss, food spoilage endorsements, equipment breakdown coverage, business ordinance coverage, debris removal, preservation of property, fire department service charges,

pollutant clean up and removal, newly acquired or constructed property, property of others, property off premises, and stock. The coinsurance percentage shall not exceed eighty percent (80%). The building and personal property insurance shall also have the following endorsements: (i) an endorsement requiring the building and personal property insurance carrier(s) to provide at least thirty (30) days' notice of any intent to cancel the building and personal property insurance coverage, regardless of the reason for cancellation; (ii) a loss payable endorsement listing Flour Power as the loss payee for equipment and supplies financed by Flour Power either by a loan, line of credit, or an open account; (iii) a waiver of subrogation in favor of Flour Power.

Umbrella liability insurance

Umbrella coverage over the above-described general commercial liability, liquor liability, automobile liability, products/completed operations, and employer's liability insurance coverage parts with each occurrence limit of \$1,000,000. The umbrella policy shall be written on an occurrence reporting basis. The umbrella liability insurance shall also have the following endorsements: (i) an endorsement listing Flour Power as an additional named insured; (ii) an endorsement requiring the umbrella liability insurance carrier(s) to provide at least thirty (30) days' notice of any intent to cancel the umbrella policy, regardless of the reason for cancellation.

Employment practices liability coverage

Employment practices liability coverage in such form and amounts required by Flour Power and with coverage limits of not less than \$1,000,000.00 including third party and wage and hour coverage.

Any insurance which may be required by statute or rule of the state or locality in which your Studio will be operated or by your landlord.

Additional insurance coverages that may reasonably be specified by Flour Power from time to time (including reasonable excess liability insurance and cyber insurance), in accordance with standards and specifications set forth in the Manuals or otherwise in writing.

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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.

	Obligations	Disclosure Document Items	Section in Franchise Agreement	Section in Development Agreement
a	Site selection and acquisition/lease	Item 11	Sections 3 and 7	Section 1 and Exhibit A to the Development Agreement
b	Pre-opening purchases/leases	Items 7 and 11	Sections 3, 5, and 7	Not Applicable
c	Site development and other pre-opening requirements	Item 11	Section 7	Section 1 and Exhibit A to the Development Agreement
d	Initial and ongoing training	Item 11	Sections 3, 8, 9, and 15	Not Applicable
e	Opening	Item 11	Sections 3, 5, and 7	Section 6
f	Fees	Items 5 and 6	Sections 4 and 5	Section 2
g	Compliance with standards and policies/operating manual	Items 8 and 16	Section 3, 8, and 11	Not Applicable
h	Trademarks and proprietary information	Items 13 and 14	Sections 1, 8, 10, 11, and 12	Not Applicable
i	Restrictions on products/services offered	Item 16	Section 8	Not Applicable
j	Warranty and customer service requirements	Item 16	Section 8	Not Applicable
k	Territorial development and sales quotas	Item 12	None	Sections 1 and 6
l	Ongoing product/service purchases	Item 8	Section 8	Not Applicable
m	Maintenance, appearance, and remodeling requirements	Items 16 and 17	Sections 2, 7, 8, 14, and 17	Not Applicable
n	Insurance	Item 7	Sections 8 and 14	Not Applicable
o	Advertising	Item 6, 7, and 11	Sections 3, 5, and 8	Not Applicable

	Obligations	Disclosure Document Items	Section in Franchise Agreement	Section in Development Agreement
p	Indemnification	Item 11	Section 9, 10, 15, and 20	Not Applicable
q	Owner/Operator's participation/management/staffing	Item 15	Sections 8 and 9	Not Applicable
r	Records and reports	Item 6	Sections 4, 5, and 13	Not Applicable
s	Inspections and audits	Items 6 and 11	Sections 3, 7, 8, and 13	Not Applicable
t	Transfer	Item 17	Section 15	Section 9
u	Renewal	Item 17	Section 2	Not Applicable
v	Post-termination obligations	Item 17	Sections 17 and 18	Not Applicable
w	Non-competition covenants	Item 17	Section 18	Not Applicable
x	Dispute resolution	Item 17	Section 27	Sections 12, 13, 14, and 15
y	Guarantee of franchisee obligations	Item 15	Section 21	Not Applicable

ITEM 10 FINANCING

Flour Power does not offer direct or indirect financing. Flour Power will not guarantee your note, lease or any other obligation.

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

Except as listed below, Flour Power is not required to provide you with any assistance.

Pre-Opening Obligations

Before you open your business, Flour Power will:

1. Designate your assigned territory. (Franchise Agreement - Article 1).
2. Integrate you into Flour Power "Phases and Stages" program, an integrated instructional/communications program to assist you in the planning, development, and opening of your Studio, and in which you will be obligated to participate. (Franchise Agreement - Article 3).

3. Provide you with its site selection counseling and such other assistance as Flour Power deems advisable. (Franchise Agreement - Article 3).
4. Provide a site evaluation. (Franchise Agreement - Article 3).
5. Accept or not accept a site for your Studio location. For additional information, see Item 11, "Site Selection". (Franchise Agreement - Articles 1 and 7).
6. Review and approve all plans and specifications for the finish-out or renovation of your Studio. (Franchise Agreement - Articles 3 and 7).
7. Provide you with assistance and advice concerning equipment, signs, fixtures, supplies and will specify your opening inventory selection and purchasing in connection with the opening of the Studio, as Flour Power deems appropriate. See Item 8 regarding equipment, opening inventory, and supplies provided by Flour Power or its approved suppliers and any written specifications for those items. Flour Power does not provide any of these items directly and will not deliver or install any such items. (Franchise Agreement - Article 3).
8. Provide an initial training program for at least one manager you designate and your Owner/Operator. For additional information, see Item 11, "Training". Flour Power will not provide any assistance in hiring any of your employees; however, all employees must meet Flour Power then-current standards and criteria for the applicable position and any applicable training requirements. (Franchise Agreement - Articles 3, 8 and 9).
9. Provide one set of the Manuals. You must strictly comply with the Manuals in operating the business. Flour Power has the right to revise the contents of the Manuals at any time. You must comply with all changes to the Manuals when you receive them. (Franchise Agreement - Articles 3 and 11). The Manual contains 192 pages. See Exhibit E for the table of contents of our Manual.
10. Provide you with detailed lesson plans and recipes which you must follow when conducting classes, parties, camps, and events. (Franchise Agreement - Article 3 and 11).
11. Provide you with a list of approved suppliers and preferred vendors, as set forth in the Manuals and other written directives as Flour Power deems appropriate from time to time. (Franchise Agreement - Articles 3 and 8).
12. Approve any advertising and promotional items to be used in connection with your "Studio opening" promotion. (Franchise Agreement - Articles 5 and 9).

Obligations After Opening

During your operation of the franchised business, Flour Power will:

1. Notify you of any additions, replacements, or other changes regarding the classes, events, services, or pricing. (Franchise Agreement - Article 8).

2. Provide training, additional initial training programs for successor and replacement managers and Studio personnel, and other training programs and seminars as Flour Power deems appropriate from time to time. Flour Power will not provide any assistance in hiring any of your employees; however, all employees must meet Flour Power then-current standards and criteria for the applicable position and any applicable training requirements. For additional information, see Item 11, "Training". (Franchise Agreement - Articles 3 and 9).
3. Provide, as Flour Power deems appropriate, advice and written materials concerning techniques of managing and operating the Studio, including new developments and improvements in Studio equipment, classes, and instruction. (Franchise Agreement - Article 3).
4. Provide you with guidelines on pricing policies. You have the right to sell your services at any prices you may determine, so long as you are in compliance with Flour Power general guidelines on pricing policies as set forth in the Manuals or otherwise in writing. Subject to applicable legal constraints, you must participate in and comply with all discounts, giveaways and other promotions promulgated by Flour Power from time to time. (Franchise Agreement - Article 5).
5. Provide indemnification against and reimbursement for all damages for which you are held liable in any proceeding arising out of your use of any of the Proprietary Marks, if your conduct and the conduct of each person owning an equity interest in you with respect to such proceeding and use of the Proprietary Marks is in compliance with the terms of the Franchise Agreement. (Franchise Agreement - Article 10).
6. Make available to you, upon your request, subject to the approval of Flour Power and at such cost as Flour Power makes these materials available to other franchisees operating under the System, copies of any then-current training materials that may be from time to time developed and made available to franchisees by Flour Power. (Franchise Agreement - Article 3).
7. Conduct, in its discretion, meetings, seminars, and other related activities regarding the operation of Studios for franchisees generally, which you may attend. Except as approved by Flour Power, any costs incurred by you or Studio personnel in attending such events will be your responsibility. (Franchise Agreement - Article 3).
8. Provide ongoing operational assistance from time to time as Flour Power deems necessary, subject to the availability of appropriate Flour Power personnel. (Franchise Agreement - Article 3).
9. Inspect the Studio and evaluate the Studio's products and services at such times as Flour Power may deem advisable to maintain the high standards of quality, appearance, and service of the System. (Franchise Agreement - Article 3).
10. Provide interim management of the Studio in the event of the death or permanent disability of your Owner/Operator, or any other person with a direct or indirect beneficial ownership

interest in you if Flour Power determines, in its sole discretion, that such person had substantial control or supervision over the management of your Studio. Such interim management is provided by Flour Power at its option and Flour Power will charge a monthly management fee of 5% of Net Sales plus pass through costs and expenses. In addition, if Flour Power provides one of its employees as manager, you must pay Flour Power the manager's then-current salary for the time of such interim management. (Franchise Agreement - Article 15).

11. Approve or disapprove of any advertising and promotional materials and programs you propose. For additional information, see Item 11, "Advertising". (Franchise Agreement - Articles 3, 5 and 8).
12. Continue to furnish you with a list of approved vendors and/or specifications for certain products and services or notify you of any additions to or changes to the approved vendors and/or specifications. (Franchise Agreement - Articles 3, 7 and 8).
13. Provide additional or remedial training. For additional information, see Item 11, "Training". Flour Power will not provide any assistance in hiring any employees; however, all employees must meet Flour Power then-current standards and criteria for the applicable position and any applicable training requirements. (Franchise Agreement - Articles 3, 8 and 9).
14. Establish or modify a promotional gift certificate acceptance program for so long as Flour Power elects to do so. (Franchise Agreement - Article 5).
15. Assign to you a franchise business manager in Flour Power's sole discretion to advise you as to any operational matters regarding your Studio as Flour Power may require. (Franchise Agreement - Article 8).

Except as listed above, we do not have any obligation to provide you with assistance regarding (1) establishing and using administrative, bookkeeping, accounting, or inventory control procedures or (2) resolving operating problems you may encounter.

Site Selection

Flour Power typically requires that you lease the Studio site. The site for the Studio is selected by you, subject to the acceptance of Flour Power. We do not own the premises and lease it to you. The factors that Flour Power considers in approving site selections are if it is a Class A retail shopping center, parking availability, security, a location with between 1,400 and 2,000 square feet, preferably with a mix of big box and small retailers, and if the location has road frontage. You may not relocate the Studio without Flour Power prior written consent. Before you lease the site for the Studio, you must locate a site that satisfies the Flour Power site selection guidelines and submit to Flour Power, in the form specified by Flour Power, a description of the site, including evidence satisfactory to Flour Power demonstrating that the site satisfies Flour Power site selection guidelines, together with other information and materials that Flour Power may require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site. You must submit the information for the proposed site to Flour Power for its acceptance no later than 60 days after you sign the Franchise Agreement. Flour Power will have 30 days after receipt

of this information and materials from you to accept or not accept, in its sole discretion, the proposed site as the location for the Studio. You must acquire by lease, at your expense, the site for your Studio within 90 days after signing the Franchise Agreement unless Flour Power decides, in its discretion, to extend that period. You must obtain the acceptance from Flour Power of any lease for the Studio premises before you sign the lease. If you fail to acquire a site for the Studio within the required period, Flour Power may, among other things, terminate the Franchise Agreement upon notice to you and retain the Franchise Fee and any other fees paid by you under the Franchise Agreement. You must request from the landlord the execution of the lease rider in the form attached to the Franchise Agreement. The lease rider allows us, if we so choose, to step in to operate the store if you default under the lease and assign the lease to a qualified successor franchisee that we recruit. It also provides for a category exclusive in your retail center that prevents the landlord from leasing to another business offering for kids any cooking or etiquette lessons, parties, classes, or camps. You must furnish to Flour Power a copy of the executed lease, including the lease rider, for your Studio site within 10 days of its execution. We do not provide assistance with conforming the premises to local ordinances and building codes and obtaining any required permits, and/or constructing, remodeling, or decorating the premises (Franchise Agreement - Articles 1, 3 and 7).

Flour Power will provide a site evaluation, but Flour Power will not provide site evaluation for any proposed site prior to the receipt of all required information and materials concerning such site, and site evaluations may be done remotely at Flour Power's discretion. Flour Power will provide up to 3 site evaluations for your Studio. (Franchise Agreement - Articles 1, 3 and 7).

Flour Power estimates that the time from signing the Franchise Agreement to beginning operations of the Studio will be 9 months. The actual time required may vary depending upon the time necessary to locate and then approve a site, financing, the permits and licenses necessary for the finish-out or renovation of the Studio and the operation of the Studio, the finish-out or renovation of the Studio as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, preparation of the interior and exterior of the Studio (including decorating, purchasing and installing fixtures, equipment and signs, and landscaping) and complete preparation for the operation of the Studio (including purchasing inventory and supplies). You must open your Studio and begin business within 10-12 months after signing your lease. We may, but are not obligated to, grant extensions of time for the commencement of operations when the circumstances warrant such extensions. (Franchise Agreement - Articles 1, 3 and 7).

Advertising

Flour Power has no obligation to conduct advertising except through the Brand Fund described below. Flour Power advertises nationally through its web site, and places most broadcast advertising in local and regional media placements. We may advertise nationally as our chain expands. We use a combination of in-house marketing and third-party firms for marketing. We have no obligation to spend any amount on advertising in an area or territory where each franchisee is located.

You shall carry out a Studio opening promotion relating to the opening of your Studio in accordance with the Manuals or as otherwise required by Flour Power. During the period beginning 60 days prior to your scheduled Studio opening and continuing for 30 days after your Studio opens, you shall spend at least \$5,000 to promote the opening of the Studio. We must

approve in advance any advertising and promotional campaigns you use for your Studio opening. You shall comply with the direct and local advertising and promotional campaign for Studio openings devised and adapted for you by Flour Power.

You will be required to build Flour Power brand awareness in your community through word of mouth, community marketing, in-store sampling, etc. You must spend, or pay to us as we direct, at least 1% of Net Sales on local advertising and promotion of your Studio.

All advertising and promotion by you in any medium is required to be conducted in a dignified manner and is required to conform to the standards and requirements of Flour Power as set forth in the Manuals, the marketing database or otherwise. You are required to obtain Flour Power's approval of all advertising and promotional plans and materials prior to use if such plans and materials are not included in the Flour Power marketing catalog or have not been prepared by Flour Power or previously approved by Flour Power during the 6 months prior to their proposed use. You are required to submit such unapproved plans and materials to Flour Power. Flour Power has 15 days from the date of receipt of these materials to approve or disapprove such plans and materials. You may not use unapproved plans or materials until they have been approved by Flour Power and are required to promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Flour Power. (Franchise Agreement - Article 5).

Flour Power has established and intends to maintain a URL website, "flourpowerstudios.com," promoting the System and identifying the location of franchise and company-owned Studios. You are required to authorize Flour Power to identify and promote your Studio on Flour Power website and further authorize Flour Power to modify its website from time to time and to conduct promotions on a system-wide basis, and you and your Studio will participate in all such promotions. You are prohibited from establishing or utilizing your own URL website to promote your Studio or to facilitate the operation of your Studio. Flour Power may, in its discretion give you access to a subpage of Flour Power's website, and you agree to update it consistently. (Franchise Agreement - Article 5).

Cooperatives. We may designate an advertising coverage area ("ACA") - local or regional - in which 2 or more Flour Power Studios are located in order to seek to establish a cooperative advertising program ("Cooperative Program"). An ACA is the area covered by the particular advertising medium recognized in the industry. We will require all franchise owners in the ACA to participate. Each Flour Power Studio operating in the ACA will have one vote, including those we or our affiliate operate. The members of each Cooperative Program will be responsible for administering the program.

Each Cooperative Program will be organized and governed in a form and manner, and begin operating on a date, that we determine in advance. Each Cooperative Program's purpose is, with our approval, to administer advertising programs and develop promotional materials for the area the Cooperative Program covers. If we establish a Cooperative Program for the geographic area in which your Studio is located, you must sign the documents we require to become a member of the Cooperative Program and participate in the Cooperative Program as those documents require.

If a Cooperative Program is established for your ACA, you must contribute up to 2% of your Studio's Net Sales to the Cooperative Program weekly, monthly, or as otherwise specified by 50%

or more of the Flour Power Studios operating in the ACA. You need not contribute more than 2% of the Studio's Net Sales to the Cooperative Program unless 67% or more of the Flour Power Studios operating in the ACA, including those we or our affiliates operate, vote to increase the contribution in excess of 2%. Any amounts you contribute to a Cooperative Program will count toward the percentage of Gross Sales you are required to spend on local advertising.

You must send us and the Cooperative Program any reports that we require. The Cooperative Program and its members may not use any advertising or promotional plans and materials without our prior written consent. We have the power to form, change, dissolve, or merge any Cooperative Program. We will make available for your review any records showing payments to and expenses of any Cooperative Program in which you participate.

We do not have a franchise owner advisory council that advises us on advertising policies. (Franchise Agreement - Article 5).

Brand Fund. Recognizing the value of advertising and marketing to the goodwill and public image of Flour Power Studios, Flour Power has established a brand fund (the "Fund") for advertising, marketing, and public relations programs and materials we deem appropriate. You agree to contribute to the Brand Fund in the amount of 2% of your prior month's Net Sales. (See Item 6) Flour Power Studios that we or our affiliates operate will contribute to the Fund on the same basis as franchise owners. We have the right to collect for deposit into the Fund any advertising, marketing, or similar allowances paid to us by suppliers who deal with Flour Power Studios and with whom we have agreed that we will so deposit these allowances.

We will direct all programs that the Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Fund may pay for preparing and producing video, audio, and written materials and electronic media; costs associated with inbound marketing channels and providers (for example, Google, Facebook and Yelp); developing, implementing, improving and maintaining the Flour Power Website or other website and/or related strategies; administering regional and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, and other media advertising; using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities. The Fund may advertise locally, regionally, and/or nationally in printed materials, on radio or television, and/or on the Internet, whatever we think best.

The Brand Fund may periodically give you samples of advertising, marketing, and promotional formats and materials at no cost. Flour Power will sell you multiple copies of these materials at its direct cost of producing them, plus any related shipping, handling, and storage charges.

We will account for the Fund separately from our other funds and not use the Fund for its or our general operating expenses. However, we may use the Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Fund, the Fund's other administrative costs, travel expenses of personnel while they are on Fund business, meeting costs, exposition and show costs, overhead relating to Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Fund and its programs, including conducting market research; public relations; preparing advertising, promotion, and marketing materials; and collecting and accounting for Fund contributions. In our 2021 fiscal year, we collected a total of

\$21,757.40 in Fund contributions from franchisees. Of this amount, the Fund spent 44% of Fund contributions on media production, 44% of Fund Contributions on media placement, and 12% of Fund contributions on administrative expenses; 0% of Fund Contributions on public relations. The Fund was not audited in 2021.

The Fund is not our asset. The Fund also is not a trust. We have a contractual obligation to hold all Fund contributions for the benefit of the contributors and to use contributions only for their permitted purposes (described above). We do not have a fiduciary obligation to you for administering the Fund. The Fund may spend in any fiscal year more or less than the total Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, re-pay any amounts owed to us or others as borrowed by the Fund in prior periods, or invest any surplus for future use. We do not expect to use any of the Fund contributions specifically to develop materials and programs that will be used principally to solicit franchisees. However, media, materials, and programs, including our Website, prepared using Fund contributions may describe our franchise program, reference the availability of franchises and related information, and process franchise leads. We will prepare an annual unaudited statement of Fund collections and expenses and give it to you upon written request. We may have the Fund audited annually, at the Fund's expense, by an independent certified public accountant. We may incorporate the Fund or operate it through a separate entity when we think best. The successor entity will have all of the rights and duties described here.

The Fund is to maximize recognition of the Marks and patronage of Flour Power Studios. Although we may use the Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all Flour Power Studios, we need not ensure that Fund expenditures in or affecting any geographic area are proportionate or equivalent to Fund contributions by Flour Power Studios operating in that geographic area or that any Flour Power Studio benefits directly or in proportion to its Fund contribution from the development of advertising and marketing materials or the placement of advertising. We may use collection agents and institute legal proceedings to collect Fund contributions at the Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Fund.

We may at any time defer or reduce a franchise owner's Fund contributions and, upon 30 days' prior written notice to you, reduce or suspend Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Fund. If we terminate the Fund, we will distribute all unspent monies to franchise owners, and to us and our affiliates, in proportion to their, and our, respective contributions during the preceding 12 month period. (Franchise Agreement - Article 5).

Software System

Before commencement of the operation of the franchised Studio, you must purchase the required computer hardware, security systems, software, internet connections and service, required dedicated telephone and power lines and other related accessories, high speed internet, peripherals, consoles and equipment required to operate Flour Power then-current mandatory point of sale system. We estimate that the cost of purchasing a computer for your Flour Power Studio is \$1,000. Currently, as of the date of this Disclosure Document, Flour Power requires that its franchisees use the proprietary Oscar software system (including such add-on consoles as Flour Power may

require) (the “**Software System**”). Flour Power requires that you pay a software license fee for the System Software in the amount of \$300 per month (“**Software License Fee**”). We may modify the Software License Fee once a calendar year on at least 60 days' prior written notice to cover the costs of technology support and implementation of new technology. Flour Power may also from time to time require you to purchase and utilize any additions, upgrades, enhancements and replacements of the software and hardware developed by or on behalf of Flour Power, or otherwise required by Flour Power, at such cost as Flour Power or its approved vendors make such upgrades, enhancements and replacements available to franchisees operating under the System. The cost of maintaining, updating, upgrading or replacing your point of sale system is estimated to be no more than \$8,000 per year and shall be no more than \$40,000 for any 5 year period (Franchise Agreement – Articles 4 and 8).

The Software System will store information concerning your sales, accounting, customers, classes, and other operations. You may not further modify or manipulate (except for pricing any pre-authorized data inputs configured by Flour Power) the database for the computer software systems without Flour Power’s prior consent. We will have independent access to the information that will be generated or stored in the Software System. There are no contractual limits imposed on our access to the information generated or stored in the Software System. The Software System will interface with our information technology systems and be electronically linked to our or our designee’s system to enable us (or our designee) to poll the Software System on a daily or other basis at such times and in such manner as we or our designee establishes, with or without notice, and to retrieve such transaction information, including sales, sales mix, paper usage, inventory, and other operations data as we and/or our designee deem appropriate.

You further consent to our obtaining, using and disclosing to third parties (including, prospective franchisees, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by us or disclosed to us, whether by means of the Software System or otherwise. You will obtain such consents from third parties, including your customers, as are necessary to affect our use and disclosure of such information. (Franchise Agreement - Article 8)

Training

Not later than 45 days before the opening date of the Studio, your Owner/Operator and at least one other manager is required to have completed, to Flour Power’s satisfaction, Flour Power initial training program. Each participant must satisfy Flour Power’s then-current requirements for admission to the initial training program. To be admitted into the initial training program, Flour Power currently requires that each potential trainee has (a) attended and successfully completed at its own cost such CPR and ServSafe training classes and obtained the ServSafe Food Manager Certificates and such other ServSafe certifications required by Flour Power and (b) completed all other pre-training requirements, as identified in the Manuals. Training for the Owner/Operator will be conducted virtually, at a company-operated Studio or another location designated by Flour Power, or a combination of both. Flour Power may require additional, online training for your employees. Flour Power will determine, in its sole discretion, whether your employees have satisfactorily completed initial training. Flour Power anticipates that completion of the initial training program will require 40 hours of virtual training, and 31 hours of in-studio training. If any of your designated participants fail to meet the admission requirements for the initial training

program, if the initial training program is not satisfactorily completed by your trainees after meeting the admission requirements, or if Flour Power, in its reasonable business judgment based upon the performance of your trainees, determines that the initial training program cannot be satisfactorily completed by such person(s), you must immediately designate a replacement trainee(s), as applicable, to apply for and complete such training within 30 days from the date of any such occurrence (but in any event not later than 60 days before the opening date of the Studio). (Franchise Agreement - Articles 3, 8 and 9).

If you fail to designate replacement trainee(s) who have satisfied the admission requirements, if the initial training program is not satisfactorily completed by any replacement trainee (or the initial trainee, if no replacement is designated) by the deadline set forth above, or if Flour Power determines that the training program cannot be satisfactorily completed by such person(s), Flour Power may, in its sole discretion, terminate the Franchise Agreement upon notice to you and retain the Franchise Fee and any other fees paid by you under the Franchise Agreement. (Franchise Agreement - Articles 3, 8 and 9).

Flour Power will provide the initial training program for the first appointed Owner/Operator and one manager at no additional cost. The training fee is \$1,000 for each successor and replacement Owner/Operator and \$150 per hour for each successor, replacement, and additional manager and other employee who attends. The training materials currently consist of the Manuals, information sheets, demonstrations and on the job-training. Flour Power reserves the right to charge additional amounts for uniforms. In addition, you are responsible for all expenses incurred by your trainees in connection with any initial training program including, without limitation, costs of travel, lodging, meals, and wages. (Franchise Agreement - Articles 3, 8 and 9).

The Owner/Operator and your employees may attend such additional training programs and seminars as Flour Power may offer from time to time. At Flour Power's discretion, such training shall be mandatory if Flour Power provides written notice setting forth the reasonable justification for such additional training in a manner consistent with Flour Power's requirements throughout the System. Your failure to operate the Studio in accordance with the Flour Power standards and specifications and/or your breach of the Franchise Agreement constitute reasonable justification for requiring you to complete additional training. For all such additional training, Flour Power will provide the instructors and training materials; however, Flour Power reserves the right to impose a reasonable fee for such training, including costs of travel, lodging, meals, and wages for Flour Power's representatives. The cost for this training will be \$150 per hour. Seminars will cost \$300 per day. You shall be responsible for any and all expenses incurred by you or your employees in connection with such additional training including, without limitation, costs of travel, lodging, meals, and wages. (Franchise Agreement - Articles 3, 8 and 9).

Below is a summary of the subject matters, hours of classroom training, hours of on-the-job training, and the location for Flour Power's initial training program:

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Training Program			
Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Overview of Programs	2	1	Virtually and/or Flour Power locations authorized by us
Studio Set Up and Company Policy	3	2	
Practical Tips	1	1	
Camps	2	4	
Birthday Parties	2	4	
Cooking Classes & Beyond	2	3	
Kitchen Safety & Cleaning	2	1	
Shopping for Franchise	1	1	
Classroom Management	2	3	
Etiquette	1	0	
Parent and Customer Service Management	2	2	
Offsite Events	1	0	
Corporate Adult Events	1	0	
Flour Power Corporate Expectations	3	0	
Dealing with Legal Issues	1	0	
Getting Your Franchise Opened	5	2	
IT/Software	2	1	
Advertising Basics	3	0	
Maximizing Sales	2	0	
Birthday Party Experience	2	3	
Review and Quiz	0	1	
Q&A	0	1	
TOTAL	Up to 40	Up to 31	

The Flour Power training program is held once a month if Flour Power has a new franchisee and their opening time falls within the requirement stated above. The training program is managed by Robert Maynard and it may be led by Mr. Maynard and/or current management staff. Since February 2013 and continuing to date, Mr. Maynard has served as Managing Member of our affiliate, Holiday Park Partners, LLC, located in Davidson, North Carolina. The level of experience of our trainers will, at a minimum, include each trainer's satisfactory completion of our initial training program.

Development Agreement

Our obligations regarding site selection assistance, training, computer hardware and software selections, and advertising for additional Franchised Business developed under a Multi-Unit Development Agreement will be governed by the form of single-unit franchise agreement you sign for each additional Franchised Business. Our then-current standards for these obligations will apply.

ITEM 12 TERRITORY

The Franchise Agreement grants to you the right to operate a Studio at a single location selected by you and accepted by Flour Power (the “**Accepted Location**”). You will offer the approved products and services of the System only through your Studio. You may not relocate the Studio without Flour Power’s prior written consent based upon its sole judgment and discretion.

Your Franchise Agreement does not give you any options, rights of first refusal, or similar rights to acquire additional franchises, but you may apply for the right to operate additional Studios under separate Franchise Agreements.

You will be assigned an exclusive territory constituting the smaller of a 4-mile radius or a geographic area encompassing a population that includes approximately 12,000 children ages 14 and under around the Accepted Location (“**Assigned Area**”). This Assigned Area must fall within a larger geographic area that we initially designate (“**Temporary Zone**”). Prior to your designation and Flour Power’s acceptance of your proposed Studio location, Flour Power may grant to other franchises the right to open and operate Studios within the Temporary Zone.

Flour Power will not establish and operate or license or authorize any other party to establish or operate a Flour Power Studio within the Assigned Area during the term of the Franchise Agreement. Except as expressly limited by the previous sentence, Flour Power retains all rights with respect to the Studios, the Proprietary Marks, the sale of similar or dissimilar products and services, and any other activities Flour Power deems appropriate whenever and wherever Flour Power desires. Specifically, but without limitation, Flour Power reserves the following rights:

- A. the right to operate, and to grant others the right to operate Flour Power Studios located anywhere outside the Assigned Area under any terms and conditions Flour Power deems appropriate and regardless of proximity to your Studio;
- B. the right to advertise and promote the System in the Assigned Area;
- C. the right to provide, offer and sell (and authorize others to provide, offer and sell) products and services that are identical or similar to and/or competitive with those products and services provided at Flour Power Studios, whether identified by the Proprietary Marks or other trademarks or service marks, through alternative distribution channels other than a Studio, including, the internet or similar electronic media, in-home services and in-home cooking kits both inside and outside the Assigned Area and on any terms and conditions Flour Power deems appropriate;
- D. the right to establish and operate, and to grant to others the right to establish and operate, businesses offering dissimilar products and services, both inside and outside the Assigned Area under the Proprietary Marks and on any terms and conditions Flour Power deems appropriate;
- E. the right to establish and operate, and to grant to others the right to establish and operate, businesses offering similar or dissimilar products and services through similar or alternative channels of distribution, at any locations inside or outside the Assigned Area

under trademarks or service marks other than the Proprietary Marks and on any terms and conditions Flour Power deems appropriate;

F. the right to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Studios, and franchising, licensing, or creating similar arrangements with respect to these businesses once acquired, wherever these businesses are located or operating (including in the Assigned Area); and

G. the right to be acquired (whether through acquisition of assets, ownership interests, or otherwise, regardless of the form of the transaction), by a business providing products and services similar to those provided at Studios, or by another business, even if such business operates, franchises, or licenses Competitive Businesses (as defined in Item 17(q)) in the Assigned Area.

During the term of the Franchise Agreement, the territorial rights granted to you are not dependent upon the achievement of a certain sales volume, market penetration or other contingency, nor are there any circumstances which permit Flour Power to modify your territorial rights prior to the expiration or termination of the Franchise Agreement. We may exercise any of the reserved rights without compensating you. Although we have the right to do so (as described above), neither we nor an affiliate currently operates, franchises, or has present plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those you will sell in the Studio.

Development Agreement

If you enter into a Development Agreement, you will obtain the right to open a certain number of Franchised Businesses in the Designated Development Area (“DDA”) where you must open each Business in compliance with the Mandatory Development Schedule. The size of the DDA will depend upon the number of Franchised Businesses you are obligated to open but will vary based on demographics and whether the DDA is primarily urban or suburban. You will not have any territorial rights within the DDA unless and until you establish a Franchised Business, at which time the Franchise Agreement for such Franchised Business will designate any applicable territorial protections applicable to that Franchised Business. Our then-current standards for site and territories will apply for each location to be opened under the Development Schedule pursuant to the Franchise Agreement you will sign upon opening each additional location. We may allow other new franchisees or developers to search for locations for Franchised Businesses within the same DDA that is assigned to you if we determine that the DDA is large enough to contain additional Franchised Businesses. Potential locations for each Franchised Business, and resulting Exclusive Territories within the DDA, will be reviewed and granted or denied on a first-to-propose basis.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own or from other channels of distribution or competitive brands that we control.

In the event that you fail to meet your development obligations and the Development Agreement is terminated, you will retain your rights to any previously owned Franchised Businesses, including the territorial rights described in the Franchise Agreement for such Businesses, provided that the Development Agreement was not terminated as a result of your failure to comply with the

terms of your existing Franchise Agreement(s). Your rights to any Franchised Businesses for which there is no Franchise Agreement will terminate immediately upon termination of the Development Agreement.

ITEM 13 TRADEMARKS

The Franchise Agreement grants you the right to use certain trademarks, trade names, service marks, symbols, emblems, logos and indicia of origin designated by or licensed to Flour Power, including the Mark (collectively, the "**Proprietary Marks**"), only in the manner authorized by Flour Power and only for the operation of the Studio at the location specified in the Franchise Agreement.

The Proprietary Mark displayed on the cover page of this Disclosure Document, the principal commercial symbol which Flour Power will license to you, and the other Proprietary Mark listed below, are each owned by us and are registered on the U.S. Patent and Trademark Office principal register as follows:

Trademarks

MARK	APP. NO.	APP. DATE	PUB. DATE	REG. NO.	REG. DATE	CLASS / SERVICES	STATUS
FLOUR POWER	85978898	August 7, 2012	January 22, 2013	4744242	May 26, 2015	41: Educational and entertainment services for children, namely, providing instructional classes in the field of food and cooking, and social gatherings for children	Registered
FLOUR POWER KIDS COOKING STUDIOS 	85983765	June 25, 2013	December 3, 2013	4732205	May 5, 2015	41: Educational and entertainment services for children, namely, providing instructional classes in the field of food and cooking, and social gatherings for children	Registered

All affidavits and renewals required to maintain the federal registration of the above-identified Proprietary Marks have been filed. No application for the registration of the Proprietary Marks has been filed in any state.

There are no agreements currently in effect which significantly limit Flour Power's rights to use or license the Proprietary Marks to you.

You must follow our rules when you use the Proprietary Marks, including giving proper notices of trademark and service mark registration and obtaining fictitious or assumed name registrations required by law. You may not use any Proprietary Mark in your corporate or legal business name; with modifying words, terms, designs, or symbols (except for those we license to you); in selling any unauthorized services or products; or as part of any domain name, homepage, electronic address, or otherwise in connection with a Website.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving the principal Proprietary Marks. We do not actually know of either superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state.

You must notify us immediately of any apparent infringement or challenge to your use of any Proprietary Mark, or of any person's claim of any rights in any Proprietary Mark, and you may not communicate with any person other than us, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We may take the action we deem appropriate (including no action) and control exclusively any litigation, USPTO proceeding, or other administrative proceeding arising from any infringement, challenge, or claim. You must assist us as we direct, in protecting and maintaining our interests in any litigation or USPTO or other proceeding. At our option, we may defend and/or control the defense of any proceeding arising from your use of any Proprietary Mark. We need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving the Proprietary Marks; however, if you timely notify us and comply with our directions in response to a trademark infringement proceeding that disputes your authorized use of the Proprietary Marks, then we will reimburse you for your damages and reasonable expenses you incur.

If it becomes advisable at any time for us and/or you to modify or discontinue using any Proprietary Mark and/or to use one or more additional or substitute trade or service Proprietary Marks, you must comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your direct expenses of changing the Studio's signs, for any loss of revenue due to any modified or discontinued Proprietary Mark, any loss of goodwill associated with any modified or discontinued Proprietary Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or pending patent applications are material to the franchise. We and Flour Power, Inc. claim copyrights in the Manuals (which contains our trade secrets), advertising and marketing materials, and similar items used in operating Flour Power Studios. Neither we nor Flour Power, Inc. have registered these copyrights with the United States Registrar of Copyrights, but neither we nor Flour Power, Inc. need do so at this time to protect them. You may use these items only as we specify while operating the Studio (and must stop using them if we so direct you).

There currently are no effective adverse determinations of the USPTO, the United States Copyright Office, or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use the copyrighted materials. We do not actually know of any infringing uses of our copyrights that could materially affect your use of the copyrighted materials in any state.

We need not protect or defend copyrights, although we intend to do so if in the best interests of the System or all or some Flour Power Studios, as we solely determine. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving a copyright.

Our Manuals and other materials contain our confidential information (some of which constitutes trade secrets under applicable law). This information includes, or may in the future include: site selection criteria and layouts, designs and other plans and specifications for Flour Power Studios; training and operations materials and manuals (including the Manuals and other written directives, manuals and materials); methods, formats, specifications, standards, systems, procedures, food

preparation techniques, sales and marketing techniques, knowledge, and experience used in developing and operating Flour Power Studios; marketing, promotional and advertising research and programs for Flour Power Studios; knowledge of specifications for and suppliers of products and supplies, including supplier pricing and related terms; any computer software or similar technology which is proprietary to Flour Power or the System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; knowledge of the operating results and financial performance of Flour Power Studios other than your Studio; graphic designs and related intellectual property; customer solicitation, communication and retention programs, along with data and information used or generated in connection with those programs; all data and other information generated by, or used in, the operation of the Studio, including customer names, addresses, phone numbers, pricing and other information supplied by any customer (such as credit card information or personal information), and any other information contained at any time and from time to time in your computer software or that visitors to the Studio (including you and your personnel) provide to the Flour Power Website; any materials provided to you in connection with training, seminars, or other instruction; future business plans relating to Flour Power Studios and the Flour Power franchise opportunity, including expansion and development plans; and any other information that Flour Power reasonably designates as confidential or proprietary.

All ideas, concepts, inventions, techniques, or materials concerning a Flour Power Studio, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, you assign ownership of that item, and all related rights to that item, to us and must take whatever action (including signing assignment or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

You may not use our confidential information in an unauthorized manner. You must take reasonable steps to prevent its improper disclosure to others. You agree to sign, and to cause your Owner/Operator, owners, and any other persons affiliated with you that have access to the confidential information to sign, a confidentiality agreement with Flour Power confirming your confidentiality obligations with respect to the confidential information.

ITEM 15

OBLIGATIONS TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must designate and retain an individual to serve as the "Owner/Operator" under the Franchise Agreement. You must designate your Owner/Operator within 30 days after you sign the Franchise Agreement. Unless waived by Flour Power in writing, the Owner/Operator must meet the following qualifications:

As a corporation, limited liability company, limited partnership, or any other entity, the Owner/Operator shall, at all times during which he or she serves as Owner/Operator, (i) directly or indirectly hold an ownership interest of 20% or more in your equity, (ii) unless otherwise waived by Flour Power, work on a "full time" basis in the Studio, and (iii) be fully authorized, directed and entitled to manage and control the day-to-day business affairs of you and to take any action

which you are required to take or omit to take under the Franchise Agreement, all in such Owner/Operator's sole discretion, and without the approval or joinder of any person or entity.

Flour Power only permits one person to serve as the Owner/Operator under a Franchise Agreement. The Owner/Operator is required to execute the Franchise Agreement and is bound by all of the obligations of the Franchise Agreement. You may not change your Owner/Operator without Flour Power's prior written consent.

The Owner/Operator is required to successfully complete Flour Power's initial training program. Flour Power requires that the Owner/Operator participate in the on-premises supervision of your Studio on a full-time basis. Full time is considered to be at least 40 hours per week. The Owner/Operator shall be Flour Power's sole point of contact with regard to franchise matters.

In addition to the Owner/Operator, you must appoint at least one manager to assist in the day-to-day management and supervision of your Studio. Each manager must be appointed in a timely manner in order to satisfy each manager's initial training obligation under the Franchise Agreement, must meet Flour Power's educational, managerial, and business standards, and must be approved in writing by Flour Power. Managers are not required to have any equity interest in the franchise.

The Owner/Operator and each manager must meet any other of Flour Power's standards and criteria for such positions, as set forth in the Manuals or otherwise in writing by Flour Power. The Owner/Operator and any manager must satisfy the training requirements set forth in the Franchise Agreement. If, during the term of the Franchise Agreement, the Owner/Operator or any manager is not able to continue to serve in such capacity or no longer qualifies to act as such under the Franchise Agreement, you must promptly notify Flour Power and designate a replacement within 30 days after the Owner/Operator or manager ceases to serve. Any replacement will be subject to the same qualifications listed above. You must provide for interim management of the Studio until a replacement is designated, and this interim management must be conducted in compliance with the Franchise Agreement.

You are required to retain such additional managers, instructors, and other persons as Flour Power deems necessary for the operation and management of the Studio. All such personnel must satisfy Flour Power educational and business criteria as provided to you in the Manuals or otherwise and must be individuals acceptable to Flour Power. These individuals must also satisfy the applicable training requirements set forth in the Franchise Agreement and the Manuals.

You may not employ any individual who is at the time or was at any time during the prior six months employed in a managerial or administrative position by Flour Power or any of its subsidiaries or affiliates without the prior written consent of Flour Power. As a condition to such consent, you may be required to compensate the former employer for the reasonable costs and expenses incurred by the employer in connection with the training of any replacement employee.

Under the Franchise Agreement and the Manuals, at Flour Power's request, you shall require and obtain from your Owner/Operator, and other person or entity affiliated with you who has received or will receive confidential information or training from Flour Power, the execution of covenants not to compete and to maintain the confidentiality of information they receive as part of their

employment, management or ownership relationship with your Studio. These covenants must be similar to those set forth in Article 18 of the Franchise Agreement.

Each person who owns an equity interest in you, including the Owner/Operator, is required to jointly and severally guaranty payment and performance of your obligations to Flour Power. Your spouse is also required to jointly and several guaranty payment and performance of your obligations.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You are required to use the Studio premises solely for the operation of the Studio and must maintain business hours as provided for in the Manuals or as Flour Power may specify from time to time in writing. You may not use or permit the use of the premises for any other purpose or activity at any time without first obtaining the written consent of Flour Power.

For the safety of your customers, you agree that Flour Power may in the Manuals restrict the ingredients you may use and allow others to use at, and bring into, your Studio. Flour Power currently requires that all Studios be nut-free and shellfish-free facilities.

To ensure that the highest degree of quality and service is maintained, you must operate the Studio in strict conformity with such methods, standards, and specifications as required by law and as Flour Power may from time to time prescribe in the Manuals or otherwise in writing. You must maintain in sufficient supply and use at all times only such food and beverage items, ingredients, products, materials, equipment, supplies and paper goods that conform to Flour Power's standards and specifications and that are acquired from vendors or suppliers approved by Flour Power; conduct all classes in strict accordance with the applicable lesson plan; and refrain from deviating from Flour Power's standards and specifications by the offering of non-conforming services, without Flour Power prior written consent. You are required to sell and offer for sale only such products and services as have been expressly approved for sale in writing by Flour Power; to refrain from any deviation from Flour Power standards and specifications without Flour Power's prior written consent; and to discontinue selling and offering for sale any products or services which Flour Power may, in its discretion, disapprove in writing at any time. (See Item 8). Flour Power may discard of any food item, without compensation to you, during any on-site inspection, if such food item does not meet Flour Power's standards and specifications.

You are required to offer for sale and sell at the Studio all courses and other designated products and services (including gift cards) required by Flour Power and to provide such products and services in the manner and style prescribed by Flour Power. Flour Power has the unlimited right to add, alter or discontinue the types of authorized goods and services which you may offer. You do not have the right to change the course offerings and other designated products and services which you are required to offer and sell at the Studio.

Subject to the general policies and procedures set forth in the Manuals or otherwise announced by Flour Power from time to time (and specifically including periodic promotions announced by Flour Power from time to time) you have sole discretion as to the prices to be charged to customers for the offer and sale of any products, merchandise, and services.

You are required to maintain competent, conscientious, and trained personnel to operate the Studio in compliance with the Franchise Agreement and the Manuals and to take such steps as are necessary to ensure that your employees preserve good customer relations, comply with such dress code and/or wear uniforms as Flour Power may prescribe in the Manuals or otherwise and observe reasonable standards of grooming and cleanliness.

You shall prohibit customers from bringing any food into the Studio except for cakes or cupcakes brought on-site for use during a Studio-hosted birthday party.

You shall not sell or serve at your Studio any beer, wine, or any other alcoholic beverages, provided that alcoholic beverages may be consumed at adults-only events hosted at the Studio so long as (a) the consumption of alcoholic beverages does not violate any applicable statute, regulation, or ordinance, (b) the alcoholic beverages are brought to the Studio by the customers and not provided by you, (c) the alcoholic beverages are not served by Flour Power employees.

All advertising and promotion by you in any medium must conform to the standards and specifications of Flour Power set forth in the Manuals or otherwise and all advertising and promotional plans and materials must be approved by Flour Power prior to your use of such plans and materials. For instance, you may not issue or accept any coupons or discounts off your posted prices, including without limitation Groupon® or LivingSocial® coupons, without first obtaining Flour Power's written approval.

There are no other limitations imposed by us on the persons to whom a franchisee may provide goods and services, except those imposed by the nature of the system itself.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

A. SINGLE-UNIT FRANCHISE AGREEMENT

	Provision	Section in Franchise Agreement	Summary
a	Length of the franchise term	Section 2	10 years, subject to periodic remodeling
b	Renewal or extension of the term	Section 2	If you are not in default, you can renew the franchise for up to two additional 5-year terms
c	Requirements for franchisee to renew or extend	Section 2	The "renewal" of the franchise means that you may continue to operate the franchise at the existing location for up to two additional 5 year terms provided, among other things, that you execute Flour Power's then-current Franchise Agreement

	Provision	Section in Franchise Agreement	Summary
			which may contain materially different terms and conditions from the original Franchise Agreement. The requirements for the franchisee to renew or extend the franchise term include that you pay a renewal fee of \$5,000, sign a new franchise agreement in the then-current form which may contain materially different terms and conditions, comply with the requirements of the new agreement (including higher royalties and advertising contributions, but excluding any franchise or renewal fees), remodel, give 6-12 months' notice, satisfy all monetary obligations, provide evidence of your right to possession for the renewal term, execute a release (unless prohibited by applicable local law) and comply with the then-current qualifications and training.
d	Termination by franchisee	Sections 16 and 17	You may terminate the Franchise Agreement but will be required to, among other things, make a lump sum payment of the royalty fees due for the remaining term of the Franchise Agreement (also see Item 17.i below)
e	Termination by franchisor without cause	Section 16	Flour Power has no such rights.
f	Termination by franchisor with cause	Section 16	Flour Power can terminate only if a franchisee defaults.
g	"Cause" defined – curable defaults	Section 16	Curable defaults include 7 days to cure nonpayment of monetary obligations, violations of Flour Power standards for Studio development and operations, misuse or unauthorized use of Proprietary Marks, breach of covenants (including non-competition covenants), purchase of food and beverage or other products or utilizing non-approved vendors or suppliers, unless such breaches are repeated more than twice in any 12-month period. You have 10 days to cure failure to maintain required insurance. You have 30 days to cure other breaches of the terms and conditions of the Franchise Agreement and Manuals which are not provided above, unless such breaches are repeated more than twice in any 12-month period. Your local law may supersede this provision.

	Provision	Section in Franchise Agreement	Summary
h	“Cause” defined – non-curable defaults	Section 16	Except as permitted under state law, non-curable defaults include bankruptcy or insolvency (Flour Power right to terminate the franchise upon a franchisee's bankruptcy may not be enforceable under federal bankruptcy law), material misrepresentation, failure to locate a proposed site or acquire accepted location, you lose the right to occupy the site for your Studio and fail to locate a new site, merger, consolidation or dissolution, levy or foreclosure of your assets, judgments against you, failure to complete initial training, failure to meet health and safety standards, breach of confidentiality or noncompete obligations, dishonest or unethical conduct which adversely affects the Studio’s reputation or the goodwill, you make any representation or warranty on our behalf that has not been specifically authorized, interference with our right to observe the Studio, failure to pay suppliers, understatement of Net Sales on 3 or more occasions, maintaining false books or records, submission of any false reports, failure to pay taxes, unapproved transfers, failure to open your Studio within 10 months, repeated defaults even if cured, a default under any other agreement you have with Flour Power, its subsidiaries, or affiliates, refusing to permit us to inspect the Studio or your books, records, or accounts, and violation of any anti-terrorism law. Your local law may supersede this provision.
i	Franchisee’s obligations on termination/non-renewal	Section 17	Obligations include ceasing operation of your Studio, making a lump sum payment of liquidated damages (described in Item 6), ceasing use of confidential information and the Proprietary Marks, completing the de-identification with Flour Power, at Flour Power option, assigning your lease and telephone number to Flour Power, payment of Flour Power damages, costs, and expenses and other fees, returning all Manuals, materials, files and customer lists, delivering access to all social media accounts, selling to Flour Power, at Flour Power option, all of your assets, and complying with confidentiality covenants (also see Item 17.r below).

	Provision	Section in Franchise Agreement	Summary
j	Assignment of contract by franchisor	Section 15	No restrictions on Flour Power's right to assign.
k	"Transfer" by franchisee-defined	Section 15	Includes transfer of Franchise Agreement, the Studio (or its profits, losses or capital appreciation), sale of all or substantially all of the Studio's assets, and ownership change in you or your owners
l	Franchisor approval of transfer by you	Section 15	Flour Power has the right to approve all transfers (except transfers that are not of a "controlling interest") but will not unreasonably withhold approval
m	Conditions for franchisor approval of transfer	Section 15	Except as permitted under state law, conditions include the payment of the greater of (a) \$5,000, (b) 5% of any amount you are receiving from the buyer, or (c) such greater amount as is necessary to reimburse Flour Power for its reasonable costs and expenses associated with reviewing the application for Transfer, including, without limitation, legal and accounting fees, receipt of payment of all monetary obligations, no default under any agreements, landlord allows the transfer or sublease of your lease, execution of a general release (to the extent not prohibited under applicable law), execution of an agreement by the new franchisee to assume your obligations, if required, execution of a new Franchise Agreement and other agreements, you remain liable for all of your obligations, the new franchisee completes training and otherwise qualifies, new franchisee (and its owners and affiliates) are not in a Competitive Business, we approve material terms, the new franchisee renovates the Studio as required, and you subordinate amounts due to us (also see (r) below).
n	Franchisor's right of first refusal to acquire franchisee's business	Section 15	Flour Power can match an offer for the franchisee's business.
o	Franchisor's option to purchase franchisee's business	Section 17	Flour Power has option to purchase the assets of your business upon termination of the franchise.

	Provision	Section in Franchise Agreement	Summary
p	Death or disability of franchisee	Section 15	Interest in franchise must be transferred to an approved person within 12 months in the event of death and 6 months in the event of disability.
q	Non-competition covenants during the term of the franchise	Section 18	No diverting business; no ownership interest in, performing services for, or lending money to, Competitive Business anywhere (“Competitive Business” means (i) any business which derives more than five percent (5%) of its revenue from selling cooking or etiquette lessons, parties or camps to children or (ii) any business granting franchises or licenses to others to operate the type of business specified in subparagraph (i) (other than a Flour Power Studio operated under a franchise agreement with Flour Power)).
r	Non-competition covenants after the franchise is terminated or expires	Section 18	No direct or indirect ownership interest in, or performing services for, competing business for 2 years at the premises where the Studio is located; within the Assigned Area; within a 30-mile radius of the Studio; or within 5 miles of any other Flour Power Studio in operation or in the process of opening as of date Franchise Agreement expires or is terminated
s	Modification of the agreement	Sections 25 and 26	Generally, no modifications without your consent, except Flour Power may unilaterally change the scope of the competition covenants, Proprietary Marks, and the Manual.
t	Integration/merger clause	Section 25	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u	Dispute resolution by arbitration or mediation	Section 27	Except for certain claims, all disputes must be mediated and, if not resolved, arbitrated, in North Carolina unless contrary to applicable law.
v	Choice of forum	Section 27	Litigation must be in the state courts of Wake County, North Carolina or the federal district court for the Eastern District of North Carolina, except as otherwise required by applicable law. Your local law may supersede this provision.
w	Choice of law	Section 27	North Carolina law applies except as otherwise required by applicable state law. Your local law may supersede this provision.

	Provision	Section in Franchise Agreement	Summary
x	Other	Attachment F	Your spouse is required to jointly and severally guaranty your performance and payment of the franchised business.

B. DEVELOPMENT AGREEMENT

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

	Provision	Section in Development Agreement	Summary
a.	Length of the development agreement term	7.1	The Development Agreement will commence on the date it is fully-executed and end on the last day of the calendar month that the final Franchised Business is required to be opened and operating under the Mandatory Development Schedule.
b.	Renewal or extension of the term	Not Applicable	Not Applicable.
c.	Requirements for developer to renew or extend	Not Applicable	Not Applicable.
d.	Termination by developer	Not Applicable	Not Applicable.
e.	Termination by franchisor without cause	Not Applicable	Not Applicable.
f.	Termination by franchisor with cause	7.2	We may terminate the Development Agreement for cause.
g.	Cause defined – curable defaults	7.2	We may terminate the Development Agreement if you fail to meet your development obligations under the Development Agreement during the Development Period and fail to cure such default within thirty days of receiving notice thereof.

	Provision	Section in Development Agreement	Summary
h.	Cause defined – non-curable defaults	7.2	We may terminate the Development Agreement if: (i) you cease to actively engage in development activities in the DDA or otherwise abandon your development business for three consecutive months, or any shorter period that indicates an intent by you to discontinue development of the Franchised Businesses within the DDA; (ii) you become insolvent or are adjudicated bankrupt, or if any action is taken by you, or by others against the you, under any insolvency, bankruptcy or reorganization act, or if you make an assignment for the benefit of creditors or a receiver is appointed by you; or (iii) any Franchise Agreement that is entered into in order to fulfill your development obligations under the Development Agreement is terminated or subject to termination by us, pursuant to the terms of that Franchise Agreement.
i.	Developer's obligations on termination/ non-renewal	Not Applicable	If we terminate your Development Agreement, then any franchised units that were opened prior to the termination shall remain effective. If any of your franchise agreements signed pursuant to the Development Schedule are terminated, then your rights under the Development Agreement are terminated as well.
j.	Assignment of contract by us	8	We have the right to assign our rights under the Development Agreement.
k.	"Transfer" by you - definition	9	Any transfer in you (if you are an entity) or your rights/obligations under the Development Agreement.
l.	Our approval of transfer by developer	9	You may not transfer any rights or obligations under the Development Agreement without our prior written consent.
m.	Conditions for our approval of transfer	Not Applicable	Not Applicable.
n.	Our right of first refusal to acquire your business	Not Applicable	Not Applicable.
o.	Our option to purchase your business	Not Applicable	Not Applicable.

	Provision	Section in Development Agreement	Summary
p.	Your death or disability	Not Applicable	Not Applicable.
q.	Non-competition covenants during the term of the development business	Not Applicable	Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement.
r.	Non-competition covenants after the development business is terminated or expires	Not Applicable	Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement.
s.	Modification of the Development Agreement	28	Any modification of the Development Agreement must be in writing and signed by both parties.
t.	Integration/merger clauses	28	Only the terms of the Development Agreement are binding (subject to state law). Any representations or promises made outside of the Disclosure Document and the Development Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	12, 13, and 14	Except for certain claims, all disputes must be mediated and, if not resolved, arbitrated, in North Carolina unless contrary to applicable law.
v.	Choice of forum	16	Litigation must be in the state courts of Wake County, North Carolina or the federal district court for the Eastern District of North Carolina, except as otherwise required by applicable law. Your local law may supersede this provision.
w.	Choice of law	12	North Carolina law applies except as otherwise required by applicable state law. Your local law may supersede this provision.
x.	Spousal Guaranty	Attachment F to the Franchise Agreement	Your spouse is required to jointly and severally guaranty payment and performance of all franchised businesses you develop pursuant to the Development Agreement.

ITEM 18 PUBLIC FIGURES

Flour Power currently does not use, compensate or provide any benefit to any public figure to promote its franchise, but reserves the right to do so in the future.

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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections for your future income, you should report it to our management by contacting Robert Maynard at 445 South Main Street, 4th Floor, Davidson, North Carolina 28036, [\(919\) 435-8261](tel:9194358261), the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table 1 System-wide Outlets Summary For years 2019 through 2021				
Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2019	6	10	+4
	2020	10	13	+3
	2021	13	15	+2
Company Owned	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Total Outlets	2019	6	10	+4
	2020	10	13	+3
	2021	13	15	+2

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Table 2 Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor) for Years 2019 through 2021		
Column 1	Column 2	Column 3
State	Year	Number of Transfers
North Carolina	2019	0
	2020	0
	2021	0
Totals	2019	0
	2020	0
	2021	0

Table 3 Status of Franchise Outlets for Years 2019 through 2021								
Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Colorado	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Georgia	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
Michigan	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
North Carolina	2019	6	2	0	0	0	0	8
	2020	8	0	0	0	0	0	8
	2021	8	0	0	0	0	0	8
South Carolina	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
Tennessee	2019	0	0	0	0	0	0	0
	2020	0	2	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Texas	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1

Totals	2019	6	4	0	0	0	0	10
	2020	10	3	0	0	0	0	13
	2021	13	2	0	0	0	0	15

*We had one outlet that was reacquired by the Franchisor in 2019, but it was sold to a franchisee in the same year. See Table 4.

Table 4 Status of Company-Owned Outlets for Years 2019 through 2021							
Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired From Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of Year
North Carolina	2019	0	0	1	0	1	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
Totals	2019	0	0	1	0	1	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0

Table 5 Projected Openings As of December 31, 2021			
Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	0	0	0
Colorado	0	2	0
Florida	0	2	0
Georgia	0	2	0
Illinois	0	1	0
Indiana	0	0	0
Maryland	0	0	0
New Jersey	0	1	0
North Carolina	0	2	0
Ohio	0	0	0
Pennsylvania	1	1	0
South Carolina	1	1	0

Tennessee	0	0	0
Texas	2	2	0
Virginia	0	0	0
Totals	4	14	0

Franchisee Contact Information

Below is a list of our franchisees as of 12/31/2021:

Delightful Creations LLC
Attn: Chris Logue
2030 E. County Line Rd.
Highlands Ranch, CO 80126
(720) 656-9405

Brilliant Kids, LLC
Attn: Anne Ward
11120 Golf Links Drive
Charlotte, NC 28277
(704) 996-5649

REIVIS LLC
Attn: Lindsay Sivier
17941 Haggerty Rd.
Northville, MI 48168
(248) 349-5305

TREA Ventures, LLC
Attn: Riann and Travis Potts
685 Castleberry Rd.
Clayton, NC 27520
(919) 612-5468

My4Kids LLC (2 Locations)
Attn: Tammy Herr
1128 Parkside Main Street
Cary, NC 27519
(919) 780-2931

S & N Holdings, Inc.
Attn: Sha Bolling
21714 Catawba Ave., Suite A-1
Cornelius, NC 28031
704-929-2884

and

244 Grand Hill Place
Holly Springs, NC 27540
(919) 607-4288

Avron Group FP, LLC
Attn: Todd Mozingo
10511 Shadowlawn Drive, Suite 117
Raleigh, NC 27614
(919) 757-1798

Step By Step Management Company (2 Locations)
Attn: Ginger Cason
8438 Park Road
Charlotte, NC 28210
(704) 759-4337

Avron Group Midtown, LLC
Attn: Todd Mozingo
201-106 Park at North Hills Street
Raleigh, NC 27609
(919) 889-7257

and

810 Brayden Pkwy.
Fort Mill, SC 29708
(803) 231-9635

Ruby Girl, Inc.
Attn: Ashleen Scheuer
304 Wood Duck Road
Columbia, SC 29223
(803) 260-3818

*Not Open as of 12/31/21

The Kelly Group LLC
Attn: Kelly Longmire
117 Lovell Road
Knoxville, TN 37934
(865) 437-6488

Kids A-STEAM LLC
Attn: Angie Foster
1006 Estes Park Drive
Allen, TX 75013
(972) 207-4336

Hat Trick Studios, LLC
131 S. Main Street
Alpharetta, GA 30009
(470) 760-6460

Kids B-Steam LLC
TBD
(855) 735-7797
*Not Open as of 12/31/2021

Amy L Knight LLC
Attn: Amy Knight
4655 William Flynn Hwy
Allison Park, PA 15101
(330) 931-1744
*Not Open as of 12/31/2021

WinniePoo Enterprises, LLC
314 E. Hickory Street
Denton, TX 76201
(940) 343-5515
*Not Open as of 12/31/2021

Blue De Lis, LLC
Attn: Shannon Miller
330 Franklin Road, Suite 110A
Brentwood, TN 37934
(865) 437-6488

There are no franchisees who had an outlet terminated, canceled, 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 Disclosure Document issuance date.

As of this Disclosure Document issuance date, we do not have any Area Developers.

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

Confidentiality Agreements

During the last three years, in some instances, current and former franchisees have signed provisions restricting their ability to speak openly about their experience with Flour Power Business Development, Inc. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Franchisee Associations

We have no trademark-specific franchisee association. There are no independent franchisee organizations who have asked to be included in this disclosure document.

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ITEM 21
FINANCIAL STATEMENTS

Attached as **Exhibit C** to this Disclosure Document are our audited financial statements for the years ending December 31, 2021, December 31, 2020, and December 31, 2019. Our fiscal year end is December 31.

ITEM 22
CONTRACTS

Attached to this Disclosure Document are copies of all proposed agreements that are part of this franchise offering, including the following:

Exhibit A --Franchise Agreement including ACH Authorization, Franchisee Questionnaire, Consent and Release for Training, Lease Rider, and Guaranty.

Exhibit B --Development Agreement

ITEM 23
RECEIPTS

Our and your copies of the receipt to this Disclosure Document are located at the last 2 pages of this Disclosure Document.

[END OF DISCLOSURE DOCUMENT]

EXHIBIT A TO FRANCHISE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

**FLOUR POWER BUSINESS DEVELOPMENT INC.
FRANCHISE AGREEMENT**

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**FLOUR POWER BUSINESS DEVELOPMENT INC.
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made and entered into and effective on the effective date stated below (the “**Effective Date**”), by and between Flour Power Business Development, Inc., a North Carolina corporation (“**Flour Power**” or “**Franchisor**”), and the party identified below in the Franchisee Summary as the Franchisee, hereinafter referred to as the “**Franchisee**” or “**you**”. The purpose of this Agreement is to set forth the terms and conditions of the business relationship between Franchisor and the Franchisee.

FRANCHISEE SUMMARY

EFFECTIVE DATE (Date Executed by Franchisor): _____

TERM: _____

ASSIGNED AREA: _____

TEMPORARY ZONE: _____

REQUIRED OPENING DATE: _____

FRANCHISEE: _____

BUSINESS ENTITY TYPE:
formed under the laws of: _____

FRANCHISEE’S ADDRESS: _____

FRANCHISEE’S TELEPHONE: _____

FRANCHISEE’S E-MAIL ADDRESS: _____

Franchise Fee: \$50,000	Royalty: 7% Of Net Sales per week; a minimum of \$1,250 per month beginning in your 4 th month of operation if 7% of Net Sales for any given month is less than \$1,250.	Brand Fund: 2% of Net Sales each month.	Software License Fee: \$300 per month
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Recitals

WHEREAS, Flour Power has acquired the right to develop and as a result of the expenditure of time, skill, effort and money has developed, a system relating to the establishment and operation of a kids cooking studio under the name and mark “FLOUR POWER” (each a “**Studio**”) featuring cooking classes, parties, camps, kids nights out, and etiquette programs (the “**System**”);

WHEREAS, the distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, decor, color scheme and furnishings; particular classes, curricula, recipes, and schedules; uniform standards, specifications, and procedures for operations, quality, and uniformity of products and services; inventory and management control, training; and assistance and advertising and promotional programs; all of which may be changed, improved, and further developed by Flour Power from time to time;

WHEREAS, Flour Power has determined to continue development of the System through the granting of franchises using certain trade names, service marks, trademarks, symbols, logos, name and emblems, and indicia of origin, including but not limited to the mark “FLOUR POWER” and such other trade names, service marks, and trademarks as Flour Power may develop in the future to identify for the public the source of services and products marketed under these marks and under the System and representing the System’s high standards of quality, appearance, and service (collectively, the “**Proprietary Marks**”);

WHEREAS, you acknowledge the importance of Flour Power high standards of quality, cleanliness, appearance, and customer service and the necessity of operating the business franchised hereunder in conformity with Flour Power standards and specifications; and

WHEREAS, you desire to use the System in connection with the operation of a Studio under the name “Flour Power” at the location specified hereunder as well as to receive and apply the training and other assistance provided by Flour Power in connection therewith;

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

1. FRANCHISE

1.1 **GRANT.** Flour Power hereby grants to you, upon the terms and conditions in this Agreement, the right and franchise, and you undertake the obligation, to develop and operate a “Flour Power” Studio (your “**Studio**” or “**franchised business**”) and to use, solely in connection with your operation of the Studio, the Proprietary Marks and the System, as such may be changed, improved, and further developed by Flour Power from time to time, at the Accepted Location (as defined in **Section 1.1**) within the Assigned Area (as defined in **Section 1.3**).

1.2 **ACCEPTED LOCATION.** The “**Accepted Location**” shall be the leased site for your Studio accepted by Flour Power in writing pursuant to **Section 7.4**. You shall not relocate the franchised business without the prior written consent of Flour Power. This Agreement does not grant you the right or franchise to operate the Studio or to offer or sell any products or services described under this Agreement at or from any other location.

1.3 **ASSIGNED AREA.** Your “Assigned Area” is the geographic area identified on the first page of this Agreement. The Assigned Area must fall within the geographic area identified as the temporary zone on the first page of this Agreement (“**Temporary Zone**”). Prior to your designation and Flour Power’s acceptance of your proposed Studio location, Flour Power may grant to other franchises the right to open and operate Studios within the Temporary Zone. You acknowledge that the Temporary Zone is large enough for you to locate a Studio within such Temporary Zone, and the Assigned Area is large enough for you to operate a Studio within such Assigned Area. Flour Power will not establish and operate or license or authorize any other party to establish or operate a Flour Power Studio within the Assigned Area for the balance of the Term of this Agreement. Except as expressly limited by the previous sentence, Flour Power retains all rights with respect to the Studios, the Proprietary Marks, the sale of similar or dissimilar products and services, and any other activities Flour Power deems appropriate whenever and wherever Flour Power desires. Specifically, but without limitation, Flour Power reserves the following rights:

A. the right to operate, and to grant others the right to operate Flour Power Studios located anywhere outside the Assigned Area under any terms and conditions Flour Power deems appropriate and regardless of proximity to your Studio;

B. the right to advertise and promote the System in the Assigned Area;

C. the right to provide, offer and sell (and authorize others to provide, offer and sell) products and services that are identical or similar to and/or competitive with those products and services provided at Flour Power Studios, whether identified by the Proprietary Marks or other trademarks or service marks, through alternative distribution channels other than a Studio, including, without limitation, the internet or similar electronic media, in-home services and in-home cooking kits both inside and outside the Assigned Area and on any terms and conditions Flour Power deems appropriate;

D. the right to establish and operate, and to grant to others the right to establish and operate, businesses offering dissimilar products and services, both inside and outside the Assigned Area under the Proprietary Marks and on any terms and conditions Flour Power deems appropriate;

E. the right to establish and operate, and to grant to others the right to establish and operate, businesses offering similar or dissimilar products and services through similar or alternative channels of distribution, at any locations inside or outside the Assigned Area under trademarks or service marks other than the Proprietary Marks and on any terms and conditions Flour Power deems appropriate;

F. the right to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Studios, and franchising, licensing, or creating similar arrangements with respect to these businesses once acquired, wherever these businesses are located or operating (including in the Assigned Area); and

G. the right to be acquired (whether through acquisition of assets, ownership interests, or otherwise, regardless of the form of the transaction), by a business providing products and services similar to those provided at Studios, or by another business, even if such business operates, franchises, or licenses Competitive Businesses (as defined in **Section 18**) in the Assigned Area.

2. TERM AND RENEWAL

2.1 **INITIAL TERM.** Except as otherwise provided herein, the initial term of this Agreement shall expire ten (10) years from the Effective Date of this Agreement.

2.2 **RENEWAL.** To the extent permitted under applicable state law, you may, at your option, renew the franchise granted hereunder for up to two additional, successive renewal terms of five (5) years each. Each such renewal shall be subject to the following conditions, all of which (as determined by Flour Power) must be satisfied prior to such renewal:

A. You shall give Flour Power written notice of your election to renew not less than six (6) months nor more than twelve (12) months prior to the end of the initial term or first renewal term, as applicable;

B. You shall repair or replace, at your cost and expense, equipment, (including computer hardware and software), signs, interior and exterior decor items, fixtures, furnishings, supplies, and other products and materials required for the operation of your Studio as Flour Power may reasonably require, and you shall obtain, at your cost and expense, any new or additional equipment, fixtures, supplies, and other products and materials which may be reasonably required by Flour Power for you to offer and sell new services from your Studio and shall otherwise modernize your Studio premises (including, without limitation, the modernization of your Studio to conform to Flour Power then-current Studio specifications and requirements), equipment (including computer hardware and software), signs, interior and exterior decor items, fixtures, furnishings, supplies, and other products and materials required for the operation of your Studio, as reasonably required by Flour Power to reflect the then-current standards and image of the System as contained in the Manuals (as defined in **Section 3.8**) or otherwise provided in writing by Flour Power; provided, that (a) you shall not be required to modernize your Studio more frequently than once every five (5) years, (b) Flour Power shall provide you with a reasonable time period within which to effect such repairs, replacements, or acquisitions, and (c) the total cost of such repairs, replacements or acquisitions during any five (5) year period shall not exceed Forty Thousand Dollars (\$40,000.00);

C. You shall not be in default of any provision of this Agreement or any other agreement between you and Flour Power or its subsidiaries or affiliates; and you shall have substantially and timely complied with all the terms and conditions of this Agreement and such other agreements during their terms;

D. You shall have satisfied all monetary obligations owed by you to Flour Power and its subsidiaries and affiliates under this Agreement and any other agreement between you and Flour Power or its subsidiaries or affiliates and shall have timely met those obligations throughout the term thereof;

E. You shall present evidence satisfactory to Flour Power that you have the right to remain in possession of the Accepted Location for the duration of the renewal term of this Agreement;

F. You shall execute Flour Power's then-current form of franchise agreement, and your Owner/Operator (as defined in **Section 8.1**) and Investors (as defined in **Section 26.3.K**) shall

execute a personal guaranty for the renewal term, which agreement shall supersede this Agreement and any prior franchise agreement relating to your Studio in all respects, and the terms of which may differ from the terms of this Agreement and may include, without limitation, a higher royalty fee, Brand Fund (as defined in **Section 3.6**) contribution, or minimum advertising expenditure requirement;

G. You shall pay Flour Power a franchise renewal fee of Five Thousand Dollars (\$5,000.00) for each renewal;

H. To the extent not prohibited by applicable law, you and your Owner/Operator and Investors shall execute a general release, in a form prescribed by Flour Power, of any and all claims you may have, of whatever nature or kind, against Flour Power and its subsidiaries and affiliates and their respective officers, directors, shareholders, partners, employees, servants, representatives, independent contractors and agents, in their corporate and individual capacities, including without limitation, claims arising under this Agreement and any other agreement between you and Flour Power or its subsidiaries or affiliates and under any federal, state, and local laws, rules, and ordinances; and

I. You shall comply with Flour Power's then-current qualification and training requirements.

3. FLOUR POWER DUTIES.

Flour Power shall provide the following services and assistance to you:

3.1 SITE SELECTION.

Flour Power shall provide a site evaluation; provided, however, that (i) Flour Power shall not provide site evaluation for any proposed site prior to the receipt of all required information and materials concerning such site prepared pursuant to **Section 7**, and (ii) site evaluations may be done remotely at Flour Power's discretion. Flour Power will provide up to three (3) site evaluations for your Studio.

3.2 **DESIGN PLANS.** You shall contract with an architect to design your Flour Power Studio, provided that all architectural designs must be approved by us.

3.3 **TRAINING.** Flour Power shall provide an initial training program for certain of your personnel in accordance with **Section 9** and shall make available such other training programs and seminars as it deems appropriate. All training provided by Flour Power shall be in accordance with **Section 9**.

3.4 **INITIAL PURCHASE.** Flour Power shall provide you assistance and advice concerning equipment and will specify your opening inventory selection and purchasing in connection with the opening of your Studio.

3.5 **PRE-OPENING, OPENING AND OPERATING ASSISTANCE.** Flour Power shall provide you with "pre-opening assistance" in accordance with Flour Power "stages and phases" program, and shall provide you with opening supervision and assistance and thereafter such

additional advisory assistance in the operation of the franchised business during the term of this Agreement as set forth in **Section 9**.

3.6 BRAND FUND. Flour Power has established a system-wide brand fund (the “**Brand Fund**”) promoting the System in accordance with **Section 5.8**. Flour Power may modify or terminate the Brand Fund at any time in accordance with **Section 5.8** and provide for the advertisement and promotion of your Studio and the System by such other methods as set forth in **Section 5**.

3.7 ADVERTISING AND PROMOTIONAL MATERIALS. Flour Power may, from time to time, make available to you at a reasonable cost certain advertising and promotional materials and information developed by Flour Power for your use in marketing and conducting local advertising for your Studio. Flour Power shall have the right to review and approve or disapprove all advertising and promotional materials that you propose to use pursuant to **Section 5** and **Section 8**.

3.8 OPERATING MANUALS AND SOFTWARE. Flour Power shall provide you with access to one (1) set of the franchise manual (the “**Franchise Manual**”) and such other manuals, written materials (collectively, as the same may be revised by Flour Power from time to time, the “**Manuals**”) and software programs as Flour Power may, from time to time, develop for use in the franchised business, as more fully described in **Section 8** and **Section 11**. Alternatively, Flour Power may, as Flour Power deems appropriate, make the Franchise Manual and such other Manuals available to you through an established on-line website. You will be required to utilize computer hardware and software pursuant to **Section 8.13**. Flour Power or Flour Power’s approved vendor or supplier shall also make available to you, from time to time, any upgrades, enhancements, or replacements to the software that are developed by or on behalf of Flour Power, at such cost as Flour Power makes such upgrades, enhancements, and replacements available to other franchisees operating under the System.

3.9 TRAINING MATERIALS. Flour Power may create, from time to time, training materials. Upon request, Flour Power shall make available to you, from time to time, on loan, these materials at such cost as Flour Power makes such materials available to other franchisees operating under the System.

3.10 ONGOING SEMINARS, ETC. Flour Power may, from time to time, in its discretion, conduct meetings and organize and conduct seminars and other related activities regarding the System for franchisees generally. Flour Power may require your attendance at such events. Except as approved by Flour Power, any costs incurred by you or your Studio personnel in attending such events shall be your responsibility. Any video or audio tapes relating to such meetings and seminars will be made available to you at such cost as Flour Power makes such materials available to other franchisees operating under the System.

3.11 ONGOING INSTRUCTIONAL MATERIALS. Flour Power may provide to you, from time to time as Flour Power deems appropriate, advice and written materials concerning techniques of managing and operating your Studio, including new developments and improvements in cooking equipment, ingredients, instruction, and preparation. We reserve the right to modify any instructional or Operation Manuals throughout the term of your Agreement. Except as set forth

herein, you are responsible for the training of your employees in accordance with Flour Power standards.

3.12 LIST OF APPROVED SUPPLIERS AND PREFERRED VENDORS. Flour Power shall provide you, following execution of this Agreement and thereafter from time to time as Flour Power deems appropriate during the term of this Agreement, with a list of Flour Power approved suppliers and preferred vendors as described in **Section 8.12**.

3.13 PROPRIETARY PRODUCT SALES. Flour Power may make available at a reasonable cost and, at its option, may require you to purchase from Flour Power or an affiliate for resale to your customers, certain promotional merchandise identifying the System (such as gift certificates, T-shirts, aprons, kitchen utensils, and caps), in amounts sufficient to meet your customer demand.

3.14 MAINTENANCE OF STANDARDS. Flour Power shall seek to maintain the high standards of quality, appearance, and service of the System, and accordingly may, as it deems advisable and as more fully described throughout this Agreement (including in **Sections 8.11 and 13.3**), (i) inspect and audit your Studio and its books, records, and tax returns; (ii) evaluate the products sold and services rendered at your Studio and remove samples or products and supplies; (iii) photograph your Studio and observe and videotape its operation for consecutive or intermittent periods Flour Power deems necessary; and, (iv) interview/survey your Studio's personnel and customers. If any inspection, audit, evaluation or interview/survey discloses a failure by you to operate the Studio in accordance with the Flour Power standards and specifications, then Flour Power may require you to undertake additional training. Flour Power shall determine the duration of the training and the number of trainers in its sole discretion. You agree to pay Flour Power a reasonable fee plus all travel and living expenses which Flour Power's trainers incur during such additional training.

4. FRANCHISE AND ROYALTY FEES

4.1 FRANCHISE FEE. You shall pay Flour Power an initial franchise fee ("**Franchise Fee**") in an amount equal to Fifty Thousand dollars (\$50,000.00) upon the execution of this Agreement. Such initial Franchise Fee shall be nonrefundable.

4.2 ROYALTY FEES. You shall pay a continuing nonrefundable royalty fee throughout the term of this Agreement, equal to 7% of the Net Sales (as defined in **Section 4.6**) of your Studio, which shall be due and payable and shall be electronically drafted on your designated bank account on or before the Monday following the calendar week to which such payments relate. If the date on which such payments would otherwise be due is not a business day, then payment shall be due and drafted upon on the next business day. You shall not be entitled to withhold any payments due to Flour Power on grounds of alleged non-performance by Flour Power under this Agreement. The calendar week for which royalty fees are due is sometimes referred to as the "**Sales Period**". Beginning on the 4th month that your Studio is processing payments, you shall pay Flour Power a minimum royalty fee of One Thousand Two Hundred Fifty Dollars (\$1,250) per month if your total royalty fees for any given month will equal less than One Thousand Two Hundred Fifty Dollars (\$1,250.00).

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4.3 **SALES REPORT.** You shall, during the term of this Agreement on or before the fifth (5th) day of each calendar month, submit to Flour Power a statement (the “**Monthly Sales Report**”), signed by you, setting forth (i) your Studio’s Net Sales for each Sales Period during the previous calendar month, (ii) the amount of the royalty fee due for each Sales Period during the prior calendar month, and (iii) the Brand Fund contribution due for each Sales Period during the prior calendar month. In addition, you shall submit to Flour Power on a daily or weekly basis, in such manner as Flour Power may require, a report detailing your Studio’s Net Sales for the current Sales Period prior to the time that your royalty fees and Brand Fund contribution for such Sales Period is due and payable.

4.4 **ACH TRANSFERS.** All payment of royalty fees, Brand Fund contributions, and any other sums owed to Flour Power hereunder shall be made by ACH electronic transfer drawn upon your account at your bank. Such payments shall be determined based upon information retrieved by Flour Power from the Software System (as defined in **Section 8.13**) regarding the applicable weekly Sales Period. You agree to accept Flour Power calculation of the royalty fees and Brand Fund contributions due hereunder absent manifest mathematical error. You shall execute and deliver to Flour Power the ACH authorization in the form attached as **Attachment A** hereto (or such other form as may be required by Flour Power or its bank). You further covenant to maintain your account identified in the ACH transfer authorization throughout the term of this Agreement and to maintain within such account such funds as are necessary to process the payment and transfer of royalty fees or Brand Fund contributions from time to time.

4.5 **LATE PAYMENTS.** If any payment or fee due under this Agreement is not paid by you when the payment or fee is due, you shall pay Flour Power, in addition to the overdue amount, interest on such amount from the date it was due until paid at the rate of fifteen percent (15%) per annum, or the maximum rate permitted by law, whichever is less. In addition, you shall reimburse Flour Power for any out-of-pocket expenses incurred by Flour Power in connection with any such late payment or the collection of any such late payment. If any payment or fee due under this agreement is returned NSF, you shall pay to Flour Power an additional amount of Thirty-Five Dollars (\$35.00) for each NSF occurrence. Any failure to comply with this **Section 4.5** shall be an event of default under **Section 16**. Flour Power entitlement to such interest shall be in addition to any other remedies Flour Power may have in law or in equity, arising under this Agreement or otherwise.

4.6 **NET SALES.** As used in this Agreement, “**Net Sales**” shall include all revenue you derive from operating the franchised business, including, but not limited to, all amounts that you receive at or away from the Studio for classes, camps, parties, other events and the sale of merchandise (e.g., T-shirts, aprons, kitchen utensils, etc.), and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions and all other income of every kind and nature related to the Studio and franchised business, but (1) excluding all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority and (2) reduced by the amount of any documented refunds, credits, allowances, and charge-backs the Studio in good faith gives to customers.

4.7 **SOFTWARE LICENSE FEE.** You are required to pay Flour Power a software license fee in the amount of Three Hundred Dollars (\$300.00) each month (“**Software License Fee**”). The Software License Fee is payable with your first weekly payment each month. Flour Power may

modify the Software License Fee once a calendar year on at least 60 days' prior written notice to cover the costs of technology development or the implementation of new technology.

5. ADVERTISING AND RELATED FEES

5.1 **PARTICIPATION.** You shall participate actively in and comply with all advertising, marketing, and sales promotion programs in complete accordance with the terms and conditions established by Flour Power for each program, subject to restrictions imposed by applicable law. Flour Power's procedures, standards, and specifications shall be final and binding upon you in all aspects of these programs, including without limitation, the type, quantity, timing, placement, and choice of media, market areas, and advertising agencies, to the extent permitted by law.

5.2 **STUDIO OPENING.** You shall carry out a Studio opening promotion relating to the opening of your Studio in accordance with the Manuals or as otherwise required by Flour Power. Any advertising and promotional campaigns used by you in connection with such Studio opening promotion must be approved by Flour Power prior to use. You shall comply with the direct and local advertising and promotional campaign for Studio openings devised by Flour Power and adapted for your Assigned Area. During the period beginning sixty (60) days prior to your scheduled Studio opening and continuing for thirty (30) days after your Studio opens, you shall spend, or pay to Flour Power if directed by Flour Power, at least Five Thousand Dollars (\$5,000.00) (the "**Studio Opening Promotion Funds**") to promote the opening of the Studio. Within thirty-five (35) days after the Studio opens, you shall deliver to Flour Power a full accounting of the Studio Opening Promotion Funds.

5.3 **LOCAL MARKETING.** You shall build Flour Power brand awareness in your Assigned Area through direct local marketing and promotion of your Studio. You must spend, or pay to Flour Power if directed by Flour Power, at least 1% of Net Sales each week for local marketing and promotion. You shall furnish to Flour Power, on a monthly basis, supporting documentation evidencing your efforts. Any advertising and promotional materials must be approved by Flour Power prior to use.

5.4 **GIFT CERTIFICATES.** Flour Power has established and administers a promotional gift certificate acceptance program. You shall honor any such gift certificate presented at your Studio for the purchase of classes or events, even if it was purchased at another franchise location. Gift certificates will be handled in the following manner:

A. **Charitable Gift Certificates.** You agree to follow the guidelines set forth in the Manuals with respect to your donation of gift certificates to non-profit organizations. Charitable gift certificates will only be redeemable at the Studio where they were issued.

B. You will be paid according to the policy set forth in the manual for the gift certificate that you accept.

5.5 **WEBSITE INTERNET PROMOTIONS.** In order to avoid causing public confusion, you are prohibited from establishing and operating a URL website relating to your Studio. Flour Power has established and intends (but is not obligated) to maintain a website under the domain name "FlourPowerStudios.com" (the "**Flour Power Website**"). You authorize Flour Power to identify and promote your Studio on the Flour Power Website. Flour Power may (but is not

obligated) to allow you to establish social media accounts or a subpage of the Flour Power Website promoting your Studio, subject to guidelines and restrictions in the Manuals or promulgated by Flour Power from time to time. You agree that you will not create any such social media accounts without first obtaining Flour Power's consent. You agree that you will not create a website to facilitate the operation of your Studio, including without limitation any website designed to disseminate documents or information to your staff.

5.6 PRICING; PARTICIPATION IN PROMOTIONS; CHARITABLE WORKS. You shall offer services and sell your merchandise in accordance with Flour Power pricing guidance set forth in the Manuals or otherwise in writing. You agree not to issue or accept any coupons or discounts off your posted prices, including without limitation Groupon® or LivingSocial® coupons, without first obtaining Flour Power's written approval. You acknowledge and agree that periodic discounts, giveaways and other promotions are an integral part of the System. Therefore, you agree to offer and participate in any required discounts, giveaways and other promotions at your sole cost and expense, in accordance with Flour Power's specifications. You further agree to honor the discounts, giveaways and other promotions offered by other Flour Power Studio franchisees under any such program Flour Power establishes, as long as such compliance does not contravene any applicable law, rule or regulation. You shall offer at least one class monthly, without charge, to children with special needs, in accordance with Flour Power's instructions and guidelines.

5.7 GENERAL STANDARDS. All advertising and promotion by you in any medium shall be conducted in a dignified manner and shall conform to the standards and requirements of Flour Power as set forth in the Manuals or otherwise in writing. You must obtain Flour Power approval of all advertising and promotional plans and materials prior to use if such plans and materials have not been prepared by Flour Power or previously approved by Flour Power during the six (6) months prior to their proposed use. You shall submit such unapproved plans and materials to Flour Power and Flour Power shall approve or disapprove such plans and materials within thirty (30) days of Flour Power receipt thereof. You shall not use such unapproved plans or materials until they have been approved by Flour Power, and upon notice from Flour Power, you shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved. You hereby grant to Flour Power the right to use, copy, display, and publish on its website or social media accounts any photographs or videos that you use in connection with the advertising or promotion of your Studio. Upon Flour Power's request, you will provide high-resolution copies of such photographs or videos.

5.8 BRAND FUND. Recognizing the value of advertising and marketing to the goodwill and public image of Flour Power Studios, Flour Power has established a Brand Fund for the advertising, marketing, and public relations programs and materials Flour Power deems appropriate. You agree to contribute to the Brand Fund in the amount of 2% of your Studio's Net Sales for the prior month payable in the same manner as the royalty fees as set forth in **Section 4**.

Flour Power has the right to collect for deposit into the Brand Fund any advertising, marketing, or similar allowances paid to Flour Power by suppliers who deal with Flour Power Studios and with whom Flour Power has agreed that it will so deposit these allowances. (These payments are different from those which are not designated by suppliers to be used exclusively for advertising or similar purposes, and which Flour Power and its affiliates therefore may use for any purposes they deem appropriate, as provided in **Section 8.12**.)

Flour Power will direct all programs that the Brand Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Brand Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining the Flour Power Website or other website and/or related strategies; administering regional and multi-regional marketing and advertising programs, including, without limitation, purchasing trade journal, direct mail, and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities.

The Brand Fund may periodically give you samples of advertising, marketing, and promotional formats and materials at no cost. Flour Power will sell you multiple copies of these materials at its direct cost of producing them, plus any related shipping, handling, and storage charges.

Flour Power will account for the Brand Fund separately from its other funds and not use the Brand Fund for any of its general operating expenses. However, Flour Power may use the Brand Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Brand Fund, the Brand Fund's other administrative costs, travel expenses of personnel while they are on Brand Fund business, meeting costs, overhead relating to Brand Fund business, and other expenses that Flour Power incurs in activities reasonably related to administering or directing the Brand Fund and its programs, including, without limitation, conducting market research, public relations, preparing advertising, promotion, and marketing materials, and collecting and accounting for Brand Fund contributions.

The Brand Fund will not be Flour Power's asset. Although the Brand Fund is not a trust, Flour Power will hold all Brand Fund contributions for the benefit of the contributors and use contributions only for the purposes described in this **Section 5.8**. Flour Power does not owe any fiduciary obligation to you for administering the Brand Fund or any other reason. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund contributions in that year, borrow from Flour Power or others (paying reasonable interest) to cover deficits, pay back outstanding principal amounts borrowed in prior years from Flour Power or third parties, or invest any surplus for future use. Flour Power will use all interest earned on Brand Fund contributions to pay costs before using the Brand Fund's other assets.

Flour Power will prepare an annual, unaudited statement of Brand Fund collections and expenses and give you the statement upon written request. Flour Power reserves the right, in its sole determination, to have the Brand Fund audited annually at the Brand Fund's expense by an independent certified public accountant. Flour Power may incorporate the Brand Fund or operate it through a separate entity whenever Flour Power deems appropriate. The successor entity will have all of the rights and duties specified in this **Section 5.8**.

Flour Power intends the Brand Fund to maximize recognition of the Proprietary Marks and patronage of Flour Power Studios. Although Flour Power will try to use the Brand Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all Flour Power Studios, Flour Power need not ensure that Brand Fund expenditures in or affecting any geographic area are proportionate or equivalent to Brand Fund contributions by Flour Power Studios operating in that geographic area or that any Flour Power Studio benefits

directly or in proportion to its Brand Fund contribution from the development of advertising and marketing materials or the placement of advertising and marketing.

Flour Power has the right, but no obligation, to use collection agents and institute legal proceedings to collect Brand Fund contributions at the Brand Fund's expense. Flour Power also may forgive, waive, settle, and compromise all claims by or against the Brand Fund. Except as expressly provided in this **Section 5.8**, Flour Power assumes no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Brand Fund.

Flour Power may at any time defer or reduce contributions of a Flour Power Studio franchisee and, upon thirty (30) days' prior written notice to you, reduce or suspend Brand Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund. If Flour Power terminates the Brand Fund, Flour Power will distribute all unspent monies to its franchisees, and to Flour Power and its affiliates, in proportion to their respective Brand Fund contributions during the preceding twelve (12) month period.

5.9 COOPERATIVE ADVERTISING PROGRAMS. Flour Power may designate an advertising coverage area ("ACA") — local or regional — in which two (2) or more Flour Power Studios are located in order to establish a cooperative advertising program ("**Cooperative Program**") for that ACA. An ACA is the area covered by the particular advertising medium recognized in the industry. All franchisees in the ACA will be required to participate. Each Flour Power Studio operating in the ACA will have one vote, including Flour Power Studios operated by Flour Power or its affiliates.

Each Cooperative Program will be organized and governed in a form and manner, and begin operating on a date, that Flour Power determines in advance. Each Cooperative Program's purpose is, with Flour Power's approval, to administer advertising programs and develop promotional materials for the area the Cooperative Program covers. If Flour Power establishes a Cooperative Program for the geographic area in which the Studio is located, you must sign the documents Flour Power requires to become a member of the Cooperative Program and participate in the Cooperative Program as those documents require.

If a Cooperative Program is established for your ACA, you will be required to contribute up to two percent (2%) of your Studio's Net Sales to the Cooperative Program weekly, monthly, or as otherwise specified by fifty percent (50%) or more of the Flour Power Studios operating in the ACA. You will not be required to contribute more than two percent (2%) of your Studio's Net Sales to the Cooperative Program unless sixty-seven percent (67%) or more of the Flour Power Studios operating in the ACA, including any Flour Power Studios operated by Flour Power or its affiliates, vote to increase the contributions of all Flour Power Studios operating in the ACA in excess of the two percent (2%). Any amounts you contribute to a Cooperative Program will count toward the percentage of Net Sales you are required to spend under Section 5.3 to promote the Studio.

You agree to send Flour Power and the Cooperative Program any reports that Flour Power requires. The Cooperative Program and its members may not use any advertising or promotional plans or materials without Flour Power's prior written consent.

6. YOUR ORGANIZATION

6.1 CORPORATION, PARTNERSHIP, OR LIMITED LIABILITY COMPANY. You must be a corporation, partnership, limited liability company or other form of entity. You represent and warrant to, and covenant with Flour Power, and you will provide Flour Power with all documentation required by Flour Power which demonstrates, that:

A. You are duly organized and validly existing under the laws of your state of formation;

B. You are duly qualified to do business and in good standing in the jurisdiction where the Studio is located, and in each jurisdiction in which your business activities or the nature of the properties owned by you require such qualification;

C. Your organizational documents shall at all times provide that your activities are limited to the development and operation of Studios and that you will not engage in any other business;

D. The execution, delivery, and performance of this Agreement has been duly authorized by all necessary action on behalf of you and the holders of your ownership interests, and by all persons and entities which directly or indirectly control or manage your business and affairs, and such actions do not and will not violate, breach, or constitute a default under any agreement, judgment, order, law, rule or regulation to which any of the foregoing is a party or by which bound;

E. Your ownership interests are accurately and completely described in **Section 21**. Further, upon Flour Power's request from time to time, you shall provide to Flour Power a current list of all holders of direct and indirect, issued, and contingent equity ownership interests in you;

F. If a change in any ownership interest in you occurs, directly or indirectly, you shall notify Flour Power in writing prior to such change and otherwise comply with the terms and conditions of **Section 15**, and you shall cause each new owner of an equity ownership interest in you to execute a joinder to this Agreement as one of your Investors (as defined in **Section 26.3.K**) and agree to be individually bound by all of your obligations hereunder as a condition to their equity investment;

G. If you have or at any time shall issue any certificate evidencing any ownership interest in you, you shall have conspicuously noted upon such certificate a statement in form satisfactory to Flour Power that it is held subject to all restrictions on Transfers (as defined in **Section 15.2.A**) imposed by this Agreement. In addition, you shall maintain on your records instructions against the Transfer of any of your ownership interests which are prohibited under this Agreement without Flour Power prior written consent, and your organizational documents shall also provide that all ownership interests in you are subject to all restrictions on Transfers imposed by this Agreement; and

H. You and, at Flour Power's request, your Owner/Operator and each of your Investors, have provided Flour Power with your most recent financial statements and the most recent financial statements of your Owner/Operator and Investors. Such financial statements

present fairly your financial position and that of each of your Investors, as applicable, at the dates indicated therein and with respect to you, the results of your operations, and your cash flow for the years then ended. You agree that you shall maintain, and your Investors will cause you to maintain, at all times during the term of this Agreement, sufficient working capital to fulfill your obligations under this Agreement. Each of the entity financial statements mentioned above has been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise, which are not reflected as liabilities on your financial statements or those of your Owner/Operator or Investors.

I. All spouses of the owner's of your entity will be required to jointly and severally guaranty payment and performance of your franchised business by executing the Guaranty within **Attachment F**.

6.2 YOU AND YOUR INVESTORS. You and your Owner/Operator and Investors, as applicable, acknowledge and agree that the representations set forth above in this **Section 6** are your continuing obligations and those of your Owner/Operator and Investors and that any failure to comply with such representations shall constitute an event of default under **Section 16**. You will cooperate with Flour Power in its efforts to verify compliance with such representations.

7. SITE SELECTION, PLANS, AND CONSTRUCTION

7.1 SELECTION. You assume all cost, liability, expense, and responsibility for locating, obtaining, and developing your site for your Studio within the Temporary Zone and for finish-out or renovation and equipping your Studio at the Accepted Location. You shall not make any binding commitment to a prospective lessor of real estate with respect to a site for your Studio unless the site is accepted as set forth below. You acknowledge that Flour Power acceptance of a prospective site and the rendering of assistance in the selection of a site does not constitute a representation, promise, warranty or guarantee by Flour Power that your Studio operated at that site will be profitable or successful. Except as expressly provided herein, no provision of this Agreement will be construed or interpreted to impose any obligation upon Flour Power to locate a site for the Accepted Location, to assist you in the selection of a suitable site for the Accepted Location, or to provide any assistance to you in the lease of the Accepted Location.

7.2 SITE LOCATION. Prior to acquiring by lease a site for your Studio, you shall locate a site for your Studio within the Temporary Zone that satisfies the site selection guidelines provided to you by Flour Power pursuant to **Section 3.1** and shall submit to Flour Power in the form specified by Flour Power a description of the site, including evidence satisfactory to Flour Power that the site satisfies Flour Power site selection guidelines, together with such other information and materials as Flour Power may reasonably require, and a letter of intent or other evidence satisfactory to Flour Power which confirms your favorable prospects for obtaining the site. Recognizing that time is of the essence, you agree that you will submit such information and materials for the proposed site to Flour Power for its acceptance no later than sixty (60) days after the execution of this Agreement. Flour Power shall have thirty (30) days after receipt of this information and materials to preliminarily accept or not accept, in its sole discretion, the proposed site as the location for your Studio.

7.3 FAILURE TO ACQUIRE SITE. Your failure to acquire the site for your Studio within the time stated in **Section 7.5** below, and in the manner required in **Section 7.2** above, shall constitute an event of default under this Agreement.

7.4 FORMAL ACCEPTANCE OF LOCATION. Promptly after Flour Power has preliminarily accepted a site location proposal submitted to it under **Section 7.2** above, the Accepted Location shall be confirmed in a writing, in such form and substance acceptable to Flour Power, which describes the location of the Accepted Location and is executed by you and Flour Power. You may not locate your Studio at any site until that site is accepted by Flour Power. You acknowledge and agree that Flour Power's acceptance of your proposed site is not an assurance that the Studio will achieve a certain sales volume or profit level; it means only that your proposed site meets Flour Power minimum criteria for Flour Power Studios.

7.5 LEASE OF STUDIO SITE. You shall be required to lease a site for your Studio constituting a space which is ready for finish-out or conversion to a Flour Power Studio. Within ninety (90) days after execution of this Agreement, you shall lease, at your expense, a location for your Studio at a site accepted by Flour Power as set forth above. You must request from the landlord the execution of the lease rider in the form attached to the Franchise Agreement as **Attachment D**. The lease rider allows Flour Power to step in to operate the Studio if you default under the lease, and assign the lease to a qualified successor franchisee that Flour Power recruits. It also provides for a category exclusive in your retail center that prevents the landlord from leasing to another cooking studio. Unless Flour Power has granted you an extension in writing, if you fail to acquire an accepted site within such time period, Flour Power may terminate this Agreement effective immediately upon notice to you. In such event, Flour Power shall not be obligated to return the Franchise Fee or any other fees paid by you under this Agreement. You shall furnish to Flour Power a copy of the executed lease, including the lease rider, for your Studio site within ten (10) days of its execution.

7.6 ZONING AND REGULATORY APPROVALS. You shall be responsible for obtaining all zoning and regulatory approvals which may be required by state or local laws, ordinances, or regulations or which may be necessary as a result of any restrictive covenants relating to your Studio premises. Prior to beginning the finish-out or renovation of your Studio, you shall (i) obtain all permits, licenses, and certifications required for the lawful construction or remodeling and operation of your Studio, and (ii) certify in writing to Flour Power that the insurance coverage specified in **Section 14** is in full force and effect and that all required approvals, clearances, permits, and certifications have been obtained. Upon request, you shall provide to Flour Power additional copies of your insurance policies or certificates of insurance and copies of all such approvals, clearances, permits, and certifications.

7.7 DESIGN SERVICES. You must independently obtain, at your own expense, any architectural, engineering, and design services you deem necessary for the finish-out or renovation of your Studio. With the assistance of an architect, you shall adapt the prototypical design plans and specifications for the finish-out or renovation of your Studio provided to you by Flour Power in accordance with **Section 3.2** as necessary and shall submit such adapted plans to Flour Power for review and approval. The prototypical design plans and specifications might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations for persons with disabilities. It is your responsibility to prepare all required

construction plans and specifications to suit the location for your Studio and to make sure that these plans and specifications comply with the ADA and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and lease requirements and restrictions. If Flour Power determines, in its sole discretion, that any such plans are not consistent with the best interests of the System, Flour Power may prohibit the implementation of such plans, and in this event will notify you of any objection(s) within fifteen (15) days of receiving such plans. If Flour Power fails to notify you of an objection to the plans within this time period, you may use such plans. If Flour Power objects to any such plans, it shall provide you with a reasonably detailed list of changes necessary to make the plans acceptable. You shall resubmit your plans with such changes, and Flour Power will notify you within fifteen (15) days of receiving the resubmitted plans whether the plans are acceptable. If Flour Power fails to notify you of any objection within such time period, you may use the resubmitted plans. Because Flour Power's review is limited to ensuring your compliance with Flour Power's design requirements, it might not assess compliance with federal, state, or local laws and regulations, including the ADA. Accordingly, you recognize and acknowledge that compliance with these laws is your responsibility. Flour Power will have no responsibility to you or any other party if the Accepted Location is not finished out or renovated by you or your contractor: (i) according to Flour Power prototype architectural design plans and specifications; (ii) in compliance with all applicable federal, state, or local laws and ordinances; or (iii) in a good and workmanlike manner. Notwithstanding the foregoing, Flour Power reserves the right to require you to select an alternate architectural firm if, at any time, the architect that you engage fails to adapt Flour Power prototypical design plans and specifications properly, in Flour Power's judgment, or fails to meet Flour Power's development timeframe.

7.8 ASSIGNMENT OF LEASE AND NOTICES UNDER LEASE. At Flour Power's option, no lease for your Studio premises shall be accepted by Flour Power unless a rider to the lease permitting an assignment of the lease to Flour Power and providing for the delivery of all notices to Flour Power simultaneously with the delivery of such notices to you as tenant is attached to the lease and incorporated therein. You acknowledge and agree that Flour Power's approval or acceptance of a lease does not mean that the economic terms of the lease are favorable; it means only that the lease contains certain lease terms that Flour Power requires.

7.9 FINISH-OUT OR REMODELING. You shall diligently pursue the finish-out or remodeling (as applicable) of your Studio. During the time of the finish-out or remodeling, you shall provide Flour Power with such periodic reports regarding the progress of the finishing-out or remodeling as may be reasonably requested by Flour Power and you shall regularly communicate with Flour Power construction department regarding the status of the project. You must engage a professional construction manager to oversee the project. In addition, Flour Power may make such on-site inspections as it may deem reasonably necessary to evaluate such progress. The finish-out or remodeling of your Studio shall be completed no later than 120 days following the date you sign your lease. Within a reasonable time after the date of completion of the finish-out or remodeling Flour Power shall, at its option, conduct an inspection of the completed Studio. You acknowledge and agree that you will not open your Studio for business without the written authorization of Flour Power, that authorization to open shall be conditioned upon your strict compliance with this Agreement, and that Flour Power will not unreasonably withhold its authorization.

7.10 COMMENCE BUSINESS. You acknowledge that time is of the essence. Subject to your compliance with the conditions stated below, you are obligated to open your Studio and commence business within ten to twelve months after signing your lease, unless you obtain an extension of such time period from Flour Power in writing. Prior to opening, you shall complete all exterior and interior preparations for your Studio, including installation of equipment, fixtures, furniture, chairs, tables, lights, kitchen equipment, and signage, pursuant to the plans and specifications and from vendors approved by Flour Power, and shall comply with all other preopening obligations of you, including but not limited to, those obligations described in **Sections 4.1 and 6.1 and Sections 7, 8, 9, and 12** to Flour Power's satisfaction. If you fail to comply with any of such obligations, Flour Power shall have the right to prohibit you from commencing business. Your failure to open your Studio and commence business in accordance with the foregoing shall be deemed an event of default under **Section 16**.

8. STUDIO OPERATIONS

8.1 OWNER/OPERATOR. Within thirty (30) days after execution of this Agreement, you shall designate an individual to serve as the "**Owner/Operator**" of your Studio, unless Flour Power waives such requirement in writing. The Owner/Operator shall satisfy the following qualifications, unless waived in writing by Flour Power:

A. As a corporation, limited liability company, limited partnership, or any other entity, the Owner/Operator shall, at all times during which he or she serves as Owner/Operator, (i) directly or indirectly hold an ownership interest of twenty percent (20%) or more in you, (ii) unless otherwise waived by Flour Power, work on a full-time basis (not less than forty (40) hours per week) in the Studio, and (iii) be fully authorized, directed, and entitled (including, under your governing documents, and under any agreements and/or duly adopted resolutions by the shareholders, directors, officers, members, managers, and/or any other owner or governing body of you) to manage and control the day-to-day business affairs of you and to take any action which you are required to take or omit to take under this Agreement, all in such Owner/Operator's sole discretion, and without the approval or joinder of any person or entity. The Owner/Operator shall be Flour Power's sole point of contact with regard to franchise matters.

B. Except as otherwise provided in this Agreement, the Owner/Operator's interest in you shall be and shall remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest, or purchase right or options. The Owner/Operator shall execute this Agreement and shall be individually, jointly, and severally bound by, and shall and hereby does guaranty payment and performance of, all your obligations hereunder. There shall be no change, removal, resignation or addition of the Owner/Operator without Flour Power's prior written consent. You and your Investors hereby represent and warrant that, as of the date of this Agreement, the undersigned person executing this Agreement as the Owner/Operator has been designated as your Owner/Operator, and such person meets all of the qualifications set forth in this Article for the Owner/Operator.

8.2 SUPERVISION AND MANAGEMENT. Unless waived by Flour Power, Flour Power requires that the Owner/Operator must work at least forty (40) hours per week and participate in the on-premises supervision of your Studio. You shall also employ, in addition to the Owner/Operator, at least one (1) manager per Studio who is certified by Flour Power to carry out the day-to-day management and supervision of each such Studio. To be certified, such manager

must satisfactorily complete the initial training obligations set forth in **Section 9**, shall meet Flour Power's educational, managerial, and business standards, and shall be approved in writing by Flour Power. In addition, either the Owner/Operator or a manager must be present at the Studio at all times that customers are present.

8.3 POSITION QUALIFICATIONS. The Owner/Operator and at least one (1) manager shall meet any other of Flour Power standards and criteria for such positions, as set forth in the Manuals or otherwise in writing by Flour Power. Without limiting the foregoing, the Owner/Operator and all initial and future managers, whether full time or part time, agree to become CPR and ServSafe® certified prior to the opening of the Studio and maintain such certification throughout their employment at your Studio. You shall conspicuously display your ServSafe® certificate at your Studio.

8.4 TRAINING REQUIREMENTS. The Owner/Operator and at least one (1) manager shall satisfy the training requirements set forth in **Section 9**. If, during the term of this Agreement, the Owner/Operator or any manager is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this **Section 8**, you shall promptly notify Flour Power and designate a replacement within thirty (30) days after the Owner/Operator or manager ceases to serve, such replacement being subject to the same qualifications listed above. You shall provide for interim management of your Studio until such replacement is so designated, and such interim management to be conducted in accordance with this Agreement.

8.5 ADDITIONAL MANAGEMENT POSITIONS. You shall retain such additional managers, instructors, and other persons as Flour Power, in its reasonable discretion, deems necessary for the operation and management of your Studio. All such personnel shall satisfy Flour Power educational and business criteria as provided to you in the Manuals or otherwise and shall be individuals acceptable to Flour Power. Such individuals shall satisfy the applicable training requirements in **Section 9** and such other training required by Flour Power.

8.6 HIRING. You understand that compliance by all franchisees and developers operating under the System with Flour Power's training and operational requirements is an essential and material element of the System, and that Flour Power consequently expends substantial time, effort, and expense in training personnel to in turn train and support Flour Power franchisees, their owner/operators, and other personnel. Accordingly, you agree that, during the term of this Agreement, you shall not employ any individual who is at the time or was at any time during the prior six (6) months employed by Flour Power or any of its subsidiaries or affiliates, without the prior written approval of Flour Power, which approval may be withheld in Flour Power sole discretion. The parties expressly acknowledge and agree that no current or former employee of Flour Power, its subsidiaries and affiliates, or of any franchisee or developer under the System shall be a third party beneficiary of this Agreement or any provision hereof. Any such approval by Flour Power shall not constitute a representation or warranty (i) that you are legally entitled to employ such employee, or (ii) as to the future performance of such employee or former employee of Flour Power or its subsidiaries and affiliates, and Flour Power shall not be liable for any losses, of whatever nature or kind, incurred by you as a result of your hiring of such individual.

8.7 USE OF STUDIO PREMISES. You shall use your Studio premises solely for the operation of the franchised business, shall maintain business hours as provided for in the Manuals or as Flour Power may specify from time to time in writing, and shall refrain from using or

permitting the use of the premises for any other purpose or activity at any time without obtaining the prior written consent of Flour Power. You agree to provide services related to the franchised business solely at the Studio, unless you obtain Flour Power's prior written consent to perform franchise-related services elsewhere, in which case you agree to comply with Flour Power's instructions and restrictions with respect to those off-site offerings. You agree that you will not transport any customers to or from the Studio, or anywhere else, without first obtaining Flour Power's written consent to do so.

8.8 PERSONNEL You agree to maintain competent, conscientious, and trained personnel to operate your Studio in accordance with this Agreement and the Manuals and all applicable laws, regulations, and codes of your jurisdiction and to take such steps as are necessary to ensure that your employees establish and preserve good customer relations, comply with such dress code and/or wear such uniforms as Flour Power may prescribe in the Manuals or otherwise, and observe reasonable standards of grooming and cleanliness. To the extent permitted by law, before hiring any employee who may interact with children at the Studio, you will order a nationwide background investigation for that individual from a commercially reasonable background investigation service and will take into account the results of the investigation when making your decision whether to hire the prospective employee. To ensure compliance with applicable state and federal wage and hour laws, you agree that you will not use any volunteer personnel to provide services at the Studio. You are solely responsible for all employment decisions for the Studio, including hiring, firing, remuneration, personnel policies, training, benefits, and maintaining supervision and discipline, regardless of whether you received advice from Flour Power on any of these subjects.

8.9 HEALTH AND SAFETY STANDARDS. You shall meet and maintain the highest health and safety standards and ratings applicable to the operation of your Studio. You shall furnish to Flour Power, within three (3) days after receipt thereof, a copy of any inspection report, warning, citation, certificate, rating, and any other document, of whatever nature or kind, issued by any federal, state, local, or other administrative agency, instrumentality or other organization with respect to the health or safety conditions of your Studio. To ensure the highest degree of health and safety of both your customers and employees, you shall prohibit unauthorized persons from gaining access to your Studio. For the safety of your customers, you agree that Flour Power may in the Manuals restrict the ingredients you may use and allow others to use at, and bring into, your Studio. You agree to comply with any applicable civil or criminal laws, ordinances, rules, regulations, and orders of public authorities pertaining to the maintenance and operation of the Studio, including, but not limited to, those relating to health, safety, sanitation, employment, environmental regulation, and taxation. Flour Power does not assume any responsibility for advising you on these regulatory matters. Accordingly, it is your responsibility to ascertain the applicability of any law, ordinance, rule, regulation, or order to you, and you agree to continually monitor the relevant regulatory framework. If you determine that any instruction or request by Flour Power is contrary to an applicable, law, ordinance, rule, regulation, or order, you agree to notify Flour Power immediately and to refrain from following such instruction or request until you have obtained further guidance from Flour Power.

8.10 WAIVER. You agree to obtain a written waiver from customers (or, in the case of customers under the age of 18, from a parent or legal guardian of those customers) before allowing the customers to participate in any activities at the Studio. You are responsible for preparing a legally binding waiver, but at a minimum, the waiver must (a) release you and Flour Power from

any liability arising from an injury occurring at the Studio, (b) require an identification of any customer food allergies, and (c) give you and Flour Power the right to use the customer's image in advertising materials without payment to or further permission from the customer.

8.11 PRODUCTS AND SERVICES. To ensure that the highest degree of quality and service is maintained, you shall operate your Studio in strict conformity with such methods, procedures, standards and specifications as Flour Power may from time to time prescribe in the Manuals or otherwise in writing. You further agree:

A. To open your Studio to the public during such hours of operation as may be required by Flour Power (currently 10 a.m. to 5:00 p.m. Monday through Saturday) and to offer for sale and sell at your Studio all designated products and services required by Flour Power and to provide such products and services in the manner and style prescribed by Flour Power;

B. To sell and offer for sale only the products and services that have been expressly approved for sale in writing by Flour Power, to refrain from deviating from Flour Power standards and specifications without Flour Power's prior written consent, and to discontinue selling and offering for sale any products or services which Flour Power may, in its discretion, disapprove in writing at any time;

C. That Flour Power may discard any food or beverage item, without compensation to you, during any on-site inspection, if such food or beverage item does not meet Flour Power standards and specifications.

D. To maintain in sufficient supply and to use at all times only such food and beverage items, ingredients, products, materials, supplies, and uniforms that conform to Flour Power standards and specifications and that are purchased from vendors or suppliers approved by Flour Power, to prepare all food and beverage items in strict accordance with Flour Power recipes and procedures for preparation contained in the Manuals or other written directives, including, but not limited to, the prescribed measurements of ingredients and serving sizes, and to refrain from deviating from Flour Power standards and specifications by the use or offer of non-conforming items or differing amounts of any items, without Flour Power prior written consent;

E. To permit Flour Power and its representatives and agents, at any reasonable time, to remove samples of food or non-food items from your inventory or from your Studio, without payment therefor, in amounts reasonably necessary for testing by Flour Power or an independent laboratory to determine whether such samples meet Flour Power then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Flour Power may require you to bear the cost of such testing if the supplier of the item has not previously been approved by Flour Power or if the sample fails to conform with Flour Power specifications; and

F. To purchase or lease and install, at your expense, all fixtures, furnishings, cooking equipment, Software Systems, computer hardware (including internet connections and service, dedicated telephone and power lines and other related accessories, peripherals, consoles and equipment required to operate the Software System) and software (including without limitation the software described in **Section 8.13**), decor items and signs required by Flour Power, all of which must be purchased new from vendors and suppliers approved by Flour Power and must conform to Flour Power standards and specifications as Flour Power may reasonably direct from

time to time in the Manuals or otherwise in writing, and to refrain from installing or permitting to be installed on or about your Studio premises, without Flour Power's prior written consent, any fixtures, furnishings, kitchen equipment, computer hardware and software, decor items, signs, games, vending machines, or other items not previously approved by Flour Power. If any of the property described above is leased by you from a third party, such lease must be approved by Flour Power, in writing, prior to execution. Flour Power approval shall be conditioned upon such lease containing a provision which permits any of your interest in the lease to be assigned to Flour Power upon the termination or expiration of this Agreement and which prohibits the lessor from imposing an assignment or related fee upon Flour Power in connection with such assignment.

G. To offer and conduct a minimum amount of events per week at your Franchised Business, as outlined in the Operations Manual.

8.12 APPROVED SUPPLIERS. Flour Power reserves the right at any time and from time to time to approve suppliers and distributors of certain food and beverage items, ingredients, supplies, equipment (including the Software System allowing remote access by Flour Power), computer hardware and software, materials and other products and services that meet Flour Power's reasonable standards and requirements. If Flour Power does so, you agree to purchase only such products and services meeting those specifications, and if Flour Power requires it, only from distributors and other suppliers Flour Power has approved, including or limited to Flour Power or its affiliates.

Flour Power may limit the number of approved distributors or suppliers (collectively "suppliers") with whom you may deal, designate sources that you must use, and/or refuse any of your requests for any reason, including that Flour Power has already designated an exclusive source (which might be Flour Power or its affiliate) for a particular item or service.

Flour Power and its affiliates may mark up and profit on the sale of goods or services to you and/or receive payments, rebates, or other material consideration from suppliers on account of such suppliers' dealings with Flour Power, you and other franchisees, and may keep or use any amounts so received without restriction and for any purpose Flour Power and its affiliates deem appropriate. Flour Power may concentrate purchases with one or more suppliers or distributors to obtain lower prices or the best advertising support or services. Approval of a supplier or distributor may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria and may be temporary, pending Flour Power's continued evaluation of the supplier or distributor at any time and from time to time.

If you desire to purchase, lease, or use any products from an unapproved supplier, you shall submit to Flour Power a written request for such approval or may request the supplier to do so. You shall not purchase or lease from any supplier until such supplier has been approved in writing by Flour Power. Flour Power may also provide you from time to time a list of preferred vendors offering products and services typically of use to persons owning Studios similar to your Studio. You are not required to subscribe to those services unless Flour Power so stipulates. Flour Power may or may not receive compensation or other economic benefits from these preferred vendors. The list of preferred vendors may be modified by Flour Power from time to time.

8.13 SOFTWARE AND HARDWARE. Flour Power requires that you utilize certain computer hardware and software in connection with the operation of your Studio. You agree to: (a) implement and use in the operation of your Studio computer hardware, software and related consoles and modules approved and required by Flour Power (collectively, the “**Software System**”); (b) enter all sales into the Software System, including without limitation all cash sales; (c) use as your exclusive merchant account vendor, and process all credit card payments via, Authorize.net or such other vendor as Flour Power designates in the future; (d) implement and use commercially reasonable accounting software (such as Quicken or QuickBooks) in the operation of your Studio; (e) implement and use in the operation of your Studio any upgrades, enhancements, replacements, and additions to any computer hardware and software (including, without limitation, the Software System) required by Flour Power from time to time; (f) install or have installed and continuously use commercially reasonable high definition security equipment to monitor your Studio and keep the footage for a minimum of thirty (30) days of the recoding; and (g) have installed at your Studio high speed internet. You shall be licensed to use or subscribe to and implement and keep in good repair all accounting/financial reporting programs and systems as Flour Power may require (and any upgrades, enhancements, replacements, modifications, or additions required by Flour Power thereto), including, without limitation, the Software System.

The Software System shall interface with Flour Power’s information technology systems and be electronically linked to Flour Power or its designee to enable Flour Power (or its designee) to poll such Software System on a daily or other basis at such times and in such manner as established by Flour Power or its designee, with or without notice, and to retrieve such transaction information, including without limitation sales, sales mix, paper usage, inventory, and other operations data as Flour Power and/or its designee deem appropriate. If for any reason polling is not practicable or prohibited by applicable law, Flour Power may require you to download such information into machine readable information compatible with the system operated by Flour Power, its affiliates, or its agents and to deliver such information to Flour Power by such method and at such temporal frequency as Flour Power may reasonably require.

You hereby consent to Flour Power obtaining, using and disclosing to third parties (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by Flour Power or disclosed to it, whether by means of the Software System or otherwise, in accordance with this Agreement. You will obtain such consents from third parties, including your customers, as are necessary in order to give effect to the foregoing.

8.14 PROMOTIONAL MERCHANDISE. Flour Power may make available at a reasonable cost and, at its option, will require you to purchase from Flour Power or its’ vendors, for resale to your customers, certain promotional merchandise identifying the System (such as T-shirts, sweatshirts, etc.), in amounts necessary to meet your customer demand.

8.15 ADVERTISING AND PROMOTIONAL MATERIALS. You shall require all advertising and promotional materials, signs, decorations, paper goods (including all forms and stationery used in the franchised business), and other items which may be designated by Flour Power to bear the Proprietary Marks in the form, color, location and manner prescribed by Flour Power. You will not conduct any advertising, promotion, marketing, public relations or telemarketing program or campaign for your Studio unless and until Flour Power has given you

prior written approval for all concepts, materials or media proposed on any such advertising, promotion, marketing, public relations or telemarketing program or campaign. You shall purchase collateral marketing materials from Flour Power or its designated supplier as required in connection with such advertising and marketing programs. You will not permit any third party to advertise its business, services, or products on the premises of the Accepted Location without obtaining the prior written approval of Flour Power.

8.16 MAINTENANCE. You shall, at your expense, repair, paint, and keep in a clean and sanitary condition the interior, the exterior, the parking lot, signage, interior and exterior lighting, and the grounds of your Studio and the Accepted Location, and will replace all floor covering, wall coverings, light fixtures, curtains, blinds, shades, furniture, room furnishings, appliances, wall hangings, signs, fixtures and other items as such items become worn-out, soiled, or in disrepair. All mechanical equipment, including ventilation, heating, and air conditioning, must be kept in good working order by you at all times and must meet Flour Power quality standards. All replacement equipment, decor items, furniture, fixtures, signs, supplies, and other items used in your Studio by you must comply with Flour Power's then-current standards and specifications.

8.17 REMODELING AND REDECORATION OF STUDIO. At Flour Power's request, you will make the reasonable capital expenditures necessary to extensively remodel, modernize, redecorate, and renovate your Studio (including, without limitation, to conform your Studio to Flour Power then-current Studio specifications and requirements) and the Accepted Location and to replace and modernize the furniture, fixtures, supplies, and equipment so that your Studio will at all times reflect the then-current image of Flour Power Studios. All remodeling, modernization, redecoration, and renovation must be done in accordance with the standards and specifications prescribed by Flour Power from time to time and must have the prior written approval of Flour Power. All replacements for the furniture, fixtures, supplies and equipment must conform to Flour Power then-current quality standards, and must be approved by Flour Power in writing. You will commence remodeling, modernizing, redecorating and renovating your Studio within six (6) months after the date you receive written notice from Flour Power specifying the required remodeling, modernization, redecoration, and renovation, and will diligently complete such remodeling, modernization, redecoration and renovation within a reasonable time. You will not be required to extensively remodel, modernize, redecorate, and renovate your Studio or to replace and modernize its furniture, fixtures, supplies and equipment more than once every five (5) years during the term of this Agreement, or incur more than Forty Thousand Dollars (\$40,000.00) in costs for each such remodeling or renovation.

8.18 SIGNAGE. You shall only display signs on or outside your Studio that have been approved by Flour Power in writing. Within fourteen (14) days after signing your lease agreement, you must submit for approval to Flour Power, in the form requested by Flour Power, a drawing prepared by your signage vendor that depicts the primary external signage that you are proposing for use at your Studio. You shall only display signs within your Studio premises which comply with guidelines established by Flour Power or that have been approved by Flour Power in writing. You will, at your expense, be responsible for any and all installation costs, sign costs, architectural fees, engineering costs, construction costs, permits, licenses, repairs, maintenance, utilities, insurance, taxes, assessments and levies in connection with the erection or use of the signs. You will comply with all federal, state and local laws, regulations, lease requirements, building codes and ordinances relating to the erection, maintenance, and use of the signs. You may not alter, remove, change, modify, or redesign the signs unless approved by Flour Power in writing. Flour Power

reserves the right from time to time to redesign the layout or the plans and specifications for signage during the term of the Agreement without your approval or consent. Within thirty (30) days after receipt of written notice from Flour Power, you must, at your expense, either modify or replace your signage so that the signs at your Studio comply with Flour Power modified signage requirements. You will not be required to modify or replace the signs more than once every five (5) years. Flour Power will be entitled to seek injunctive relief against you, without the posting of any bond or security, to require you, at your expense, to: (i) exhibit, use and display the approved signs at your Studio during the term of this Agreement; (ii) remove the signs upon the termination or expiration of this Agreement; and (iii) remove the signs from any former location upon any relocation of your Studio. You agree to prominently display in your Studio a sign designed by Flour Power to inform potential franchisees how to pursue a Flour Power franchise.

8.19 VENDING AND GAMING MACHINES. You will not permit any juke box, video electronic games, vending machines, coin or token operated machines (including pinball), gambling machines, or other gambling devices to be used in the premises of your Studio, other than those approved by Flour Power in writing. You will not keep or offer for sale or allow employees to offer for sale at your Studio any tickets, subscriptions, pools, chances, raffles, lottery tickets or pull tabs, except by written consent of Flour Power.

8.20 ALCOHOLIC BEVERAGES. You shall not sell or serve at your Studio any beer, wine, or any other alcoholic beverages, provided that alcoholic beverages may be consumed at adults-only events hosted at the Studio so long as (a) the consumption of alcoholic beverages does not violate any applicable statute, regulation, or ordinance, (b) the alcoholic beverages are brought to the Studio by the customers and not provided by you, (c) the alcoholic beverages are not served by Flour Power employees.

8.21 STANDARD ATTIRE OR UNIFORMS. You will purchase and require your employees to wear the current standard attire uniforms as may be established and approved by Flour Power from time to time. All of your employees will wear clean and neat attire or uniforms and practice good personal hygiene as prescribed in the Manuals or other written directive.

8.22 INSPECTIONS. You hereby grant Flour Power and its representatives and agents the right to enter upon your Studio premises at any time for the purpose of conducting inspections of your Studio and its operation. You shall cooperate with Flour Power representatives and agents by rendering such assistance as they may reasonably request and, upon notice from Flour Power or its representatives and agents and without limiting Flour Power other rights under this Agreement, you shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Flour Power reserves the right to charge you, and you shall pay, the costs of any such inspections if deficiencies are detected. Should you fail to correct such deficiencies within a reasonable time as determined by Flour Power, Flour Power shall have the right (without, however, any obligation), to correct such deficiencies and to charge you a reasonable fee for Flour Power expenses in so acting, payable by you immediately upon demand.

8.23 PERSONNEL FLOUR POWER ASSIGNS. Flour Power may elect, in its sole discretion, to assign to you one or more members of its personnel, who shall be employees, representatives or agents of Flour Power, to advise you as to any operational matters regarding your Studio as Flour Power may require. Should Flour Power elect to assign one or more members of its personnel pursuant to this **Section 8.23**, you will fully cooperate with such personnel in

implementing any recommendations made by them regarding operational matters. Flour Power is not obligated to assign to you any members of its personnel pursuant to this **Section 8.23**, and at any time, Flour Power may choose to terminate the assignment of any personnel or reassign to you different personnel.

8.24 COMPLIANCE. You acknowledge that you will at all times promote the Flour Power brand, goodwill, and Proprietary Marks, shall take or suffer no action which would reflect negativity on Flour Power brand, goodwill, and Proprietary Marks, and shall comply with all the covenants and obligations imposed upon you under this Agreement, the Manuals, and Flour Power policies and procedures. Your failure to comply with any such covenants or obligations shall constitute an event of default under **Section 16**. You agree that you will not violate or infringe any third party's intellectual property rights. Accordingly, you agree that you will not broadcast any music at your Studio, nor will you display any photographs at your Studio or via any approved social media account, without first obtaining the appropriate licenses to do so.

8.25 NOT A COMMERCIAL KITCHEN. You acknowledge that your franchised business is not a commercial kitchen. You agree that you will not (a) prepare food for or serve food to the general public, or (b) allow any patrons to take any food off the premises of your franchised business if that food was cooked at your Studio, provided that the foregoing shall not prohibit customers from taking off the premises food items that you purchased elsewhere (for instance, cupcakes you purchased at a licensed commercial baking facility).

9. TRAINING

You agree that it is necessary to the continued operation of the System and your Studio that your Owner/Operator, at least one (1) of your managers, and other Studio personnel as specified in the Manuals or as Flour Power may otherwise require receive the training and accordingly agree as follows:

9.1 INITIAL TRAINING PROGRAM.

A. Not later than forty-five (45) days prior to the Studio's opening date on a date or dates designated by Flour Power, the Owner/Operator and at least one (1) other manager shall have completed, to Flour Power's satisfaction, Flour Power's initial training program. Prior to attending the initial training program, each participant must satisfy Flour Power's then-current requirements for admission to the program, which requirements may include that the potential participant (i) successfully completed a phone interview with a representative of Flour Power, and (ii) delivered to Flour Power fully completed copies of Flour Power current application forms. The Owner/Operator will attend training at a Flour Power location at such location that Flour Power designates, and the Studio manager(s) will receive online training. Flour Power shall determine, in its sole discretion, whether your trainees have satisfactorily completed initial training. If any of your designated trainees fail to meet the admission requirements for the initial training program, if the training program is not satisfactorily completed by your trainees, or if Flour Power, in its reasonable business judgment based upon the performance of your trainees, determines that the training program cannot or will not be satisfactorily completed by all such person(s), you shall immediately designate replacement trainee(s), as applicable, to apply for and complete such initial training no later than thirty (30) days from the date of any such occurrence (but in any event no later than forty-five (45) days prior to the Studio's opening date). Your management personnel

must successfully complete the training program as determined and certified in writing by Flour Power prior to commencing pre-opening operations, as defined in the Manuals. You shall be responsible for any and all expenses incurred by you or your trainees in connection with the initial training program, including, without limitation, costs of travel, lodging, meals, uniforms and wages.

B. Without limiting Flour Power right to terminate this Agreement pursuant to **Section 16**, if you fail to designate replacement trainee(s) who have satisfied the admission requirements for the initial training program, if the initial training program is not satisfactorily completed by any replacement trainee (or the initial designees if no replacement is designated) by the required deadline set forth above, or if Flour Power determines that the training program cannot or will not be satisfactorily completed by such person(s), as set forth above, Flour Power may, in its sole discretion, terminate this Agreement effective immediately upon notice to you. Flour Power shall not be obligated to return the Franchise Fee or any other fee paid by you under this Agreement.

C. Flour Power shall provide the initial training program for the first appointed Owner/Operator and one manager at no additional cost. Any successor or replacement Owner/Operator and additional, successor or replacement managers and other employees may be required by Flour Power to attend and complete, to Flour Power's satisfaction, Flour Power's initial training program. Flour Power reserves the right to impose a training fee for any such successor, replacement and additional attendees at the initial training programs. You shall be responsible for any and all expenses incurred by you or your trainees in connection with any initial training program including, without limitation, costs of travel, lodging, meals, and wages.

9.2 ADDITIONAL TRAINING. You, the Owner/Operator, your managers and your other employees may attend such additional training programs and seminars as Flour Power may offer from time to time. At Flour Power's discretion, such training shall be mandatory if Flour Power provides written notice setting forth the reasonable justification for such additional training in a manner consistent with Flour Power's requirements throughout the System. Your failure to operate the Studio in accordance with the Flour Power standards and specifications and/or your breach of this Agreement constitute reasonable justification for requiring you to complete additional training. For all such training, Flour Power will provide the instructors and training materials; however, Flour Power reserves the right to impose a reasonable fee for such training, including costs of travel, lodging, meals, and wages for Flour Power's representatives. You shall be responsible for any and all expenses incurred by you or your employees in connection with such additional training including, without limitation, costs of travel, lodging, meals, and wages.

9.3 MANAGERS; CHANGES IN PERSONNEL. If your Owner/Operator or any trained manager shall, for any reason, cease to serve in such capacity, your replacement must, at your expense, be trained at an approved Flour Power Studio, and must successfully complete the management training program prior to being able to work in your Studio. The training fee for additional managers will be \$150 per hour of training, as well as all reasonable expenses for traveling, lodging, and conducting the additional training. Flour Power may make distance learning training available instead, at its' sole discretion. All Managers, whether part time or full time, must be ServSafe and CPR/First Aid Certified within 21 days of hire.

9.4 ON-SITE TRAINING. In connection with the opening of your Studio, Flour Power shall make available to you at your expense at least one (1) trained representative of Flour Power to

provide on-site training, supervision, and assistance with respect to such matters and for such period of time determined by Flour Power in its sole discretion. Such on-site training, supervision, and assistance need not be for consecutive days and may be provided either before and/or after the opening date of your Studio. Except as otherwise provided, you shall be responsible for training all Studio personnel in accordance with the specifications and standards regarding such training described in the Manuals or otherwise in writing by Flour Power.

9.5 **RELEASE.** As a condition to participation in Flour Power training program, your participating personnel shall execute and deliver to Flour Power the Consent and Release for Training in substantially the form attached as **Attachment C**.

10. USE OF PROPRIETARY MARKS

10.1 **OWNERSHIP AND GOODWILL OF PROPRIETARY MARKS.** Flour Power's affiliate, Flour Power, Inc., owns and has licensed the Proprietary Marks to Flour Power to use, and to sublicense others to use, in connection with the franchising, development, and operation of Flour Power Studios. Therefore, you agree and acknowledge that the Proprietary Marks are Flour Power's (or its affiliate's) exclusive property, and that Flour Power is granting you a license (or sublicense, as applicable) to use the Proprietary Marks in connection with the Studio's development and operation. Your right to use the Proprietary Marks is derived only from this Agreement and is limited to your operating the Studio according to this Agreement and all System standards Flour Power prescribes during the term of this Agreement. Your unauthorized use of the Proprietary Marks is a breach of this Agreement and infringes Flour Power's and/or its affiliate's rights in the Proprietary Marks. You acknowledge and agree that your use of the Proprietary Marks and any goodwill established by that use are exclusively for Flour Power's and/or its affiliate's benefit and that this Agreement does not confer any goodwill or other interests in the Proprietary Marks upon you (other than the right to operate the Studio under this Agreement). All provisions of this Agreement relating to the Proprietary Marks apply to any additional proprietary trade and service marks Flour Power authorizes you to use. You may not at any time during or after the term and any renewal term contest, or assist any other person in contesting, the validity, or Flour Power's and/or its affiliate's ownership, of the Proprietary Marks.

10.2 **LIMITATIONS ON YOUR USE OF PROPRIETARY MARKS.** You agree to use the Proprietary Marks as the Studio's sole identification, except that you agree to identify yourself as its independent owner in the manner Flour Power prescribes. You may not use any Proprietary Mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos Flour Power has licensed to you), (3) in selling any unauthorized services or products, (4) as part of any domain name, homepage, electronic address, or otherwise in connection with a website, or (5) in any other manner that Flour Power has not expressly authorized in writing.

You may not use any Proprietary Mark in advertising the transfer, sale, or other disposition of the Studio or an ownership interest in you without Flour Power's prior written consent, which it will not unreasonably withhold. You agree to display the Proprietary Marks prominently as Flour Power prescribes at the Studio and on forms, advertising, supplies, and other materials Flour Power designates. You will hold yourself out to the public as an independent contractor operating your Studio pursuant to a franchise from Flour Power, and will place a highly visible sign, approved by Flour Power, to such effect at a prominent location within your Studio. You agree to

use the notices of trade and service mark registrations that Flour Power specifies and to obtain any fictitious or assumed name registrations required under applicable law.

10.3 NOTIFICATION OF INFRINGEMENTS AND CLAIMS. You agree to notify Flour Power immediately of any apparent infringement or challenge to your use of any Proprietary Mark, or of any person's claim of any rights in any Proprietary Mark, and not to communicate with any person other than Flour Power, its attorneys, and your attorneys, regarding any infringement, challenge, or claim. Flour Power may take the action it deems appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office ("USPTO") proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Proprietary Mark. You agree to sign any documents and take any other reasonable action that, in the opinion of Flour Power's attorneys, are necessary or advisable to protect and maintain Flour Power's interests in any litigation or USPTO or other proceeding or otherwise to protect and maintain Flour Power's interests in the Proprietary Marks.

10.4 DISCONTINUANCE OF USE OF PROPRIETARY MARKS. If, in Flour Power's sole judgment, it becomes advisable at any time for Flour Power and/or you to modify or discontinue using any Proprietary Mark and/or to use one or more additional or substitute trade or service marks, you agree to comply with Flour Power's directions within a reasonable time after receiving notice. Flour Power need not reimburse you for your direct expenses of changing the Studio's signage, for any loss of revenue due to any modified or discontinued Proprietary Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

Flour Power's rights in this **Section 10.4** apply to any and all of the Proprietary Marks (and any portion of any Proprietary Mark) that Flour Power authorizes you to use in this Agreement. Flour Power may exercise these rights at any time and for any reason, business or otherwise, that it thinks best. You acknowledge both Flour Power's right to take this action and your obligation to comply with Flour Power's directions.

10.5 INDEMNIFICATION FOR USE OF PROPRIETARY MARKS. Flour Power agrees to reimburse you for all damages and reasonable expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Proprietary Mark under this Agreement if you have timely notified Flour Power of, and comply with its directions in responding to, the proceeding. At Flour Power's option, Flour Power may defend and control the defense of any proceeding arising from your use of any Proprietary Mark under this Agreement.

11. CONFIDENTIAL FRANCHISE OPERATIONS MANUALS

11.1 PROVISIONS OF MANUAL. Flour Power shall provide you with access to one (1) set of the Manuals at the cost established by Flour Power or its vendors and shall retain such set of the Manuals, or any replacement, for so long as this Agreement remains in effect. Alternatively, Flour Power may, as Flour Power deems appropriate, make any Manuals available to you through an established on-line website.

11.2 USE. To protect the reputation and goodwill of Flour Power and to maintain high standards of operation under Flour Power Proprietary Marks, you shall conduct your business in accordance with the Manuals, other written directives which Flour Power may issue to you from time to time

whether or not such directives are included in the Manuals, and any other manuals and materials created or approved by Flour Power for use in the operation of the franchised business.

11.3 CONFIDENTIALITY. Flour Power possesses (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the “**Confidential Information**”), relating to developing and operating Flour Power Studios, including (without limitation):

- (1) site selection criteria and layouts, designs and other plans and specifications for Flour Power Studios;
- (2) training and operations materials and manuals (including the Manuals and other written directives, manuals and materials);
- (3) methods, formats, specifications, standards, systems, procedures, food preparation techniques, sales and marketing techniques, knowledge, and experience used in developing and operating Flour Power Studios;
- (4) marketing, promotional and advertising research and programs for Flour Power Studios;
- (5) knowledge of specifications for and suppliers of products and supplies, including supplier pricing and related terms;
- (6) any computer software or similar technology which is proprietary to Flour Power or the System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology;
- (7) knowledge of the operating results and financial performance of Flour Power Studios other than your Studio;
- (8) graphic designs and related intellectual property;
- (9) customer solicitation, communication and retention programs, along with data and information used or generated in connection with those programs;
- (10) all data and other information generated by, or used in, the operation of the Studio, including customer names, addresses, phone numbers, pricing and other information supplied by any customer (such as credit card information or personal information), and any other information contained at any time and from time to time in your computer software or that visitors to the Studio (including you and your personnel) provide to the Flour Power Website;
- (11) any materials provided to you pursuant to **Sections 3.9, 3.10, 3.11, or 3.12**;
- (12) future business plans relating to Flour Power Studios and the Flour Power franchise opportunity, including expansion and development plans; and

(13) any other information that Flour Power reasonably designates as confidential or proprietary.

You, your Owner/Operator and Investors, and any other person affiliated with you shall at all times treat the Confidential Information as confidential and shall maintain such information as secret and confidential in accordance with **Section 12**. You and such persons shall not at any time copy, duplicate, record, or otherwise reproduce the Confidential Information, in whole or in part, or otherwise make the Confidential Information available to any unauthorized person. You agree to sign, and to cause your Owner/Operator, Investors, and any other persons affiliated with you that have access to the Confidential Information to sign, a confidentiality agreement with Flour Power confirming your confidentiality obligations with respect to the Confidential Information.

11.4 OWNERSHIP. The Manuals, written directives, other manuals and materials and any other confidential communications provided or approved by Flour Power shall at all times remain the sole property of Flour Power, shall at all times be kept in a secure place on your Studio premises and shall be returned to Flour Power immediately upon request or upon termination or expiration of this Agreement.

11.5 SUPPLEMENTATION OF AGREEMENT. The Manuals, any written directives and any other manuals and materials issued by Flour Power, and any modifications to such materials shall supplement this Agreement.

11.6 REVISIONS. Flour Power may, from time to time, revise the contents of the Manuals and the contents of any other manuals and materials created or approved for use in the operation of the franchised business. You expressly agree to comply with each new or changed standard; provided, however, you shall have thirty (30) days in which to implement compliance with each new or changed standard.

11.7 MAINTENANCE. You shall, at all times, ensure that the Manuals are kept current and up to date. In the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Flour Power at Flour Power's corporate office shall control.

12. CONFIDENTIALITY COVENANTS

12.1 DISCLOSURE OF CONFIDENTIAL INFORMATION. You acknowledge that Flour Power will disclose the Confidential Information to you as part of the training program and the other services to be rendered by Flour Power hereunder. You, your Owner/Operator, Investors, and all other persons affiliated with you shall not, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of, any other person(s), partnership, association, corporation, or other entity any Confidential Information which may be communicated to you or any of such persons or of which they may be apprised by virtue of your operation of the franchised business under this Agreement. You and your Owner/Operator and each of your Investors shall divulge such Confidential Information only to your manager(s) of your Studio and such other Studio personnel as may reasonably require access to it to operate the franchised business. Neither you nor your Owner/Operator nor your Investors shall at any time, without Flour Power prior written consent, copy, duplicate, record, or otherwise reproduce any Confidential Information, in whole or in part, nor otherwise make the same available to any unauthorized person. The covenant

in this **Section 12.1** shall survive the expiration, termination, or transfer of this Agreement or any interest herein and shall be binding upon you, your Owner/Operator, and your Investors.

12.2 CONFIDENTIALITY AGREEMENTS FROM OTHER PARTIES. At Flour Power's request, and in addition to the requirements of the other provisions of this Agreement, you shall obtain and deliver to Flour Power an executed confidentiality agreement, in such form and content satisfactory to Flour Power, from your employees or the holders of any direct or indirect ownership interest in you having access to any Confidential Information, pursuant to which agreement the signatory covenants and agrees to maintain the confidentiality of the Confidential Information. You agree to require all of your employees to sign such a confidentiality agreement prior to your sharing any of Flour Power's Confidential Information with them.

12.3 NEW IDEAS, CONCEPTS, TECHNIQUES, OR MATERIALS. All ideas, concepts, techniques, or materials relating to a Flour Power Studio, whether or not protectable intellectual property and whether created by or for you or your Investors or employees, must be promptly disclosed to Flour Power and will be deemed to be Flour Power's sole and exclusive property, part of the System, and works made-for-hire for Flour Power. To the extent that any item does not qualify as a "work made-for-hire" for Flour Power, by this paragraph you hereby assign ownership of that item, and all related rights to that item, to Flour Power, hereby waive all moral rights in that item, and hereby agree to take whatever action (including signing assignment or other documents) Flour Power requests to evidence Flour Power's ownership or to help Flour Power obtain intellectual property rights in the item (including signing assignment or other documents, and causing your Investors, employees and contractors to do the same). You may not use any such idea, concept, technique or material in connection with the Studio without Flour Power's prior approval.

12.4 INJUNCTIVE RELIEF. You, your Owner/Operator, and your Investors acknowledge that any failure to comply with this **Section 12** shall constitute an event of default under **Section 16** and will cause Flour Power irreparable injury for which no adequate remedy at law may be available, and you, your Owner/Operator, and your Investors accordingly consent to the issuance of an injunction prohibiting any conduct by you or such persons in violation of this **Section 12**. You, your Owner/Operator, and your Investors agree to pay all expenses (including court costs and reasonable legal fees), incurred by Flour Power in enforcing this **Section 12** (including obtaining specific performance, injunctive relief, or any other equitable or other remedy available to Flour Power for any violation of this **Section 12**). This remedy is in addition to any other remedies Flour Power may have hereunder or at law or equity.

13. ACCOUNTING AND RECORDS

13.1 MAINTENANCE OF RECORDS. You shall maintain during the term of this Agreement and shall preserve for such period as may be required by law but not less than seven (7) years from the dates of their preparation full, complete and accurate books, records and accounts, including, but not limited to, sales slips, purchase orders, purchase invoices, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, journals and ledgers in accordance with generally accepted accounting principles on a timely basis and in a consistent form and manner as prescribed by Flour Power from time to time in the Manuals or in other written directives.

13.2

(a) **REPORTS AND FINANCIAL STATEMENTS.** You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats Flour Power prescribes at any time and from time to time. Flour Power may require you to use computer hardware and software to maintain certain sales data and other information and to report such information to Flour Power via a website or other means. You agree to give Flour Power in the manner and format that Flour Power prescribes at any time and from time to time: daily and weekly reports, and a Monthly Sales Report, to be delivered to Flour Power in accordance with and on or before the dates set forth in **Section 4.3**;

(b) a monthly advertising expenditure report consisting of invoices or other documents which accurately reflect your expenditures for local advertising for each Sales Period during the previous calendar month, to be delivered to Flour Power within five (5) days following the end of the last monthly Sales Period during such calendar month;

(c) within fifteen (15) days after the end of each calendar quarter, the operating statements, financial statements, statistical reports, purchase records, and other information Flour Power requests regarding you and the Studio covering the previous calendar quarter and the fiscal year to date, and you must certify these statements are true and correct;

(d) within thirty (30) days following the end of each fiscal year during the term of this Agreement, annual profit and loss and source and use of funds statements and a balance sheet for your Studio as of the end of the prior calendar year;

(e) within ten (10) days following your filing of tax returns for the Studio, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information Flour Power periodically requires relating to the Studio and the franchised business; and,

(f) such other forms, reports, graphs, information, and data as Flour Power may reasonably request, in the form and at the times specified in the Manuals or other written directives.

You agree to verify and sign each report and financial statement in the manner Flour Power prescribes. Flour Power may disclose data derived from these reports, although Flour Power will not without your consent (unless required by law) disclose your identity in any materials that Flour Power circulates publicly. Moreover, Flour Power may, as often as it deems appropriate (including on a daily basis), access the computer software and retrieve all information relating to the Studio's operation.

Flour Power may require you to have audited financial statements prepared annually during the term of this Agreement.

13.3 EXAMINATION OF AUDIT RECORDS. Flour Power or its designees shall have the right at all reasonable times, during the term of this Agreement and for a 12-month period following termination or expiration of this Agreement, to examine and copy, at Flour Power's

expense, your books, records, and tax returns. Flour Power shall also have the right, at any time, to have an independent audit made of your books. If any audit reveals that you have understated Net Sales in any report or statement, then you shall immediately pay Flour Power the additional amount of fees owing as a result of such understatement, together with interest as provided in **Section 4.5**. If an audit reveals that Net Sales have been understated in any report or statement by two percent (2%) or more, you shall additionally pay and reimburse Flour Power for all costs of the audit, including, without limitation, travel, lodging, meals and wage expenses and reasonable accounting and legal fees. These remedies shall be in addition to any other remedies Flour Power may have at law or in equity. If, however, any inspection reveals that you have overstated Net Sales and that you have therefore overpaid any fees, the amount of the overpayment, without interest, shall be credited toward your future fees or payment on future invoices. If you are at any time required to furnish any lender, lessor, government agency or other person audited financial statements with respect to the franchised business, you shall concurrently furnish Flour Power a copy of such audited financial statements.

14. INSURANCE

14.1 MAINTENANCE OF INSURANCE. You shall obtain, within five (5) days after the execution of the lease for the Studio, and shall maintain in full force and effect at all times during the term of this Agreement, at your expense, an insurance policy or policies protecting you and Flour Power and its subsidiaries, affiliates, successors and assigns and their respective officers, directors, shareholders, partners, employees, servants, independent contractors, representatives and agents, against any demand or claim with respect to personal injury, death, sickness, disease, or property damage, or any loss, liability, or expense arising out of or occurring upon or in connection with the condition, operation, use, or occupancy of the franchised business.

14.2 COVERAGES. Such policy or policies shall be written by an insurance carrier or insurance carriers with a Best's Insurance Guide rating of "A" or better, and shall include, at a minimum, the following:

A. Commercial general liability insurance:

1. The commercial general liability insurance policy shall include bodily injury, property damage, advertising and personal injury, and medical payments coverage parts, written on an occurrence reporting basis. The bodily injury, property damage, and advertising and personal injury coverage parts shall have a minimum per occurrence liability limit of \$1,000,000.00 per Studio location and a general aggregate liability limit of \$2,000,000.00 per Studio location. The medical payments coverage part shall have a per occurrence liability limit of \$5,000.00 per Studio location.

2. The commercial general liability policy shall also have a products/completed operations coverage part with a minimum per occurrence liability limit of \$1,000,000.00 per Studio location and a general aggregate liability limit of \$2,000,000.00 per Studio location.

3. The commercial general liability policy shall also have the following endorsements:

- i. An endorsement listing Flour Power as an additional named insured
- ii. A waiver of subrogation in favor of Flour Power.
- iii. An endorsement making the commercial general liability policy primary and non-contributory with regards to any other insurance available to Flour Power.
- iv. An endorsement requiring the commercial general liability insurance carrier(s) to provide at least thirty (30) days' notice of any intent to cancel the commercial general liability policy, regardless of the reason for cancellation.

B. Crime (inside/outside) and employee dishonesty insurance:

1. Crime (moneys and securities) inside/outside coverage shall have a minimum per occurrence liability limit of \$10,000.00 per Studio location for inside crime and a minimum per occurrence liability limit of \$2,000.00 per Studio location for outside crime.

2. Employee dishonesty coverage shall have a minimum per occurrence liability limit of \$50,000.00 per Studio location.

C. Automobile liability insurance covering owned, non-owned, and hired automobiles in the amount of at least \$500,000 combined single limit.

D. Worker's compensation insurance in amounts provided by applicable law, and employer's liability in the following limits: \$500,000 per accident, \$500,000 disease policy limit, \$500,000 each disease.

E. Building and personal property insurance coverage:

1. Property coverage for physical loss or damage to personal property and real property including the leasehold improvements, at each Studio location. This coverage shall include all risk replacement cost property insurance for your Studio and its contents, awnings, equipment, signs, glass, additions under construction, outdoor fixtures, personal property, as well as business interruption insurance for income loss, food spoilage endorsements, equipment breakdown coverage, business ordinance coverage, debris removal, preservation of property, fire department service charges, pollutant clean up and removal, newly acquired or constructed property, property of others, property off premises, and stock. The coinsurance percentage shall not exceed eighty percent (80%).

2. The building and personal property insurance shall also have the following endorsements:

i. An endorsement requiring the building and personal property insurance carrier(s) to provide at least thirty (30) days' notice of any intent to cancel the building and personal property insurance coverage, regardless of the reason for cancellation.

ii. A loss payable endorsement listing Flour Power as the loss payee for equipment and supplies financed by Flour Power either by a loan, line of credit, or an open account.

iii. A waiver of subrogation in favor of Flour Power.

F. Umbrella liability insurance:

1. Umbrella coverage over the above described general commercial liability, liquor liability, automobile liability, products/completed operations, and employer's liability insurance coverage parts with each occurrence limit of \$1,000,000. The umbrella policy shall be written on an occurrence reporting basis.

2. The umbrella liability insurance shall also have the following endorsements:

i. An endorsement listing Flour Power as an additional named insured.

ii. An endorsement requiring the umbrella liability insurance carrier(s) to provide at least thirty (30) days' notice of any intent to cancel the umbrella policy, regardless of the reason for cancellation.

G. Employment practices liability coverage in such form and amounts required by Flour Power and with coverage limits of not less than \$1,000,000.00 including third party and wage and hour coverage.

H. Any insurance which may be required by statute or rule of the state or locality in which your Studio will be operated or by your landlord.

I. Additional insurance coverages that may reasonably be specified by Flour Power from time to time (including reasonable excess liability insurance and cyber insurance), in accordance with standards and specifications set forth in the Manuals or otherwise in writing.

14.3 DEDUCTIBLES. You may, with the prior written consent of Flour Power, elect to have reasonable deductibles in connection with the coverage required under **Sections 14.2.A** and **14.2.F**.

14.4 BUILDER'S RISK. In connection with any finish-out, renovation, refurbishment or remodeling of your Studio, you or your approved contractor shall maintain builder's all risk insurance and performance/completion and payment bonds in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to Flour Power.

14.5 NO RELIANCE UPON FLOUR POWER INSURANCE. Your obligation to obtain and maintain the above policies and bonds in the amounts specified or agreed to by Flour Power shall not be limited in any way by any insurance which may be maintained by Flour Power, nor shall your performance of that obligation relieve you of liability under the indemnity provisions set forth in **Section 20**.

14.6 EVIDENCE OF INSURANCE. Within thirty (30) days after the execution of the lease for the Studio and, thereafter, at least sixty (60) days prior to the expiration of any such policy, you shall deliver to Flour Power certificates of insurance or other evidence Flour Power requires indicating the contracted for insurance coverages as well as the description of special provisions (e.g. additional named insured status). You shall also provide a binder, declarations page, or confirmation of insurance, describing and confirming the coverages afforded by the required

policies described in **Section 14**. Within 7 days of renewing policies, you must provide a new certificate of coverage to Flour Power, listing Flour Power Inc and Flour Power Business Development Inc as additional insured.

14.7 REMEDIES. Should you, for any reason, fail to obtain or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Flour Power in the Manuals or otherwise in writing, Flour Power shall have the right (without, however, any obligation) immediately to obtain such insurance and to charge same to you, which charges, together with a reasonable fee for Flour Power expenses, shall be payable by you immediately upon notice. These remedies shall be in addition to any other remedies at law or in equity that Flour Power may have.

15. TRANSFER OF INTEREST

15.1 TRANSFER BY FLOUR POWER. You acknowledge that Flour Power maintains a staff to manage and operate the System and that staff members can change as employees come and go. You represent that you have not signed this Agreement in reliance on any particular shareholder, director, officer, member or employee remaining with Flour Power in that capacity. Flour Power shall have the right to change its ownership or form and/or transfer or assign this Agreement and all or any part of its rights or obligations hereunder to any person or legal entity without restriction or notice to you. Specifically, and without limitation to the foregoing, you expressly affirm and agree that Flour Power: (a) may sell its assets, the Proprietary Marks, or the System to a third party; (b) may merge, acquire other corporations, or be acquired by another corporation; (c) may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands, or damages arising from or related to the loss of the Proprietary Marks or the System against Flour Power under this Agreement. After its assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, Flour Power no longer will have any performance or other obligations under this Agreement. Nothing contained in this Agreement shall require Flour Power to remain in the business of operating or licensing the operation of Flour Power Studios or to offer any services or products, whether or not bearing the Proprietary Marks, to you, if Flour Power exercises its rights hereunder to assign its rights in this Agreement.

15.2 TRANSFER BY YOU.

A. You and your Owner/Operator and Investors understand and acknowledge that the rights and duties set forth in this Agreement are personal to you and that Flour Power has granted this franchise in reliance on the business skill, financial capacity, and personal character of you and your Owner/Operator and Investors. Accordingly, neither you nor your Owner/Operator or any Investor may Transfer without Flour Power's prior written approval: (i) this Agreement (or any interest in this Agreement); (ii) the Studio (or any right to receive all or a portion of the Studio's profits or losses or capital appreciation related to the Studio); (iii) all or substantially all of the assets of the Studio; (iv) any ownership interest in you (regardless of its size); or (v) any ownership interest in any of your Investors (if such Investors are legal entities). A Transfer of the Studio's ownership, possession, or control, or substantially all of its assets, may be made only with a Transfer of this Agreement. Any Transfer without Flour Power's approval is a breach of this Agreement and has no effect.

In this Agreement, the term “Transfer” includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition. An assignment, sale, gift, or other disposition includes the following events:

- (a) transfer of ownership of capital stock, a partnership or membership interest, or another form of ownership interest;
- (b) merger or consolidation or issuance of additional securities or other forms of ownership interest;
- (c) any sale of a security convertible to an ownership interest;
- (d) transfer of an interest in you, this Agreement, the Studio or all or substantially all of its assets, or your Investors in a divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law;
- (e) if you, one of your Investors, or an owner of one of your Investors dies, a transfer of an interest in you, this Agreement, the Studio or all or substantially all of its assets, or your Investor by will, declaration of or transfer in trust, or under the laws of intestate succession; or
- (f) pledge of this Agreement (to someone other than Flour Power) or of an ownership interest in you or your Investors as security, foreclosure upon the Studio, or your transfer, surrender, or loss of the Studio’s possession, control, or management. You may grant a security interest (including a purchase money security interest) in the Studio’s assets (not including this Agreement) to a lender that finances your acquisition, development, and/or operation of the Studio without having to obtain Flour Power’s prior written approval as long as you give Flour Power ten (10) days’ prior written notice.

B. If you (and your Investors) are fully complying with this Agreement, then, subject to the other provisions of this Section 15, Flour Power will approve a Transfer that meets all of the requirements in this Section 15.2.

Your Investors may Transfer a non-controlling ownership interest in you or your Investors (determined as of the date on which the proposed Transfer will occur) if: (i) the proposed transferee and its direct and indirect owners (if the transferee is an entity) are of good character and otherwise meet Flour Power’s then applicable standards for Flour Power Studio franchisees (including no ownership interest in or performance of services for a Competitive Business); (ii) you give Flour Power prior written notice of the Transfer at least thirty (30) days before the proposed Transfer, and later provide Flour Power final documentation of the consummated Transfer; and (iii) you reimburse Flour Power, upon Flour Power’s demand at any time, for any costs Flour Power incurs in connection with the proposed Transfer (regardless of whether the proposed Transfer actually transpires).

For any other proposed Transfer (including a Transfer of this Agreement, a Transfer of a controlling ownership interest in you or one of your Investors, or a Transfer that is one of a series of Transfers (regardless of the time period over which these Transfers take place) which in the aggregate Transfer this Agreement or a controlling ownership interest in you or one of your

Investors), Flour Power may, in its sole discretion, require any or all of the following conditions to be met before or concurrently with the effective date of the Transfer:

1. All of your accrued monetary and other outstanding obligations to Flour Power and its subsidiaries and affiliates arising under this Agreement or any other agreement between you and Flour Power or its subsidiaries or affiliates shall have been satisfied in a timely manner, and you shall have satisfied all trade accounts and other debts, of whatever nature or kind, in a timely manner.

2. You are not in default of any provision of this Agreement or any other agreement between you and Flour Power or its subsidiaries or affiliates.

3. Your lessor consents in writing to the transfer of the lease or sublease of the site of your Studio to the transferee (or, if Flour Power is subleasing the site of the Studio to you under a sublease, the master lessor consents in writing to the transfer of the sublease to the transferee and the transferee agrees in writing to assume your obligations under the sublease);

4. Unless otherwise prohibited by applicable law, the transferor and its Owner/Operator and Investors, as applicable, shall have executed a general release, in a form prescribed by Flour Power, of any and all claims against Flour Power and its subsidiaries and affiliates and their respective officers, directors, shareholders, partners, employees, servants, representatives, and agents, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and any other agreement between you and Flour Power or its subsidiaries or affiliates and federal, state and local laws, rules and ordinances.

5. The transferee shall enter into a written agreement, in a form prescribed by Flour Power, assuming full, unconditional, joint and several liability for and agreeing to perform from the date of the Transfer, all of your obligations, covenants, and agreements contained in this Agreement; and if transferee is a corporation, partnership, limited liability company or other entity, the transferee's shareholders, partners, members, or other owners, as applicable, shall also execute such agreement as principals of the transferee, including a guaranty of your obligations contained in this Agreement. The transferee shall assume operations of the franchised business within such timeframe required by Flour Power.

6. The transferee shall demonstrate to Flour Power satisfaction that the transferee meets the criteria which Flour Power considers when reviewing a prospective franchisee's application for a franchise, including Flour Power's educational, managerial, and business standards, transferee's good moral character, business reputation and credit rating, the transferee's aptitude and ability to conduct the franchised business (as may be evidenced by prior related business experience or otherwise), the transferee's financial resources and capital and the geographic proximity of other Studios operated by the transferee and territories with respect to which transferee is obligated to develop Studios pursuant to any agreements between Flour Power and the transferee, in relation to your Studio.

7. Neither the transferee nor its owners or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business;

8. Flour Power has determined that the purchase price and payment terms will not adversely affect the transferee's operation of the Studio;

9. If you or your Investors finance any part of the purchase price, you and/or your Investors agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in the Studio are subordinate to the transferee's obligation to pay royalty fees, Brand Fund contributions, and other amounts due to Flour Power, its affiliates, and third party vendors and otherwise to comply with this Agreement;

10. Unless prohibited by applicable law, the transferee shall, at Flour Power's option, execute for a term ending on the expiration date of this Agreement and with such renewal term as may be provided by this Agreement, the form of franchise agreement then being offered to new System franchisees and other ancillary agreements as Flour Power may require for the franchised business, which agreements shall supersede this Agreement and its ancillary documents in all respects and the terms of which agreements may differ from the terms of this Agreement and may include, without limitation, a higher royalty fee and advertising fee and expenditure requirement; provided, however, that the transferee shall not be required to pay any initial Franchise Fee and if the transferee is a corporation, partnership, limited liability company or other entity, the transferee's shareholders, partners, member or other owners, as applicable, shall also execute such agreements as Owner/Operators and Investors of the transferee, including a guaranty of your obligations contained in such Agreement.

11. The transferee, at its expense, shall renovate, modernize, and otherwise upgrade your Studio to conform to the then-current standards and specifications of System Studios (including, without limitation, the modernization of your Studio to conform to Flour Power's then-current Studio specifications and requirements) as reasonably requested by Flour Power within the time specified by Flour Power; provided, that the transferee shall be provided a reasonable period within which to effect such renovation, modernization, or upgrading, and provided further, that the costs of such work shall not be unreasonably expensive.

12. The transferor shall remain liable for all of the obligations to Flour Power in connection with the franchised business incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Flour Power to evidence such liability.

13. You shall pay Flour Power a transfer fee equal to the greater of (a) Thirty Thousand Dollars (\$30,000.00), and (b) 60% of the then-current initial franchise fee payable by a franchisee who is new to the Flower Power system.

14. If transferee is a corporation, partnership, limited liability company, or other entity, the transferee shall make and will be bound by any or all of the representations, warranties, and covenants in **Section 6.1** as Flour Power requests. Transferee shall provide to Flour Power evidence satisfactory to Flour Power that the terms of **Section 6.1** have been satisfied and are true and correct on the date of Transfer.

15. You and your transferring Investors (and your and your Investors' spouses) will not, for two (2) years beginning on the Transfer's effective date, engage in any of the activities proscribed in **Section 18** below.

16. You and your transferring Investors will not directly or indirectly at any time or in any manner (except with respect to other Flour Power Studios you own and operate)

identify yourself or themselves or any business as a current or former Flour Power Studio or as one of Flour Power's franchisees; use any Proprietary Mark, any colorable imitation of a Proprietary Mark, or other indicia of a Flour Power Studio in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with Flour Power.

17. Prior to the Transfer, you shall deliver to Flour Power for review and approval copies of all documents which will evidence the Transfer and, if applicable, any and all amendments to the organizational documents of the applicable entity to be executed in connection with the Transfer.

Flour Power may review all information regarding the Studio that you give the transferee, correct any information that Flour Power believes is inaccurate, and give the transferee copies of any reports that you have given Flour Power or Flour Power has made regarding the Store. In addition, you agree to reimburse Flour Power, upon Flour Power's demand at any time before or after the intended effective date of the proposed Transfer, for any costs Flour Power incurs in connection with any proposed Transfer that is subject to the immediately preceding conditions (1) through (18), regardless of whether the proposed Transfer actually transpires.

C. You hereby acknowledge and agree that each condition which must be met by the transferee is reasonable and necessary to ensure the transferee's full performance of the obligations hereunder.

15.3 RIGHT OF FIRST REFUSAL.

A. In the event you or any person or entity holding a direct or indirect interest in you (including any interest to be transferred pursuant to **Section 15.4**, in the franchised business, or in this Agreement) desire to accept any bona fide offer from a third party to purchase such interest, you shall promptly notify Flour Power in writing of each such offer and shall provide such information and documents relating to the offer as Flour Power may require. Flour Power shall have the right and option, exercisable within fifteen (15) days after receipt of such written notification, information, and documents, to send written notice to the transferor that Flour Power intends to purchase the transferor's interest on the same terms and conditions offered by the third party. If Flour Power elects to purchase the transferor's interest, the closing on such purchase must occur within thirty (30) days from the date of notice to the transferor of the election to purchase by Flour Power, or such other date as may be agreed upon. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Flour Power as in the case of an initial offer. Failure of Flour Power to exercise the option afforded by this **Section 15.3** shall not constitute a waiver of any other provision of this Agreement, including all provisions relating to a proposed Transfer.

B. If the offer from the third party provides for payment of consideration other than cash or involves certain intangible benefits, Flour Power may elect to purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within thirty (30) days on such amount, an independent appraiser shall be designated by each party to determine such amount. In the event that such appraisers shall agree on such amount, the determination shall be final and binding. In the event that such appraisers fail to agree within thirty (30) days, a third independent appraiser shall be designated by such appraisers, and the determination by a majority

of appraisers shall be binding. Each party shall bear the costs and expenses of the appraiser appointment by such party, and the parties shall share equally the costs and expenses of the third appraiser.

C. If Flour Power elects to exercise the option described in this **Section 15.3**, it shall have the right to set off the cost of the appraisal described in **Section 15.3.B** above, if any, against any payment made hereunder.

D. Failure to comply with the provisions of this **Section 15.3** prior to the purchase of a direct or indirect interest in you, in the franchised business or in this Agreement, shall constitute an event of default under **Section 16**.

15.4 TRANSFER UPON DEATH OR PERMANENT DISABILITY.

A. Upon the death of any person (the “**Deceased**”) with a direct or indirect interest in this Agreement, the franchised business or in you, the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party, provided that any such transfer shall be subject to the terms, conditions and restrictions regarding Transfers set forth in **Section 15.2** and the right of first refusal set forth in **Section 15.3**. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the transfer of such interests to the distributee of such interests shall be subject to the terms, conditions, and restrictions regarding Transfers set forth of **Section 15.2**. If the distributee is required to be approved by Flour Power, but is not approved by Flour Power, then the distributee shall transfer such interest to a third party approved by Flour Power within twelve (12) months after the death of the Deceased, subject to the terms and conditions set forth in **Section 15.2** and the right of first refusal set forth in **Section 15.3**.

B. Upon the Permanent Disability (as defined in this **Section 15.4.B**) of any person with a direct or indirect interest in this Agreement, the franchised business or in you, Flour Power may, in its sole discretion, require such interest to be transferred to a third party approved by Flour Power within six (6) months after notice to you, subject to the right of first refusal set forth in **Section 15.3**. “**Permanent Disability**” shall mean any physical, emotional, or mental injury, illness, or incapacity which would prevent a person from performing the obligations set forth in this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent Disability shall be determined by two (2) licensed practicing physicians. One (1) licensed practicing physician shall be selected by Flour Power, while a second licensed practicing physician shall be selected by you. If these two (2) licensed practicing physicians cannot agree on whether a Permanent Disability exists, they shall appoint a third licensed practicing physician whose expert opinion shall be controlling. The costs of any examination required by this **Section 15.4.B** shall be paid by Flour Power.

C. In the event of the death or Permanent Disability of your Owner/Operator, or any other person with a direct or indirect interest in this Agreement, the franchised business or in you, if Flour Power determines, in its sole discretion, that such person had substantial control or supervision over the management of your Studio, then Flour Power at its option may elect to operate your Studio during the interim twelve (12) months following such death or the interim six (6) months following such Permanent Disability, as applicable, until the interest of such person is

transferred in accordance with this **Section 15** or until the applicable interim period expires, whichever comes first. As compensation for managing your Studio, Flour Power will charge a management fee of five percent (5%) of the Net Sales of your Studio for each Sales Period, which will be in addition to the royalty fee, advertising contributions, and any other fees or payments due and owing to Flour Power and, if Flour Power provides one of its employees as manager, you shall pay Flour Power the manager's then-current salary for the time of such interim management. In addition, you will remain responsible for payment of employee salaries, taxes, rent, utilities, supplies, and all other costs and expenses associated with the operation of your Studio. Flour Power shall exercise its best efforts in managing your Studio, but shall not be liable for any losses incurred by your Studio during the time of such management and thereafter. IF FLOUR POWER ELECTS TO OPERATE YOUR STUDIO PURSUANT TO THIS **SECTION 15.4.C**, YOU SHALL INDEMNIFY FLOUR POWER FOR LOSSES AND EXPENSES INCURRED BY FLOUR POWER AS A RESULT OF SUCH OPERATION TO THE SAME EXTENT AS PROVIDED IN **SECTION 20.4**.

D. You or your representative must promptly notify Flour Power upon the death or claim of Permanent Disability of any person with a direct or indirect interest in this Agreement, the franchised business, or you. Any transfer upon death or Permanent Disability shall be subject to the same terms and conditions as described in **Section 15.2**, except that the requirements of **Sections 15.2B.34, 15.2B.710, and 15.2B.11** shall not apply. If an interest is not transferred upon death or Permanent Disability as required in this **Section 15.4**, Flour Power may terminate this Agreement pursuant to **Section 16**.

15.5 NON-WAIVER OF CLAIMS. Flour Power's consent to a Transfer of any interest in you, the franchised business, or this Agreement shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Flour Power's right to demand exact compliance with this Agreement by the transferee.

15.6 OFFERINGS BY YOU. Securities in you may be offered to the public, by private offering or otherwise, only with the prior written consent of Flour Power (whether or not Flour Power consent is required under **Section 15.2**), which consent shall not be unreasonably withheld. All materials required for such offering by federal or state law shall be submitted to Flour Power for a limited review as discussed below prior to their being filed with any government agency; and any materials to be used in any exempt offering shall be submitted to Flour Power for such review prior to their use. Your offering shall not imply (by use of the Proprietary Marks or otherwise) that Flour Power is participating in an underwriting, issuance, or offering of your securities or Flour Power securities or the securities of any subsidiary or affiliate of Flour Power; and Flour Power's review of any offering materials shall be limited solely to the subject of the relationship between you and Flour Power and its subsidiaries and affiliates. Flour Power may, at its option, require your offering materials to contain a written statement prescribed by Flour Power concerning the limitations described in the preceding sentence. YOU AND THE OTHER PARTICIPANTS IN THE OFFERING MUST FULLY INDEMNIFY FLOUR POWER IN CONNECTION WITH THE OFFERING. For each proposed offering, you shall pay to Flour Power a nonrefundable fee of Three Thousand Dollars (\$3,000.00), or such other amount as is necessary to reimburse Flour Power for its reasonable costs and expenses associated with reviewing the proposed offering materials, including without limitation, legal and accounting fees. You shall give Flour Power written notice at least thirty (30) days prior to any offering or other transaction covered by this **Section 15.6**.

16. DEFAULT AND TERMINATION

16.1 EVENTS OF DEFAULT NOT SUBJECT TO NOTICE AND CURE. You shall be in default under this Agreement, and, to the extent permitted under applicable state law, at Flour Power's option, all rights granted herein shall automatically terminate without notice to you, if:

- A. You file a bankruptcy, receivership, or equivalent insolvency proceeding under the federal bankruptcy law or any state statute;
- B. Any bankruptcy, receivership or insolvency proceeding is filed against you and is not dismissed within sixty (60) days following the filing thereof;
- C. You are merged, consolidated, or dissolved;
- D. A final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless you have sooner filed an appropriate supersedeas bond); or
- E. Any lien against the equipment of the franchise business is foreclosed upon or if the equipment of the franchise business is levied or executed upon.

16.2 EVENTS OF DEFAULT SUBJECT TO NOTICE BUT WITHOUT CURE. You shall be in default and, to the extent permitted under applicable state law, Flour Power may, at its option, terminate this Agreement upon delivery of written notice and without providing you an opportunity to cure if:

- A. You (or any of your Investors) have made or make any material misrepresentation or omission in acquiring the franchised business or operating the Studio;
- B. You cease operation of your Studio, after opening, and such cessation continues for at least ten (10) days;
- C. Any transfer in violation of **Section 15**;
- D. You are in default under your lease of your Studio premises;
- E. You fail to locate a proposed site for your Studio within the time stated in, and otherwise comply with, **Section 7.2**;
- F. You fail to acquire a site for your Studio within the time stated in and otherwise comply with, **Section 7.5**;
- G. You lose the right to occupy the site for your Studio and fail (a) to begin immediately to look for a substitute site or (b) to locate a substitute site, and to begin operating the Studio from that substitute site, within ten to twelve months after signing your lease;
- H. You fail to commence business within the time stated in, and otherwise in accordance with, **Section 7.10**;
- I. You fail to comply with the provisions of **Section 8.9**;

J. Your required personnel do not satisfactorily complete the initial training program as set forth in **Section 9.1**;

K. You fail to comply with any confidentiality or non-compete provisions of this Agreement, including, without limitation, those set forth in **Section 1** and **Section 11**;

L. You, or any entity in which your Investors own majority equity ownership or otherwise control, have entered into any other agreement with Flour Power or its subsidiaries or affiliates, and such other agreement terminates or could be terminated by Flour Power or its subsidiary or affiliate with the giving of notice;

M. You fail to comply with any applicable civil or criminal laws, ordinances, rules, regulations, and orders of public authorities pertaining to the maintenance and operation of the Studio, including, but not limited to, those relating to health, safety, sanitation, employment, environmental regulation, and taxation;

N. You or your Owner/Operator are convicted or plead guilty or ‘nolo contendere’ to a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is injurious to the System(s), the Proprietary Marks, or the goodwill associated therewith, or if Flour Power has proof that you have committed such a felony, crime, or offense;

O. You fail to maintain the insurance Flour Power requires and do not correct the failure within ten (10) days after Flour Power delivers written notice of that failure to you;

P. You (or any of your Investors) engage in any dishonest or unethical conduct which, in Flour Power’s opinion, adversely affects the Studio’s reputation or the goodwill associated with the Proprietary Marks;

Q. You make any representation or warranty on Flour Power’s behalf that has not been specifically authorized in writing by Flour Power;

R. You interfere with Flour Power’s right to inspect the Studio, or observe or videotape its operation, as provided in Section 8.22;

S. You fail to pay when due any amounts owed to customers, Flour Power Studio franchisees or third parties;

T. You understate the Studio’s Net Sales three (3) times or more during the term of this Agreement or by more than five percent (5%) on any one occasion;

U. You or any of your Investors fail to comply with **Section 28.5** of this Agreement, or your or any of your Investors’ assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities;

V. You knowingly maintain false books or records, or submit any false reports to Flour Power;

W. You refuse to permit Flour Power to inspect the Studio’s books, records, or accounts upon request;

X. You fail to pay when due any federal or state income, service, sales, or other taxes due on the Studio's operation, unless you are in good faith contesting your liability for these taxes; or,

Y. You process any payments in violation of **Section 8.13(c)**.

16.3 EVENTS OF DEFAULT SUBJECT TO 7-DAY NOTICE AND CURE. You shall be in default and, to the extent permitted under applicable state law, Flour Power may, at its option, terminate this Agreement after notice to you, upon the occurrence of any of the following breaches hereunder, and such breaches are not cured to Flour Power satisfaction within seven (7) days following the date of written notice of default from Flour Power, if:

A. You fail to operate your Studio in accordance with the provisions, standards and specifications of Flour Power set forth in **Section 7** and **Section 8** or in the Manuals or other written directives of Flour Power; provided that any failure to operate your Studio pursuant to **Section 8.9** shall be governed by **Section 16.2**;

B. You fail to timely pay your initial Franchise Fee, royalty fees, Brand Fund contribution, or any other monetary obligations owed to Flour Power or its affiliates under this Agreement or otherwise (including, without limitation, any interest accrued on any overdue payments), or, you fail to timely submit your Monthly Sales Report;

C. You misuse or make any unauthorized use of the Proprietary Marks or otherwise materially impair the goodwill associated with the Proprietary Marks or with the System or Flour Power's rights therein;

D. You or your Owner/Operator or any of your Investors breach the covenants set forth in **Section 18** of the Agreement; or

E. You, your Owner/Operator or any of your Investors purchase food and beverage or other products or utilize vendors or suppliers which have not been approved by Flour Power.

Provided, if you commit or permit any of the breaches in **Section 16.3** two (2) times during any twelve (12) month period, to the extent permitted under applicable state law, Flour Power shall not be obligated to provide you notice or an opportunity to cure any subsequent breaches prior to terminating your rights under this Agreement. If any fact or circumstance giving rise to any event of default described in **Section 16.3** is not susceptible to cure, to the extent permitted under applicable state law, such event of default shall be deemed an event of default under **Section 16.1** and not subject to any notice and cure.

16.4 EVENTS OF DEFAULT SUBJECT TO 30-DAY NOTICE AND CURE. You shall be in default and, to the extent permitted under applicable state law, Flour Power may, at its option, terminate this Agreement after notice to you, upon the occurrence of any of the following breaches hereunder, and such breaches are not cured to Flour Power satisfaction within thirty (30) days following the date of written notice of default from Flour Power, if:

A. You or your Owner/Operator or any of your Investors breach any other covenant, agreement, obligation, or term set forth in this Agreement (other than such breaches specified in **Sections 16.1, 16.2, and 16.3**); or

B. Any default occurs under any other agreement you have with Flour Power or its subsidiaries or affiliates and such default is not cured within any applicable grace or cure period expressly provided for therein.

Provided, if you commit or permit any of the breaches in **Section 16.4** two (2) times during any twelve (12) month period, to the extent permitted under applicable state law, Flour Power shall not be obligated to provide you notice or an opportunity to cure any subsequent breaches prior to terminating your rights under this Agreement. If any fact or circumstance giving rise to any event of default described in **Section 16.4** is not susceptible to cure, to the extent permitted under applicable state law, such event of default shall be deemed an event of default under **Section 16** and not subject to any notice and cure.

16.5 ASSUMPTION OF MANAGEMENT. In addition to, and without limiting, Flour Power's other rights and remedies under this Agreement, any other agreement or applicable law, upon the occurrence of any event giving rise to Flour Power's right to terminate this Agreement under this **Section 16**, Flour Power may instead of terminating this Agreement elect, at its sole option and upon providing you written notice, to assume, or appoint a third party to assume, management of the Studio in the manner provided in this **Section 16.5**.

Flour Power has the right (but not the obligation), under the circumstances described below, to enter the Studio premises and assume the Studio's management (or to appoint a third party to assume its management) for any period of time Flour Power deems appropriate. If Flour Power (or a third party) assumes the Studio's management under subparagraphs (1) and (2) below, you agree to pay Flour Power (in addition to the other amounts due under this Agreement) five percent (5%) of the Net Sales of your Studio for each Sales Period, plus Flour Power's (or the third party's) direct out-of-pocket costs and expenses.

If Flour Power (or a third party) assumes the Studio's management, you acknowledge that Flour Power (or the third party) will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations the Studio incurs, or to any of your creditors for any supplies, products, or other assets or services the Studio purchases, while Flour Power (or the third party) manages it.

Flour Power (or a third party) may assume the Studio's management under the following circumstances: (1) if you abandon or fail actively to operate the Studio; (2) if you fail to comply with any provision of this Agreement or any System standard and do not cure the failure within the time period Flour Power specifies in its notice to you; or (3) if this Agreement expires or is terminated and Flour Power is deciding whether to exercise its option to purchase the Studio under **Section 17.E** below.

Any exercise of Flour Power's rights under subparagraphs (1) or (2) above in this **Section 16.5** will not affect its right to terminate this Agreement under this **Section 16**.

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17. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon the termination or expiration of this Agreement, all rights granted hereunder to you shall terminate and:

A. Unless otherwise indicated in writing from Flour Power, and to the extent permitted by applicable law, you must pay to Flour Power in a single lump sum payment, as liquidated damages and not as a penalty, after early termination of the Franchise Agreement, liquidated damages equal to royalty fees for the number of months remaining in the term of the Franchise Agreement (or the renewal term, if applicable) based on the monthly average of the royalty payable to Flour Power. If the Franchise Agreement terminates after the second year of the term, then liquidated damages shall be calculated based upon the average monthly Net Sales of your Studio reported for the 12 months preceding termination. Liquidated damages are the present value of the annuity represented by the royalty for the months remaining in your Franchise Agreement term assuming these average Net Sales, without adjustment for inflation. The discount rate for calculating present value is 110% of the long term Applicable Federal Rate for monthly compounding published by the Internal Revenue Service immediately prior to termination. If your Studio has not yet opened, or has not been open for at least 24 months at the time of termination, the average monthly Net Sales used to calculate liquidated damages will be based upon the average monthly Net Sales of all Flour Power Studios for the preceding fiscal year.

B. You shall immediately and permanently cease to use, in any manner, any confidential methods, procedures, techniques, and trade secrets associated with the System, the Proprietary Marks, and all other distinctive forms, slogans, signs, symbols, and devices associated with the System, as set forth in the Manuals. In particular, you shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms, and any other articles which display the Proprietary Marks. All such items which display the Proprietary Marks shall be removed from your Studio premises at your cost within thirty (30) days of termination.

C. You shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the Proprietary Marks or any part thereof or any other service mark or trademark of Flour Power, and you shall furnish Flour Power with evidence satisfactory to Flour Power of compliance with this obligation within five (5) days after the termination or expiration of this Agreement.

D. You shall, at Flour Power's option, assign to Flour Power any interest which you have in any lease or sublease for your Studio premises or for any equipment used in the operation of the franchised business. Flour Power may exercise such option at or within thirty (30) days after either termination or (subject to any existing right to renew) expiration of this Agreement. The time for closing on the assignment of lease, sublease, or equipment shall be a date no later than ten (10) days after Flour Power exercise of the option(s) unless Flour Power is also exercising its option to purchase property described below in **Section 17.E**, in which case the date of closing shall be on the same date prescribed for the purchase option. Closing shall take place at Flour Power's corporate office or at such other location as the parties may agree. If neither you nor Flour Power elect to exercise its option to acquire the lease or sublease for the premises of the franchised business, you shall make such modifications or alterations to such premises immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of such premises from that of other Studios operating under the System and shall make such specific

additional changes as Flour Power may reasonably request. If you fail or refuse to comply with the requirements of this **Section 17.D**, Flour Power shall have the right to enter upon the premises of the franchised business, without being guilty of trespass or any other crime or tort, to make or cause to be made such changes as may be required, at your expense, which expense you shall pay upon demand.

E. Flour Power shall have the option, which it may exercise by providing written notice to you within thirty (30) days after termination or (subject to any right to renew) expiration of this Agreement, to purchase from you any or all of your furnishings, equipment (including any computer hardware and software), signs, fixtures, supplies, or inventory related to the operation of the franchised business, at your cost or fair market value, whichever is less. Should Flour Power exercise such option:

i. Flour Power shall be purchasing your assets only and shall be assuming no liabilities. Notwithstanding anything contained herein to the contrary, Flour Power and you shall fully comply with the requirements of any “bulk transfer” or fraudulent conveyance statute or equivalent law in the jurisdiction in which your Studio is located, so that Flour Power shall not assume or acquire any “transferee” liability.

ii. If the parties cannot agree on a fair market value within thirty (30) days from the date of Flour Power notice to exercise its option, an independent appraiser shall be designated by each party and the two (2) independent appraisers shall select a third independent appraiser. The determination of fair market value by the majority of the appraisers shall be binding. Each party shall bear the costs and expenses of the appraiser appointed by such party, and the parties shall share equally the costs and expenses of the third appraiser.

iii. At closing, you shall deliver to Flour Power, in a form satisfactory to Flour Power, such bills of sale, assignments, releases of liens, and such other documents and instruments which Flour Power deems reasonably necessary to perfect Flour Power’s title and possession in and to the assets being purchased and to certify that the requirements of all taxing and other governmental authorities have been satisfied. If at the time of closing you have not obtained all of these certificates and other documents, Flour Power may, in its sole discretion, place the purchase price in escrow pending the issuance of any required certificates or documents.

iv. The time and place for the closing of the purchase and sale of such assets shall be a date not later than thirty (30) days after the purchase price is determined by the parties or the appraisers, whichever is later, at the operating office of Flour Power in Davidson, North Carolina, unless the parties mutually agree to another date or place.

v. At closing, Flour Power shall have the right to set off all amounts you owe to Flour Power and its subsidiaries and affiliates and the cost incurred in connection with any escrow arrangement (including reasonable legal fees), against any payment for the assets, and shall pay the remaining amount in cash.

F. You, at Flour Power’s option, shall assign to Flour Power all rights to the telephone numbers of your Studio and execute all forms and documents required by any telephone company to transfer such service and numbers to Flour Power. You hereby appoint Flour Power your true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking

such action as is necessary to complete such assignment. This power of attorney shall survive the expiration or termination of this Agreement. You shall thereafter use different telephone numbers at or in connection with any subsequent business conducted by you.

G. You agree, if you continue to operate or subsequently begin to operate any other business, not to use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or its promotion, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Flour Power rights in and to the Proprietary Marks, and you further agree not to use any designation of origin or description or representation which falsely suggests or represents a continuing association or connection with Flour Power.

H. You shall promptly pay all sums owing to Flour Power and its subsidiaries and affiliates. In the event of termination for any default by you, such sums shall include interest on any past due amounts as set forth in this Agreement, and all damages, costs, and expenses, including reasonable legal fees, incurred by Flour Power as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Flour Power against any and all of the personal property, furnishings, equipment, signs, fixtures and inventory owned by you and on the premises of the franchised business at the time of default.

I. You shall pay to Flour Power all damages, costs, and expenses, including reasonable legal fees, incurred by Flour Power after the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this **Section 17**.

J. You shall immediately deliver to Flour Power all materials, including the Manuals, records, files, instructions, correspondence, customer lists, access to all social media accounts, and all other writings or electronic data related to operating the franchised business, including, without limitation, brochures, agreements, invoices, and all other related materials in your possession, and all copies thereof (all of which are acknowledged to be Flour Power property), and shall retain no copy or record of any of the above, except your copy of this Agreement and of any correspondence between the parties and any other documents which you reasonably need for compliance with any applicable law.

K. You and your Owner/Operator and each of your Investors shall comply with the restrictions on confidential information contained in **Section 12.1** and the covenants contained in **Section 18.B.2**. Any other person required to execute similar covenants pursuant to **Section 12.2** or **Section 18** shall also comply with such covenants.

18. COVENANTS

A. You covenant that during the term of this Agreement, except as otherwise approved in writing by Flour Power, you and your Owner/Operator shall devote full time, energy, and best efforts to the management and operation of the franchised business.

B. You and your Owner/Operator and each of your Investors specifically acknowledge that, pursuant to this Agreement, you and your Owner/Operator and each of your Investors will receive valuable specialized training, trade secrets, and confidential information, including,

without limitation, information regarding the operational, sales promotional, and marketing methods and techniques of Flour Power and the System and proprietary program guides which are beyond your present skills and experience, and that of your Owner/Operator, Investors, and your managers and employees. You and your Owner/Operator acknowledge that such training, trade secrets, and confidential information provide a competitive advantage and will be valuable to you in the development of the franchised business and that gaining access to such training, trade secrets, guides, and confidential information is, therefore, a primary reason for entering into this Agreement. In consideration for such training, trade secrets, and confidential information, you, your Owner/Operator and each of your Investors covenant as follows:

1. During the term of this Agreement, except as otherwise approved in writing by Flour Power, neither you nor your Owner/Operator nor any of your Investors shall, either directly or indirectly, for yourselves or through, on behalf of or in conjunction with any person, partnership, corporation or other entity:

i. Have any direct or indirect controlling or non-controlling interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating (except that equity ownership of less than two percent (2%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);

ii. Perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

iii. Divert or attempt to divert any actual or potential business or customer of the franchised business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System;

iv. Directly or indirectly loan any money or other thing of value to, or guarantee any other person's loan to, any Competitive Business or any owner, director, officer, manager, employee or agent of any Competitive Business, wherever located or operating; or

v. Engage in any other activity which, in Flour Power's sole opinion, might injure the goodwill of the Proprietary Marks and System.

The term "Competitive Business" means (i) any business which derives more than five percent (5%) of its revenue from selling cooking or etiquette lessons, parties or camps to children or (ii) any business granting franchises or licenses to others to operate the type of business specified in subparagraph (i) (other than a Flour Power Studio operated under a franchise agreement with Flour Power).

2. With respect to you, for a continuous uninterrupted period commencing upon the expiration or termination of, or transfer of all of your interest in, this Agreement or with respect to your Owner/Operator and each of your Investors, for a continuous uninterrupted period commencing upon the earlier of: (i) the expiration, termination or transfer of all of your interest in this Agreement or (ii) the time such individual or entity ceases to satisfy the definition of your Owner/Operator or an Investor in **Section 26.3.K**, and for two (2) years thereafter (which two-year

period shall be tolled during any period of noncompliance), except as otherwise approved in writing by Flour Power, neither you nor your Owner/Operator nor any of your Investors shall, either directly or indirectly, for yourselves or through, on behalf of or in conjunction with any person, partnership, corporation or other entity, have any direct or indirect interest (e.g., through a spouse) as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, representative, or agent in any Competitive Business located or operating:

- i. at the site of the Studio;
- ii. within the Assigned Area;
- iii. within a thirty (30) mile radius of the Assigned Area; or,
- iv. within five (5) miles of any other Flour Power Studio in operation or under construction on the later of the effective date of the termination or expiration of this Agreement or the date on which all persons restricted by this **Section 18.B.2** begin to comply with this **Section 18.B.2**.

C. The parties agree that each of the above covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this **Section 18** is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Flour Power is a party, you, your Owner/Operator and your Investors expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this **Section 18**.

D. You and your Owner/Operator and Investors understand and acknowledge that Flour Power shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in **Section 18.B**, or any portion thereof, without your consent, effective immediately upon written notice to you; and you and your Owner/Operator and Investors agree that they shall immediately comply with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of **Section 25**.

E. You and your Owner/Operator and Investors expressly agree that the existence of any claims you may have against Flour Power, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Flour Power of the covenants in this **Section 18**,

F. You and your Owner/Operator and Investors agree to pay all costs and expenses (including reasonable legal fees), incurred by Flour Power in connection with the enforcement of this **Section 18**.

G. You and your Owner/Operator and Investors acknowledge that a violation of the terms of this **Section 18** would result in irreparable injury to Flour Power for which no adequate remedy at law may be available, and you and your Investors accordingly consent to the issuance of an injunction prohibiting any conduct by you, your Owner/Operator, or any of your Investors in violation of the terms of this **Section 18**. This remedy is in addition to any other remedies Flour Power may have hereunder or at law or equity.

H. At Flour Power's request, you shall require and obtain execution of covenants similar to those set forth in this **Section 18**, from any other person or entity that now or hereafter satisfies the definition of your Investors or your Owner/Operator in **Section 26.3.K** or any other person or entity who has received or will receive confidential information or training by Flour Power, including without limitation any manager(s). Failure by you to obtain execution of the covenants required by this **Section 18.H** shall constitute an event of default under **Section 16**.

19. TAXES, PERMITS AND INDEBTEDNESS

A. You shall promptly pay when due all taxes levied or assessed, including without limitation, income, unemployment and sales taxes and all accounts and other indebtedness of every kind incurred by you in the conduct of the franchised business.

B. You shall pay to Flour Power an amount equal to any sales tax, gross receipts tax, excise tax, business personal property tax, or any similar license or tax, directly or indirectly imposed on Flour Power with respect to any payment to Flour Power required under this Agreement. The preceding sentence shall not apply to any franchise tax or income, war profits, or excess profits tax (or any tax in lieu thereof), imposed on Flour Power with respect to the above payments.

C. In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with the procedures of the taxing authority or applicable law; however, in no event shall you permit a tax sale or seizure by levy of execution or similar writ or warrant or attachment by a creditor to occur against the premises of the franchised business or any improvements thereon.

D. You shall comply with all federal, state and local laws, rules and regulations and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the franchised business, including, without limitation, licenses to do business, fictitious name registrations, sales and use tax permits, fire clearances, health permits, and certificates of occupancy.

E. You shall notify Flour Power in writing within five (5) days of the commencement of any action, suit, or proceeding or of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the franchised business.

20. INDEPENDENT RELATIONSHIP AND INDEMNIFICATION

20.1 NO FIDUCIARY RELATIONSHIP. The parties acknowledge and agree that this Agreement does not create a fiduciary relationship between them, that you shall be an independent contractor, and that nothing in this Agreement is intended to appoint or deem either as party an agent, legal representative, subsidiary, joint venturer, partner, employee, employer, joint employer, or servant of the other for any purpose.

20.2 FRANCHISEE IS AN INDEPENDENT ENTITY. You and Flour Power understand and agree that this Agreement does not create a fiduciary relationship between you and Flour Power, that you and Flour Power are and will be independent contractors, and that nothing in this

Agreement is intended to make either you or Flour Power a general or special agent, joint venturer, partner, or employee of the other for any purpose. You agree to identify yourself conspicuously in all dealings with customers, suppliers, public officials, Studio personnel, and others as the Studio's owner under a franchise Flour Power has granted and to place notices of independent ownership on the forms, business cards, stationery, advertising, and other materials Flour Power requires at any time and from time to time.

None of your employees or other personnel will be considered to be Flour Power's employees or personnel. Neither you nor any of your employees or personnel whose compensation you pay may in any way, directly or indirectly, expressly or by implication, be construed to be Flour Power's employee or personnel for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state, provincial, or federal governmental agency. Flour Power will not have the power to hire or fire your employees or personnel. You expressly agree, and will never contend otherwise, that Flour Power's authority under this Agreement to certify certain of your employees or personnel for qualification to perform certain functions for the Studio does not directly or indirectly vest in Flour Power the power to hire, fire or control any such employee. You acknowledge and agree, and will never contend otherwise, that you alone will exercise day-to-day control over all operations, activities and elements of the Studio and that under no circumstance shall Flour Power do so or be deemed to do so. You further acknowledge and agree, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which Flour Power is required to comply with under this Agreement, whether set forth in the Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Flour Power controls any aspect or element of the day-to-day operations of the Studio, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of the Studio.

20.3 NO AUTHORITY TO BIND FLOUR POWER. You and your Owner/Operator and each of your Investors understand and agree that nothing in this Agreement authorizes you or your Owner/Operator and any of your Investors to make any contract, agreement, warranty, or representation on Flour Power's behalf, or to incur any debt or other obligation in Flour Power name; and that Flour Power shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Flour Power be deemed liable for any act or omission of you, your Owner/Operator, or any of your Investors in the conduct of the franchised business or for any claim or judgment arising therefrom.

20.4 INDEMNITY.

You agree to indemnify, defend, and hold harmless Flour Power, its affiliates, and its and their respective shareholders, members, directors, officers, employees, agents, successors, and assignees (the "Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of:

- (i) the Studio's operation;
- (ii) employment matters in connection with the Studio;
- (iii) the business you conduct under this Agreement;

(iv) your breach of this Agreement or other agreement between you and Flour Power or its subsidiaries or affiliates, including, without limitation, those alleged to be or found to have been caused by the Indemnified Party's negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by Flour Power's gross negligence or willful misconduct in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction;

(v) the infringement, alleged infringement, or any other violation or alleged violation by you or your Owner/Operator or any of your Investors of any patent, mark, or copyright or other proprietary right owned or controlled by third parties (except as such may occur with respect to any rights in the Proprietary Marks or copyrights granted under this Agreement;

(vi) the violation, breach or alleged violation or breach by you, your Owner/Operator or any of your Investors of any Federal, state or local law, regulation, ruling, standard or directive or any industry standard;

(vii) libel, slander or any other form of defamation of Flour Power or the System by you, your Owner/Operator or any of your Investors; and,

(viii) negligent acts, errors or omissions by you, any of your subsidiaries and affiliates, your Owner/Operator, and any of your Investors and your officers, directors, shareholders, partners, agents, independent contractors, servants, employees, and representatives and those of your subsidiaries and affiliates in connection with the establishment and operation of your Studio.

You agree to give Flour Power and the Indemnified Parties written notice of any action, suit, proceeding, claim, demand, inquiry or investigation that could be the basis for a claim for indemnification by any of the Indemnified Parties within three (3) days of your actual or constructive knowledge of it. The Indemnified Parties shall have the right, in their sole discretion to: (i) retain counsel of their own choosing to represent them with respect to any claim; and (ii) control the response thereto and the defense thereof, including the right to enter into settlements or take any other remedial, corrective, or other actions. You agree to give your full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such claim, including court costs and reasonable attorneys' fees, within ten (10) days of the date of each invoice delivered by the Indemnified Parties to you enumerating such costs, expenses and attorneys' fees.

For purposes of this indemnification, "claims" include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

The Indemnified Parties do not assume any liability for acts, errors or omissions of those with whom you, your Owner/Operator, any of your Investors, or your subsidiaries and affiliates may contract, regardless of the purpose. You, your Owner/Operator, and each of your Investors shall hold harmless and indemnify the Indemnified Parties for all claims, obligations and damages which may arise out of any negligent acts, errors or omissions by you, your Owner/Operator, your Investors, your subsidiaries and affiliates, your officers, directors, shareholders, partners, agents, independent contractors, servants, employees, and representatives and those of your subsidiaries and affiliates, and any such third parties without limitation and including, without limitation, those alleged to be or found to have been caused by the Indemnified Party's negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by Flour Power's gross negligence or willful misconduct in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. Accordingly, it is the express intention that the foregoing indemnities shall apply to each Indemnified Party with respect to matters which in whole or in part are caused by or arise out of, or are claimed to be caused by or arise out of, the negligence or strict liability of such Indemnified Party.

This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its or their losses and expenses, in order to maintain and recover from third parties fully a claim against you under this subparagraph. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this subparagraph. Your or any of the other Indemnified Parties' undertaking of defense and/or settlement will in no way diminish your obligation to indemnify Flour Power and the other Indemnified Parties and to hold Flour Power and any of the Indemnified Parties harmless.

21. GUARANTY OF YOUR OWNER/OPERATOR AND INVESTORS

A. In consideration of the grant by Flour Power of a license and franchise to open and operate a Studio to Franchisee, pursuant to this Agreement to which the personal guaranty set forth in this **Section 21** (the "**Personal Guaranty**") is made a part thereof, and for other good and valuable consideration, the undersigned Owner/Operator and Investors of Franchisee, for themselves, their heirs, successors, and assigns, do individually, jointly and severally (both with Franchisee and among other guarantors) hereby become surety and guaranty for the payment of all amounts and the performance of the covenants, terms and conditions of this Agreement, to be paid, kept and performed by Franchisee.

B. The undersigned Owner/Operator and Investors, jointly and severally, hereby agree to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities (specifically including, without limitation, the covenants set forth in **Section 12** and **Section 18** and of the Agreement).

C. If any default should at any time be made herein by Franchisee, then the undersigned Owner/Operator and Investors, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise to agree to pay to Flour Power all monies due and payable to Flour Power under the terms and conditions of this Agreement.

D. In addition, if Franchisee fails to comply with any other terms and conditions of this Agreement, then the undersigned Owner/Operator and Investors, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to comply with the terms and conditions of this Agreement for and on behalf of Franchisee.

E. In addition, should Franchisee at any time be in default on any obligation to pay monies to Flour Power or any subsidiary or affiliate of Flour Power, whether for merchandise, products, supplies, furniture, fixtures, equipment or other goods purchased by Franchisee from Flour Power or any subsidiary or affiliate of Flour Power, or for any other indebtedness of Franchisee to Flour Power or any subsidiary or affiliate of Flour Power, then the undersigned Owner/Operator and Investors, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay all such monies due and payable from Franchisee to Flour Power or any subsidiary or affiliate of Flour Power upon default by Franchisee.

F. The undersigned Owner/Operator and Investors consent and agree that: (1) the liability in this Personal Guaranty will not be contingent or conditioned upon Flour Power's pursuit of any remedies against Franchisee or any other person and (2) the liability in this Personal Guaranty will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Flour Power may at any time and 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 (including the release of other guarantors), none of which will in any way modify or amend this Personal Guaranty, which will be continuing and irrevocable during the term of this Agreement (including extensions), for so long as any performance is or might be owed under this Agreement by Franchisee or its Investors, and for so long as Flour Power has any cause of action against Franchisee or its Investors.

G. The undersigned Owner/Operator and Investors waive: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Personal Guaranty; and (ii) acceptance and notice of acceptance by Flour Power of his or her undertakings under this Personal Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

H. This Personal Guaranty shall survive the termination or expiration of this Agreement and/or any other collateral agreement(s) or any determination that this Agreement or any portion of it is void or voidable.

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

J. If Flour Power is required to enforce this Personal Guaranty in a judicial or arbitration proceeding, and prevails in such proceeding, Flour Power shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', 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 such proceeding. If Flour Power is required to engage legal counsel in connection with any failure by the undersigned to comply with this Personal Guaranty, the undersigned shall reimburse Flour Power for any of the above-listed costs and expenses it incurs.

K. Except as precluded by applicable law, each of the undersigned Investors hereby submits to personal jurisdiction exclusively in the state and federal courts of the State of North Carolina with respect to any litigation, action or proceeding pertaining to this Personal Guaranty or this Agreement and agrees that in the sole and exclusive venue and forum for all litigation arising under this Agreement shall be Davidson, North Carolina. Nonetheless, the undersigned Owner/Operator and Investors agree that Flour Power may enforce this Personal Guaranty and any arbitration orders and awards in the courts of the state or states in which he or she is domiciled.

L. Franchisee and the undersigned Owner/Operator and Investors certify that the table attached to this Agreement as **Attachment E** contains a true, correct and complete listing of all of the holders of a direct or indirect ownership interest in Franchisee (including each Investor) and all persons and entities which directly or indirectly control or manage the business and affairs of Franchisee.

22. APPROVALS, WAIVERS AND REMEDIES

22.1 PRIOR APPROVAL OR CONSENT OF FLOUR POWER. Whenever this Agreement requires the prior acceptance, approval, or consent of Flour Power, you shall make a timely written request to Flour Power, and such acceptance, approval, or consent shall be obtained in writing.

22.2 NO WARRANTIES OR GUARANTIES. Flour Power makes no warranties or guarantees upon which you, your Owner/Operator, or your Investors may rely, and assumes no liability or obligation to you, your Owner/Operator, your Investors, or any third party to which it would not otherwise be subject, by providing any waiver, acceptance, approval, consent, or suggestion to you or your Owner/Operator, or your Investors in connection with this Agreement, or for any neglect, delay, or denial of any request therefor.

22.3 EFFECT OF DELAY, WAIVER, OMISSION, OR FORBEARANCE. No delay, waiver, omission, or forbearance by Flour Power to exercise any right, option, duty, or power arising out of any breach or default by you or your Owner/Operator or your Investors under this Agreement shall constitute a waiver by Flour Power to enforce any such right, option, duty, or power against you or your Owner/Operator or your Investors, or as to a subsequent breach or default by you or your Owner/Operator or your Investors. Subsequent acceptance by Flour Power of any payments due to it hereunder shall not be deemed to be a waiver by Flour Power of any preceding breach by you, your Owner/Operator, or your Investors of any terms, provisions, covenants, or conditions of this Agreement.

22.4 RIGHTS AND REMEDIES CUMULATIVE. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure, or default or threatened breach, failure, or default of any term, provision, or condition of this Agreement or any other agreement between you and Flour Power or its subsidiaries or affiliates. The rights and remedies of the parties to this Agreement shall be

continuing and shall not be exhausted by any one (1) or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration or earlier termination of this Agreement shall not discharge or release you, your Owner/Operator, or any of your Investors from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration or earlier termination of this Agreement.

23. FORCE MAJEURE

A. As used in this Agreement, the term “**Force Majeure**” shall mean any act of God, strike, lock-out, or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, act of any government, and any other similar cause not within the control of the affected party.

B. Except as provided in **Section 16.1**, if the performance of any obligation by any party under this Agreement is prevented, hindered, or delayed because of Force Majeure, which cannot be overcome by use of normal commercial measures, the parties shall be relieved of their respective obligations to the extent the parties are respectively necessarily prevented, hindered, or delayed in such performance during the period of such Force Majeure; provided, that you shall continue to be obligated to perform all of your monetary obligations under this Agreement. The party whose performance is affected by an event of Force Majeure shall give prompt notice of such Force Majeure event to the other party by telephone or facsimile (in each case to be confirmed in writing), setting forth the nature of the event, an estimate as to its duration, and a plan for resuming compliance with this Agreement, which the party shall promptly undertake and maintain with due diligence. Such affected party shall be liable for failure to give such timely notice only to the extent of damage actually caused.

24. NOTICES

A. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Flour Power shall be sent to:

Flour Power

445 South Main Street, 4th Floor,

Davidson, North Carolina 28036

Attn: Robert Maynard

Telephone: (919) 889-3541

Notices to you shall be sent to the address set forth on page 1 of this Agreement.

B. Any notice shall be deemed to have been given at the time of personal delivery or, in the case of expedited delivery service or registered or certified mail, three (3) business days after the date and time of mailing. Any change in the above addresses shall be made by giving fifteen (15) calendar days written notice of the change to the other party.

25. ENTIRE AGREEMENT

This Agreement, the documents referred to herein, the attachments hereto, and any addenda constitute the entire, full, and complete Agreement between Flour Power, you, your Owner/Operator, and your Investors concerning the subject matter hereof and supersede all prior related agreements (both written and oral) between Flour Power, you, your Owner/Operator, and your Investors, no other representations having induced you to execute this Agreement; provided, however, that nothing herein is intended to disclaim the representations made by Flour Power in the Franchise Disclosure Document pursuant to which you entered into this Agreement. Except for those permitted to be made unilaterally by Flour Power hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by Flour Power and you and executed by their authorized officers or agents in writing.

26. SEVERABILITY AND CONSTRUCTION

26.1 SEVERABILITY. Except as expressly provided to the contrary herein, each portion, article, part, term and provision of this Agreement shall be considered severable; and if, for any reason, any article, part, term or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, this shall not impair the operation of, or have any other effect upon, such other portions, articles, parts, terms and provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and the invalid portions, articles, parts, terms and provisions shall be deemed not to be a part of this Agreement.

26.2 NO ADDITIONAL RIGHTS OR REMEDIES. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or entity other than you, Flour Power, Flour Power's officers, directors, and personnel, and Flour Power's and your respective successors and assigns as may be contemplated and authorized by **Section 15**, any rights or remedies under or as a result of this Agreement.

26.3 CONSTRUCTION. You and your Owner/Operator and your Investors expressly agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately stated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Flour Power is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

A. Except where this Agreement expressly obligates Flour Power reasonably to approve or not unreasonably to withhold its approval of any of your actions or requests, Flour Power has the absolute right to refuse any request you make or to withhold its approval of any of your proposed, initiated, or completed actions that require Flour Power's approval. The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs.

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B. Any policies that Flour Power adopts and implements at any time and from time to time to guide Flour Power in its decision-making are subject to change, are not a part of this Agreement, and are not binding on Flour Power.

C. Except as provided in **Sections 20.4 and 27**, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

D. References in this Agreement to “Flour Power,” with respect to all of Flour Power’s rights and all of your obligations to Flour Power under this Agreement, include any of Flour Power’s affiliates with whom you deal. The term “affiliate” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or Flour Power. “Control” means the power to direct or cause the direction of management and policies. The words “include” and “including” are meant to be illustrative and not exhaustive and are deemed to be read in all cases as “including, without limitation” and/or “including but not limited to.”

E. References to a “controlling ownership interest” in you or one of your Investors (if an entity) mean the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of Investors. In the case of a proposed Transfer of an ownership interest in you or one of your Investors, the determination of whether a “controlling ownership interest” is involved must be made as of both immediately before and immediately after the proposed Transfer to see if a “controlling ownership interest” will be transferred (because of the number of Investors before the proposed Transfer) or will be deemed to have been transferred (because of the number of Investors after the proposed Transfer).

F. “Person” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.

G. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

H. The term “Studio” includes all of the assets of the Flour Power Studio you operate under this Agreement, including its revenue and the lease for the Studio.

I. The term “employee” includes all of the Studio’s personnel, including all managers, administrators and other personnel, whether such person is classified as an employee of yours or an independent contractor.

J. All references to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter, or plural, where applicable. Without limiting the obligations individually undertaken by your Owner/Operator and your Investors hereunder, all acknowledgments, promises, covenants, agreements, and obligations herein made or undertaken by you shall be deemed jointly and severally undertaken by your Owner/Operator and all of your Investors.

K. Unless otherwise agreed to in writing between the parties, the term “**Investor**” as used in this Agreement shall include, collectively or individually, (a) each person or entity who

now or hereafter directly or indirectly owns an equity interest in you or who now or hereafter executes this Agreement as an Investor or executes an agreement in which such person or entity agrees to be bound by this Agreement as an Investor, and (b) each such other person or entity which is required by Flour Power as a condition to a Transfer or otherwise pursuant to this Agreement to execute this Agreement as one of your Investors or an agreement by which such person or entity agrees to be bound by this Agreement as an Investor. For purposes of this Agreement, the term Investor shall also include your Owner/Operator.

L. Each reference in this Agreement to a corporation, limited liability company, or partnership shall be deemed to refer to each and any of the foregoing entities interchangeably and to any other entity or organization. Further, each reference to the organizational documents, equity owners, partners, directors, managers, general partners, and officers of a corporation, limited liability company or partnership shall be deemed to refer to each and any of the foregoing interchangeably and to the functional equivalent of the foregoing for any entity or organization.

26.4 COUNTERPARTS. This Agreement may be executed in counterparts, and each copy so executed shall be deemed an original.

26.5 EFFECTIVE DATE. This Agreement shall not become effective until signed by the President of Flour Power.

27. APPLICABLE LAW, MEDIATION, ARBITRATION, COURT ACTIONS

27.1 MEDIATION. Subject only to **Section 27.3** and to the extent permitted under applicable state law, the parties agree to submit all disputes, controversies, claims, causes of action and/or alleged breaches or failures to perform arising out of or relating to this Agreement (and attachments) or the relationship created by this Agreement (collectively, “**Disputes**”) to nonbinding mediation prior to filing any action in court with respect to the Dispute. The mediation shall be conducted in Wake County, North Carolina through either an individual mediator or a mediator appointed by a mediation services organization or body, experienced in the mediation of disputes in the franchise business, agreed upon by the parties and, failing such agreement, within a reasonable period of time after either party has notified the other of its desire to seek mediation of any Dispute (not to exceed fifteen (15) days), through the American Arbitration Association (“**AAA**”) in accordance with its rules governing mediation, at the office of the AAA located nearest to Flour Power’s corporate headquarters in Davidson, Mecklenburg County, North Carolina. The costs and expenses of mediation, including compensation and expenses of the mediator, shall be borne by the parties equally. If the parties are unable to resolve the Dispute within ninety (90) days after the mediator has been appointed, then either party may submit such Dispute to binding arbitration in accordance with **Section 27.2** below.

27.2 ARBITRATION. Subject to the parties’ obligation to mediate certain controversies, disputes and claims pursuant to Section 27.1, Flour Power and you agree that all controversies, disputes, or claims between Flour Power and its affiliates, and their respective shareholders, officers, directors, agents, and/or employees, and you (and/or your Investors, guarantors, affiliates, and/or employees) arising out of or related to:

- (1) this Agreement or any other agreement between you and Flour Power or your or Flour Power’s respective affiliates;

- (2) Flour Power's relationship with you;
- (3) the scope and validity of this Agreement or any other agreement between you and Flour Power or any provision of such agreements (including the validity and scope of the arbitration obligations under this **Section 27.2**, which the parties acknowledge is to be determined by an arbitrator and not a court); or
- (4) any System standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by one arbitrator and, except as this **Section 27.2** otherwise provides, according to the then current commercial arbitration rules of the American Arbitration Association. All proceedings will be conducted at a suitable location chosen by the arbitrator in the city in which Flour Power's then current principal business address is located (currently, Wake County, North Carolina). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except as expressly provided otherwise in the remainder of this **Section 27**, judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any Proprietary Mark generic or otherwise invalid or, except as expressly provided in **Section 27.7** below, award any punitive or exemplary damages against either party (Flour Power and you hereby waiving to the fullest extent permitted by law, except as expressly provided in **Section 27.7** below, any right to or claim for any punitive or exemplary damages against the other). All aspects of the arbitration, including statements made and documents produced within the arbitration, will be confidential in nature and will not be admissible in any subsequent legal proceeding.

Except as expressly limited by **Section 27.9** below, Flour Power and you agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. Flour Power and you further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or Flour Power. Flour Power reserves the right, but has no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished Flour Power's right to seek the recovery of those costs in accordance with **Section 27.10**.

Flour Power and you agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Flour Power and its affiliates, and their respective shareholders, members, officers, directors, agents, and/or employees, and you (and/or your Investors, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between Flour Power and any other person. Notwithstanding the foregoing

or anything to the contrary in this **Section 27.2** or **Section 26.1**, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this **Section 27.2**, then the parties agree that this arbitration clause shall not apply to that dispute and that such dispute will be resolved in a judicial proceeding in accordance with this **Section 27** (excluding this **Section 27.2**).

Except as expressly provided otherwise in the remainder of this **Section 27**, despite Flour Power's and your agreement to arbitrate, Flour Power and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that Flour Power and you must contemporaneously submit their dispute for arbitration on the merits as provided in this **Section 27.2**.

The provisions of this **Section 27.2** are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

27.3 CERTAIN CLAIMS BY FLOUR POWER. Notwithstanding anything herein to the contrary and to the extent permitted under applicable state law, Flour Power may bring an action (a) for monies owed, (b) for injunctive relief or other extraordinary relief, (c) involving the possession or disposition of, or other relief relating to real property, or (d) for egregious violations of Flour Power's operational standards and specifications in any court having jurisdiction and without first submitting such action to mediation or arbitration.

27.4 ACCEPTANCE OF AGREEMENT IN NORTH CAROLINA. You have signed this Agreement and submitted it to Flour Power for acceptance and execution by Flour Power at Flour Power's corporate headquarters in Davidson, Mecklenburg County, North Carolina. You shall make all payments and perform other obligations arising hereunder at Wake County, North Carolina, and this Agreement is made and entered into at Wake County, North Carolina. Notwithstanding the foregoing, the provisions of this **Section 27.4** shall only apply to the extent permitted under applicable state law.

27.5 GOVERNING LAW AND VENUE. THIS AGREEMENT IS EXECUTED AND DELIVERED IN CONNECTION WITH A TRANSACTION NEGOTIATED AND CONSUMMATED IN WAKE COUNTY, NORTH CAROLINA, AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NORTH CAROLINA. THE PARTIES AGREE THAT, WITH RESPECT TO ANY CONTROVERSIES, DISPUTES, OR CLAIMS ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE PARTIES' RELATIONSHIP CREATED BY THIS AGREEMENT, ANY ACTION SHALL BE BROUGHT, MAINTAINED, AND CONCLUDED EXCLUSIVELY IN THE DISTRICT COURTS OF WAKE COUNTY, NORTH CAROLINA, OR THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF NORTH CAROLINA. YOU, FOR YOURSELF AND YOUR SUCCESSORS AND ASSIGNS, HEREBY IRREVOCABLY (A) SUBMIT TO THE JURISDICTION OF THE DISTRICT COURTS OF WAKE COUNTY, NORTH CAROLINA, AND THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF NORTH CAROLINA, (B) WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT YOU MAY NOW OR IN THE FUTURE HAVE TO THE LAYING OF VENUE OF ANY LITIGATION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT SET FORTH ABOVE; AND (C) WAIVE ANY OBJECTION YOU MAY

NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING BROUGHT IN SUCH COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. YOU HEREBY IRREVOCABLY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON YOU IN ANY LEGAL PROCEEDING RELATING TO ANY DISPUTE BY ANY MEANS ALLOWED BY NORTH CAROLINA LAW. Notwithstanding the foregoing, the parties acknowledge and agree that Flour Power may institute legal action for injunctive relief in any court of competent jurisdiction. The provisions of this **Section 27.5** shall only apply to the extent permitted under applicable state law.

27.6 JURY TRIAL WAIVER. TO THE EXTENT PERMITTED BY LAW, YOU AND FLOUR POWER IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

27.7 WAIVER OF PUNITIVE AND EXEMPLARY DAMAGES. EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY FLOUR POWER FOR THIRD PARTY CLAIMS UNDER **SECTION 20.3** AND TO PAY FLOUR POWER LIQUIDATED DAMAGES UNDER **SECTION 17.A**, AND EXCEPT FOR PUNITIVE DAMAGES AVAILABLE TO EITHER PARTY UNDER FEDERAL LAW, FLOUR POWER AND YOU (AND YOUR INVESTORS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN FLOUR POWER AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

27.8 APPLICABLE STATE LAW. You and Flour Power acknowledge that the parties' agreement regarding applicable state law and forum set forth in **Section 27.5** provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any Dispute. You and Flour Power further acknowledge the receipt and sufficiency of mutual consideration for such benefit.

27.9 LIMITATION OF CLAIMS. EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE FLOUR POWER, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR FLOUR POWER'S RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED WITHIN EIGHTEEN (18) MONTHS FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS.

27.10 COSTS AND ATTORNEY'S FEES. If Flour Power incurs costs and expenses due to your failure to pay when due amounts owed to Flour Power, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, you agree, whether or not Flour Power initiates a formal legal proceeding, to reimburse Flour Power for all of the costs and expenses that Flour Power incurs, including, without limitation, reasonable accounting, attorneys', arbitrators', and related fees.

28. ACKNOWLEDGMENTS

28.1 COMPLETION OF INDEPENDENT INVESTIGATION. You acknowledge that you have conducted an independent investigation of the franchised business and recognize that the business venture contemplated by this Agreement involves business risks and that its success will largely depend upon your ability, effort, and resources. You acknowledge that you have completed and submitted to Flour Power the Franchisee Questionnaire, in the form of **Attachment B**, and that your responses were truthful and well considered.

28.2 RECEIPT OF AGREEMENT AND DISCLOSURE DOCUMENT. You acknowledge that you received from Flour Power a complete copy of its Franchise Disclosure Document at least fourteen (14) calendar days prior to the date on which this Agreement was executed and the date on which you first made any payments to Flour Power or an affiliate in connection with any franchise sale contemplated by this Agreement. You acknowledge that you received a copy of this Agreement and the related attachments and agreements in the form executed by you at least seven (7) calendar days prior to the date on which this Agreement was executed.

28.3 REVIEW OF AGREEMENT. You acknowledge that you have read and understood this Agreement and the related attachments and agreements and that Flour Power has provided you ample time and opportunity to consult with advisors of your own choosing about the content of the Agreement and the potential benefits and risks of entering into this Agreement.

28.4 AUTHORIZATION TO CONDUCT INVESTIGATION. You acknowledge that, in order to enable Flour Power to evaluate your application to acquire the license and franchise herein granted, you have authorized Flour Power and its agents and representatives to conduct such investigations concerning you and your Owner/Operator and your Investors as Flour Power deems necessary, in its sole discretion, including, without limitation, credit reports and references, financial and personal references and civil and criminal references.

28.5 COMPLIANCE WITH ANTI-TERRORISM AND OTHER LAWS. You and your owners agree to comply, and to assist Flour Power to the fullest extent possible in Flour Power's efforts to comply, with all applicable legislation, laws, regulations, rules, ordinances, administrative orders, decrees and policies of any court, arbiter, government, governmental agency, department, or similar organization that are in effect from time to time pertaining to: (a) the various anti-terrorism, economic sanctions, and anti-money laundering and narco-trafficking laws, regulations, orders, decrees and guidelines of the U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**"), (b) the USA PATRIOT Act (Title III of Pub. L. 107-56, signed into law October 26, 2001), as amended, (c) the provisions of United States Executive Order 13224, (d) the U.S. Prevention of Corruption Act 1988, (e) the U. S. Foreign Corrupt Practices Act, 15 U.S.C. Section 78dd-2, (e) relevant multilateral measures such as the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the UN Convention Against Corruption, (f) bribery and anti-corruption laws, (g) the laws against money laundering, and (h) the laws against facilitating or supporting persons who conspire to commit these and other crimes against any person or government. You immediately shall notify Flour Power in writing if a potential violation of any of the foregoing legislation, laws, regulations, rules, ordinances, administrative orders, decrees and/or policies has occurred or is suspected to have occurred. You immediately shall provide Flour Power with copies of any communication to or from any such agency, government, or commission that relates to or affects this Agreement, the

Studio, or the Proprietary Marks. Any failure to comply with this Section by you or your owners, or any blocking of your or your owners' assets under any of such laws, legislation, regulations, orders, decrees and/or policies shall constitute good cause for immediate termination of this Agreement, as provided in **Section 16.2 (V)** above.

28.6 ELECTRONIC MAIL. You acknowledge and agree that exchanging information with Flour Power by e-mail is efficient and desirable for day-to-day communications and that Flour Power and you may utilize e-mail for such communications. You authorize the transmission of e-mail by Flour Power and Flour Power's employees, vendors, and affiliates ("**Official Senders**") to you during the Term.

You further agree that: (a) Official Senders are authorized to send e-mails to those of your employees as you may occasionally authorize for the purpose of communicating with Flour Power; (b) you will cause your officers, directors, and employees to give their consent to Official Senders' transmission of e-mails to them; (c) you will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with you; and (d) you will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the Term.

The consent given in this **Section 28.6** shall not apply to the provision of notices by either party under this Agreement pursuant to **Section 24** using e-mail unless the parties otherwise agree in a written document manually signed by both parties.

28.7 ELECTRONIC SIGNATURES. The counterparts of this Agreement and all ancillary documents executed or delivered in connection with this Agreement may be executed and signed by electronic signature by any of the parties to this Agreement, and delivered by electronic or digital communications to any other party to this Agreement, and the receiving party may rely on the receipt of such document so executed and delivered by electronic or digital communications signed by electronic signature as if the original has been received. For the purposes of this Agreement, electronic signature means, without limitation, an electronic act or acknowledgement (e.g., clicking an "I Accept" or similar button), sound, symbol (digitized signature block), or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this agreement on the day and year first written above.

FRANCHISOR:

FRANCHISEE:

Flour Power Business Development, Inc.
a North Carolina corporation

a _____

Signature: _____

Signature: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Owner/Operator (Signing pursuant to Sections 12.1, 18 and 21)

Signature: _____

Printed Name: _____

Owner/Operator (Signing pursuant to Sections 12.1, 18 and 21)

Signature: _____

Printed Name: _____

Investor 1 (Signing pursuant to Sections 12.1, 18 and 21)

Signature: _____

Printed Name: _____

Investor 2 (Signing pursuant to Sections 12.1, 18 and 21)

Signature: _____

Printed Name: _____

Investor 3 (Signing pursuant to Sections 12.1, 18 and 21)

Signature: _____

Printed Name: _____

Attachment A

Authorization Agreement for Preauthorized Payments (ACH Debits)

Company Name:	Tax ID No.:
I hereby authorize Flour Power Business Development Inc., hereinafter called "Flour Power," to initiate entries from my ☐ Checking ☐ Savings Account (check one) indicated below, and I authorize the depository named below, hereinafter called "Depository," to debit the same to such account.	
Depository Name:	City:
State:	Zip Code:
ABA Routing Number:	Account Number:
This authority is to remain in full force and effect until Flour Power has received notification from me of its termination in such time and in such manner as to afford Flour Power and Depository a reasonable opportunity to act on it.	
Printed Name:	Title:
Signature:	Date:

ATTACHMENT B
FRANCHISEE QUESTIONNAIRE

Flour Power Business Development Inc., a North Carolina corporation (“**Flour Power**”) and you are preparing to enter into a Franchise Agreement for the operation of a Flour Power kids cooking studio (the “**Franchise**”). The purpose of this questionnaire (the “**Questionnaire**”) is to determine whether any statements or promises were made to you, the undersigned Franchisee, that Flour Power 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.

1. Have you received and personally reviewed Flour Power Franchise Disclosure Document (the “**Disclosure Document**”) provided to you?

Yes _____ No _____
2. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____
3. Do you understand the information contained in the Disclosure Document?

Yes _____ No _____
4. Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it?

Yes _____ No _____
5. Do you understand the information contained in, and accept your financial and other obligations under, the Franchise Agreement?

Yes _____ No _____
6. Have you reviewed the Disclosure Document and Franchise Agreement, and discussed the economic and business risks of owning and operating the Franchise, with an independent attorney, accountant, or other professional advisor?

Yes _____ No _____
7. Have you discussed the benefits and risks of developing and operating a Flour Power Studio franchise with an existing Flour Power Studio franchisee?

Yes _____ No _____
8. Do you understand and accept the economic and business risks associated with developing and operating the Franchise?

Yes_____

No_____

9. Do you understand that the success or failure of the Franchise will depend in large part upon your skills, abilities, efforts and those of the persons you employ as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, lease terms, real estate, the marketplace and other relevant factors?

Yes_____

No_____

10. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be arbitrated in North Carolina? Subject to state law.

Yes_____

No_____

11. Do you understand that you must satisfactorily complete the initial training course before Flour Power will allow your franchised business to open, or otherwise before Flour Power will consent to a transfer of your franchised business?

Yes_____

No_____

12. Do you understand and agree that no financial performance representation has been made by Flour Power in the Disclosure Document (including with regard to the performance of its franchised outlets or company-owned outlets and the potential performance of your outlet, but recognizing that Flour Power may provide same-store sales information to customers purchasing a company-owned outlet) or outside the Disclosure Document, that Flour Power does not make or authorize anyone else to make any such representations, and you agree that Flour Power, its employees, and other persons speaking on behalf of Flour Power have not made any such representations?

Yes_____

No_____

13. Has any employee or other person speaking on behalf of Flour Power made any statement or promise to you or anyone else regarding the amount of money you may gross or earn in operating the Franchise?

Yes_____

No_____

14. Has any employee or other person speaking on behalf of Flour Power made any statement or promise to you or anyone else concerning the total revenues the Franchise may generate?

Yes_____

No_____

15. Has any employee or other person speaking on behalf of Flour Power made any statement or promise to you or anyone else regarding the costs involved in operating the Franchise that are contrary to, or different from, the information contained in the Disclosure Document?

Yes _____ No _____

16. Has any employee or other person speaking on behalf of Flour Power made any statement or promise to you or anyone else concerning the actual, average or projected profits or earnings or the likelihood of success that you should or might expect from operating the Franchise?

Yes _____ No _____

17. Has any employee or other person speaking on behalf of Flour Power made any statement or promise to you or anyone else, 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?

Yes _____ No _____

18. Has any employee or other person speaking on behalf of Flour Power made any promise or agreement that is contrary to, different from, or in addition to, the matters set forth in the Franchise Agreement?

Yes _____ No _____

19. If you answered "Yes" to any of the questions 13 through 18, 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 answered "No" to each of the foregoing questions, please leave the following lines blank. You understand that your answers are important to Flour Power and that Flour Power will rely on them.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

Further, by signing this Questionnaire, you agree that Flour Power has properly provided you with all of the appropriate franchise disclosures and has not made any financial claims or representations to you. You agree to hold harmless and release Flour Power and its affiliates, shareholders, officers, directors, agents, attorneys, successors and assigns from any and all liability in connection with the sale of the franchise to the extent that any statement or representation made herein is determined to be false and misleading and to the extent permitted under applicable law.

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

This questionnaire does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereafter.

FRANCHISEE:

_____,
a _____

Signature: _____

Printed Name: _____

Title _____

Attachment C

Consent and Release for Training

The undersigned is (a) a franchisee of Flour Power Business Development Inc., a North Carolina corporation (“**Flour Power**”), (b) an Owner/Operator of or an Investor in a Flour Power franchise, or (c) a manager of a Flour Power kids cooking studio operated by a Flour Power franchisee who is commencing training.

As part of such training, the undersigned may visit, inspect, train, and work in one or more of the Flour Power kids cooking studios owned or operated by Flour Power, Flour Power, Inc., a North Carolina corporation, their affiliates, or by one or more Flour Power franchisees. As an inducement to cause the owner of such kids cooking studio to permit the undersigned to visit, inspect, train, and work in such studio, THE UNDERSIGNED HEREBY WAIVES, RELEASES, AND AGREES TO INDEMNIFY AND HOLD HARMLESS FLOUR POWER, FLOUR POWER, INC., THE OWNER OF SUCH KIDS COOKING STUDIO(S), AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, REPRESENTATIVES, AFFILIATES, SUCCESSORS, AND ASSIGNS, FROM AND AGAINST ANY AND ALL LIABILITY, LOSS, INJURY, DAMAGE, COST, AND EXPENSE SUFFERED OR INCURRED BY THE UNDERSIGNED AS A RESULT OF ANY SUCH VISIT, INSPECTION, TRAINING, OR WORK. IT IS ACKNOWLEDGED THAT THE FOREGOING RELEASE AND INDEMNITY IS INTENDED TO BE AS BROAD AND COMPREHENSIVE AS PERMITTED BY LAW, AND INCLUDES LIABILITY, COST, DAMAGE, INJURY, AND EXPENSE SUFFERED AS A RESULT OR PARTLY AS A RESULT OF ANY NEGLIGENCE, ERROR, ACT, OR OMISSION BY THE PARTIES SO RELEASED AN INDEMNIFIED. The undersigned further represents that he or she has independently obtained or is covered by adequate insurance to cover the risk of loss or injury. Some states do not allow the limitation on liability set forth above. Accordingly, not all of the limitations set forth in this attachment may apply to undersigned.

Signature: _____

Printed Name: _____

Title: _____

Date: _____

Attachment D

Lease Rider

THIS LEASE RIDER (this “Rider”) is entered into this _____ day of _____, 201____, by and between _____, a(n) _____ (“Landlord”) and _____, a(n) _____ (“Tenant”) for the benefit of Flour Power Business Development Inc. a North Carolina corporation, and its affiliates, successors and assigns (collectively, “Franchisor”).

WHEREAS, Tenant and Franchisor have executed a Flour Power Franchise Agreement (the “Franchise Agreement”), pursuant to which Franchisor has granted Tenant the right to establish and operate a “Flour Power”-branded business at the following location: _____ (the “Premises”);

WHEREAS, Tenant and Landlord are entering into a lease agreement (the “Lease”), pursuant to which Tenant will lease the Premises from Landlord; and

WHEREAS, Franchisor has required Tenant to include certain terms in the Lease in order to protect Franchisor’s rights, and Landlord has agreed to such terms.

NOW, THEREFORE, for good and valuable consideration, the receipt of which the parties hereby acknowledge, Landlord and Tenant agree as follows:

1. Landlord agrees to: (a) furnish to Franchisor a copy of any default notice served on Tenant and/or another lessee under the Lease simultaneously with the service of the notice to Tenant and/or such other lessee; (b) provide Franchisor with notice of any proposed renewals, extensions, modifications and amendments to the Lease; (c) give Franchisor the opportunity, but Franchisor shall not be required, to cure any default by Tenant or other lessee under the Lease within fifteen (15) days following the expiration of any applicable cure period if Tenant and/or such other lessee fail to cure such default; and (d) to furnish to Franchisor, at Franchisor’s request, a copy of any sales or operating information for the Premises provided by Tenant. All notices to Franchisor shall be sent to the following address: Flour Power Business Development Inc., 445 South Main Street, 4th Floor, Davidson, North Carolina 28036, Attn: Robert Maynard, Telephone: (919) 889-3541, unless Landlord is notified otherwise in writing by Franchisor. No notice to Tenant shall be effective unless and until a copy thereof is served upon Franchisor.

2. Notwithstanding any term, condition, or covenant of the Lease to the contrary, Landlord covenants with Tenant that during the term of the Lease, Landlord will not enter into a lease, rental arrangement, license, or other agreement for space within the same shopping center as the Premises with, and will not sell any real property or outparcel adjoining the center or used as part of the center’s parking lot to a party for use as, any business offering for kids any cooking or etiquette lessons, parties, classes, or camps.

2. Landlord agrees that if Franchisor exercises its right to cure a default by Tenant and/or another lessee under the Lease, then Franchisor, or its successor or assigns may, at its option, succeed to Tenant’s and/or such other lessee’s interests under the Lease and shall be recognized by Landlord as the lessee or sublessee thereunder for the remaining term of the Lease.

3. Landlord agrees that the expiration of the Franchise Agreement (unless Tenant enters into a renewal Franchise Agreement with Franchisor) or a termination of the Franchise Agreement prior to expiration shall constitute a default under the Lease, giving Franchisor or its successor or assigns the right, but not the obligation, to cure such default by succeeding to Tenant's and/or any other lessee's interests as the new lessee or sublessee under the Lease.

4. Landlord agrees that upon the termination or expiration of the Lease, Franchisor shall have the first right of refusal to lease the Premises as the new lessee or sublessee.

5. Landlord agrees that Franchisor shall have the right to enter the Premises to make any modifications or alterations necessary in Franchisor's sole judgment to protect its franchise system, trademarks, trade names, trade dress and other intellectual property without being guilty of trespass or any other tort or crime.

6. Landlord agrees that upon the expiration or termination of the Franchise Agreement, Franchisor shall have the right to enter the Premises and remove any trade fixtures, interior or exterior signs or other items bearing its trademarks. Landlord agrees upon the expiration or termination of the Franchise Agreement to relinquish to Franchisor any and all liens or other ownership interests, whether by operation of law or otherwise, in and to any tangible property bearing Franchisor's trademarks, service marks or trade dress.

7. Landlord agrees that, if Franchisor succeeds to Tenant's and/or any other lessee's interests under the Lease for any reason, Franchisor shall have the right to further assign the lease or to sublease the Premises to either an entity owned or controlled by Franchisor, or to another franchisee of Franchisor upon obtaining Landlord's written consent, which consent may not be unreasonably withheld, conditioned or delayed by Landlord. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.

8. Upon Franchisor's delivery to Landlord and Tenant of its election to exercise its rights under this Rider, Franchisor shall be entitled to all of Tenant's rights and interests in the Lease, as if Franchisor were the tenant under the Lease, including, by way of example and not limitation, the right to exercise any and all renewal options thereunder, without the need for any further action or instrument.

9. Landlord and Tenant expressly agree that Franchisor is an intended third party beneficiary of the terms of this Rider. Landlord and Tenant further agree that Franchisor has no liability or obligation under the Lease unless and until Franchisor exercises its right to assume the Lease under this Rider.

10. In the event of any inconsistency between the terms of this Rider and the terms of the Lease, the terms of this Rider control. All of the terms of this Rider, whether so expressed or not, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective personal and legal representatives, heirs, successors and permitted assigns. The provisions of this Rider may be amended, supplemented, waived or changed only by a written document signed by all the parties to this Rider that makes specific reference to this Rider and which must be approved in writing by Franchisor. This Rider may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument.

[SIGNATURE PAGE TO FOLLOW]

FRANCHISOR:

Flour Power Business Development, Inc.

Signature: _____

Printed Name: _____

Title: _____

TENANT:

Signature: _____

Printed Name: _____

Title: _____

LANDLORD:

Signature: _____

Printed Name: _____

Title: _____

Attachment E

Ownership Chart

The table below identifies all of the holders of a direct or indirect ownership interest in Franchisee (including each Investor) and all persons and entities which directly or indirectly control or manage the business and affairs of Franchisee.

Name (Full Legal Name)	Address and Phone Number	Type of Ownership Interest	Entity in which Ownership Interest is Held	Ownership %

Attachment F

Guaranty

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement, and any revisions, modifications and amendments thereto (hereinafter collectively the “**Agreement**”) dated _____, 20____, by and between Flour Power Business Development Inc. a North Carolina corporation (hereinafter the “**Franchisor**”), and _____ (hereinafter the “**Franchisee**”), each of the undersigned Guarantors hereby grants this Guaranty (this “**Guaranty**”) as follows:

1. The Guarantors do hereby jointly and severally unconditionally guaranty the full, prompt and complete performance of Franchisee under the terms, covenants and conditions of the Agreement, including, without limitation, the complete and prompt payment of all indebtedness to Franchisor under the Agreement. The word “**indebtedness**” is used herein in its most comprehensive sense and includes, without limitation, any and all advances, debts, obligations and liabilities of Franchisee, now or hereafter incurred, either voluntarily or involuntarily, and whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, or whether recovery thereof may be now or hereafter barred by any statute of limitation or is otherwise unenforceable.

2. The obligations of the Guarantors are independent of the obligations of Franchisee and a separate action or actions may be brought and prosecuted against any or all of the Guarantors, whether or not actions are brought against Franchisee or whether Franchisee is joined in any such action.

3. If Franchisee is a corporation, partnership or limited liability company, Franchisor shall not be obligated to inquire into the power or authority of Franchisee or its partners or the officers, directors, agents, members or managers acting or purporting to act on Franchisee’s behalf and any obligation or indebtedness made or created in reliance upon the exercise of such power and authority shall be guaranteed hereunder. Where the Guarantors are corporations or partnerships, it shall be conclusively presumed that the Guarantors and the partners, agents, officers and directors acting on their behalf have the express authority to bind such corporations or partnerships and that such corporations or partnerships have the express power to act as the Guarantors pursuant to this Guaranty and that such action directly promotes the business and is in the interest of such corporations or partnerships.

4. Franchisor, its successors and assigns, may from time to time, without notice to the undersigned: (a) resort to the undersigned for payment of any of the indebtedness, whether or not it or its successors have resorted to any property securing any of the indebtedness or proceeded against any other of the undersigned or any party primarily or secondarily liable on any of the indebtedness; (b) release or compromise any indebtedness of any of the undersigned hereunder or any indebtedness of any party or parties primarily or secondarily liable on any of the indebtedness; (c) extend, renew or credit any of the indebtedness for any period (whether or not longer than the original period); (d) alter, amend or exchange any of the indebtedness; or (e) give any other form of indulgence, whether under the Agreement or otherwise.

5. Guarantors' liabilities and all rights, powers and remedies of Franchisor under this Guarantee and under any other agreement now or at any time hereafter in force between Franchisor and Guarantors shall be cumulative and not alternative and the rights, powers and remedies shall be additional to all rights, powers and remedies given to Franchisor by Applicable Law.

6. This Guaranty shall be enforceable by and against the respective administrators, executors, successors and assigns of the Guarantors and the death of any Guarantor shall not terminate the liability Guarantor or limit the liability of the other Guarantors hereunder.

7. Neither any provision of this Guarantee nor right of Franchisor under this Guarantee can be waived, nor can Guarantors be released from Guarantors' obligations under this Guarantee except by a written agreement executed by Franchisor. If any provision or portion of any provision of this Guarantee is found by a court of competent jurisdiction to be illegal or unenforceable, all other provisions shall, nevertheless, remain enforceable and effective. This Guarantee constitutes the entire agreement of Guarantors and Franchisor with respect to the subject matter hereof and no representation, understanding, promise or condition concerning the subject matter hereof shall bind Franchisor unless expressed herein.

8. This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Guarantee with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Guarantee for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee. In addition, this Guarantee may be signed electronically by Guarantors and electronic signatures appearing on this Guarantee shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Guarantee.

9. This Guarantee shall be interpreted and construed under the laws of North Carolina. In the event of any conflict of law, the law of North Carolina shall prevail, without regard to the application of North Carolina conflict of law rules. If, however, any provision of this Guarantee would not be enforceable under the laws of North Carolina, and if the Franchised Business is located outside of North Carolina and such provision would be enforceable under the laws of the state in which the Franchised Business is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 9 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of North Carolina to which it would not otherwise be subject. Venue for purposes of any legal proceedings brought in connection with or arising out of this Guarantee shall be conclusively presumed to be in the State of North Carolina, Wake County. Guarantors hereby submit to the jurisdiction of the United States District Court for the Eastern District of North Carolina.

10. If more than one person has executed this Guaranty, the term the "undersigned," as used herein shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

11. In each case where the spouse of a Franchisee has executed any documents in connection with the granting of the Agreement, and Franchisee subsequently divorces from such spouse, then, in the event that Franchisee subsequently remarries, the new spouse of such

Franchisee must execute, and agree to be bound by the provisions of, each of the documents previously executed by Franchisee's original spouse.

12. Franchisor agrees that unless Franchisee is guilty of having misappropriated trust money or otherwise unjustifiably or willfully breached any material term of this Agreement, it will not seek enforcement of its right to money damages against the primary residence of any guarantor.

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty under seal effective dated as of _____,

Signature

Signature of Spouse (if married)

Printed Name

Printed Name

Home Address

Home Address

Home Telephone

Home Telephone

Business Telephone

Business Telephone

Date

Date

EXHIBIT A-1 TO FRANCHISE DISCLOSURE DOCUMENT

STATE ADDENDA TO FRANCHISE AGREEMENT

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

This Addendum amends the Franchise Agreement dated _____ (the “Agreement”), between Flour Power Business Development Inc., a North Carolina corporation (“Franchisor”) and _____, a _____ (“Franchisee”).

1. **Definitions.** Capitalized terms used but not defined in this Addendum have the meanings given in the Agreement. The “Illinois Act” means the Illinois Franchise Disclosure Act of 1987.

2. **Governing Law and Jurisdiction.** Notwithstanding any provision of the Agreement to the contrary, the Agreement is governed by Illinois law. The parties irrevocably submit to the jurisdiction and venue of the federal and state courts in Illinois, except for matters which the Agreement provides will be resolved by arbitration.

3. **Limitation of Claims.** No action can be maintained to enforce any liability created by the Illinois Act unless brought before the expiration of 3 years from the act or transaction constituting the violation upon which it is based, the expiration of 1 year after Franchisee become aware of facts or circumstances reasonably indicating that Franchisee may have a claim for relief in respect to conduct governed by the Illinois Act, or 90 days after delivery to the Franchisee of a written notice disclosing the violation, whichever shall first expire.

4. **Waivers Void.** Notwithstanding any provision of the Agreement to the contrary, any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois (including, but is not limited to, statements involving unregistered earnings claims, timely disclosure, warranty, material misrepresentations or limitation of liability) is void. This Section shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under 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.

5. **Effective Date.** This Addendum is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

FLOUR POWER BUSINESS
DEVELOPMENT INC.

By: _____

Name: _____

Title: _____

Date: _____

INDIANA ADDENDUM TO FRANCHISE AGREEMENT

This Addendum amends the Franchise Agreement dated _____ (the “Agreement”), between Flour Power Business Development Inc., a North Carolina corporation (“Franchisor”) and _____, a _____ (“Franchisee”).

1. **Definitions.** Capitalized terms used but not defined in this Addendum have the meanings given in the Agreement. The “Indiana Acts” means the Indiana Franchise Act and the Indiana Deceptive Franchise Practices Act.

2. **Certain Provisions Deleted.** Any provision of the Agreement which would have any of the following effects is hereby deleted:

(1) Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or service or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute a designation. This subdivision does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by the franchisor.

(2) Allowing the franchisor to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement; or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

(3) Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

(4) Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee.

(5) Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by the Indiana Deceptive Franchise Practices Act or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This subsection (5) does not apply to arbitration before an independent arbitrator.

(6) Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official

price increase notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to a state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this subsection (6).

(7) Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this subsection (7) includes any material violation of the franchise agreement.

(8) Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This chapter shall not prohibit a franchise agreement from providing that the agreement is not renewable upon expiration or that the agreement is renewable if the franchisee meets certain conditions specified in the agreement.

(9) Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three years or in an area greater than the exclusive area granted by the franchise agreement or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

(10) Limiting litigation brought for breach of the agreement in any manner whatsoever.

(11) Requiring the franchisee to participate in any (A) advertising campaign or contest; (B) promotional campaign; (C) promotional materials; or (D) display decorations or materials; at an expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

3. Effective Date. This Addendum is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

FRANCHISOR:

FLOUR POWER BUSINESS
DEVELOPMENT INC.

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

This Addendum amends the Franchise Agreement dated _____ (the “Agreement”), between Flour Power Business Development Inc., a North Carolina corporation (“Franchisor”) and _____, a _____ (“Franchisee”).

1. **Definitions.** Capitalized terms used but not defined in this Addendum have the meanings given in the Agreement. The “Maryland Franchise Law” means the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-206, Annotated Code of Maryland.

2. **No Waiver of State Law In Sale.** Notwithstanding any provision of the Agreement to the contrary, as a condition of the sale of a franchise, Franchisor shall not require a prospective franchisee to agree to a release, assignment, novation, waiver, or estoppel that would relieve Franchisor or any other person from liability under the Maryland Franchise Law.

3. **No Release of Liability.** Pursuant to COMAR 02-02-08-16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. **Statute of Limitations.** Any provision of the Agreement which provides for a period of limitations for causes of action shall not apply to causes of action under the Maryland Franchise Law, Business Regulation Article, §14-227, Annotated Code of Maryland. Franchisee must bring an action under such law within three years after the grant of the franchise.

5. **Jurisdiction.** Notwithstanding any provision of the Agreement to the contrary, Franchisee does not waive its right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

FLOUR POWER BUSINESS
DEVELOPMENT INC.

By: _____

Name: _____

Title: _____

Date: _____

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

This Addendum amends the Franchise Agreement dated _____ (the “Agreement”), between Flour Power Business Development Inc., a North Carolina corporation (“Franchisor”) and _____, a _____ (“Franchisee”).

1. Definitions. Capitalized terms used but not defined in this Addendum have the meanings given in the Agreement. The “Minnesota Act” means Minnesota Statutes, Sections 80C.01 to 80C.22.

2. Amendments. The Agreement is amended to comply with the following:

- Minnesota Statutes, 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 Minnesota Statutes, Chapter 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) 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 (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- 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. Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, and therefore the applicable provision of the Agreement is amended to state “No action may be commenced pursuant to Minnesota Statutes, Section 80C.17 more than three years after the cause of action accrues.”

3. Effective Date. This Addendum is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

FLOUR POWER BUSINESS

DEVELOPMENT INC.

By: _____

Name: _____

Title: _____

Date: _____

NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

This Addendum amends the Franchise Agreement dated _____ (the “Agreement”), between Flour Power Business Development Inc., a North Carolina corporation (“Franchisor”) and _____, a _____ (“Franchisee”).

1. **Definitions.** Capitalized terms used but not defined in this Addendum have the meanings given in the Agreement.

2. **Waivers Not Required.** Notwithstanding any provision of the Agreement to the contrary, Franchisee is not required to assent to a release, assignment, novation, waiver or estoppel which would relieve Franchisor or any other person from any duty or liability imposed by New York General Business Law, Article 33.

3. **Waivers of New York Law Deleted.** Any condition, stipulation, or provision in the Agreement purporting to bind Franchisee to waive compliance by Franchisor with any provision of New York General Business Law, or any rule promulgated thereunder, is hereby deleted.

4. **Governing Law.** Notwithstanding any provision of the Agreement to the contrary, the New York Franchises Law shall govern any claim arising under that law.

5. **Effective Date.** This Addendum is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

FLOUR POWER BUSINESS
DEVELOPMENT INC.

By: _____

Name: _____

Title: _____

Date: _____

NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

This Addendum amends the Franchise Agreement dated _____ (the “Agreement”), between Flour Power Business Development Inc., a North Carolina corporation (“Franchisor”) and _____, a _____ (“Franchisee”).

1. **Definitions.** Capitalized terms used but not defined in this Addendum have the meanings given in the Agreement.

2. **Amendments.** The Agreement (and any Guaranty Agreement) is amended to comply with the following:

- (1) **Restrictive Covenants:** Every contract by which Franchisee, any Guarantor, or any other person is restrained from exercising a lawful profession, trade, or business of any kind subject to NDCC Section 9-08-06.
- (2) **Situs of Arbitration Proceedings:** Franchisee and any Guarantor are not required to agree to the arbitration of disputes at a location that is remote from the site of Franchisee’s business.
- (3) **Restrictions on Forum:** Franchisee and any Guarantor are not required to consent to the jurisdiction of courts outside of North Dakota.
- (4) **Liquidated Damages and Termination Penalties:** Franchisee is not required to consent to liquidated damages or termination penalties.
- (5) **Applicable Laws:** The Agreement (and any Guaranty Agreement) is governed by the laws of the State of North Dakota.
- (6) **Waiver of Trial by Jury:** Franchisee and any Guarantor do not waive a trial by jury.
- (7) **Waiver of Exemplary & Punitive Damages:** Franchisee does not waive of exemplary and punitive damages.
- (8) **General Release:** Franchisee and any Guarantor are not required to sign a general release upon renewal of the Agreement.
- (9) **Limitation of Claims:** Franchisee is not required to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- (10) **Enforcement of Agreement:** The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

3. **Effective Date.** This Addendum is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

FLOUR POWER BUSINESS

DEVELOPMENT INC.

By: _____

Name: _____

Title: _____

Date: _____

RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT

This Addendum amends the Franchise Agreement dated _____ (the “Agreement”), between Flour Power Business Development Inc., a North Carolina corporation (“Franchisor”) and _____, a _____ (“Franchisee”).

1. **Definitions.** Capitalized terms used but not defined in this Addendum have the meanings given in the Agreement.

2. **Jurisdiction and Venue.** Any provision of the Agreement restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under Rhode Island Franchise Investment Act.

3. **Effective Date.** This Addendum is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

FRANCHISOR:

FLOUR POWER BUSINESS
DEVELOPMENT INC.

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

WASHINGTON FRANCHISE AGREEMENT ADDENDUM

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

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

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

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

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

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

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

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business. Because franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Area Development Agreement, payment of the franchise fee will be released proportionally with respect to each franchise outlet opened and until

franchisor has met all its pre-opening obligations under the Agreement and Franchisee is open for business with respect to each such location.

The undersigned does hereby acknowledge receipt of this addendum.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

FLOUR POWER BUSINESS
DEVELOPMENT INC.

By: _____

Name: _____

Title: _____

Date: _____

This addendum may also be used as a rider to the Franchise Disclosure Document.

EXHIBIT B TO FRANCHISE DISCLOSURE DOCUMENT

DEVELOPMENT AGREEMENT

**FLOUR POWER BUSINESS DEVELOPMENT INC.
FRANCHISE DISCLOSURE DOCUMENT
DEVELOPMENT AGREEMENT**

sThis Development Agreement (“Agreement”) entered into between: (i) Flour Power Business Development Inc., a North Carolina corporation with a principal business address at 445 South Main Street, 4th Floor, Davidson, North Carolina 28036 (“Franchisor”); and (ii) _____ a _____, with a principal business address at _____ (“Developer”).

BACKGROUND

A. Franchisor and its principals have developed a system for operating businesses offering a kids cooking studio and related goods and services under the “Flour Power” name and mark (each a “Franchised Businesses” or “Business”).

B. Developer desires to enter into an agreement with Franchisor to obtain the right to operate a Franchised Business using the system developed by Franchisor, the characteristics of which include, depending on Franchisee’s location: Franchisor’s Proprietary System; interior and exterior designs, décor and color schemes; standard specifications for furniture, fixtures, equipment, wall and ceiling designs and displays; sales techniques, merchandising, marketing, advertising, and inventory management systems; and procedures for operating and managing a Franchised Business in the manner set forth in this Agreement and in the Operations Manual and modified from time to time (the “System”).

C. Franchisor and its franchisees use various trade names, trademarks and service marks including, without limitation, the mark “Flour Power”, in connection with the System (the “Proprietary Marks”). The rights to all Proprietary Marks Franchisor may now, or in the future designate as part of the System, will be owned exclusively by Franchisor or its affiliate and be used for the benefit of Franchisor, its affiliate and Franchisor’s franchisees to identify to the public the source of the products and services marketed thereunder.

D. Franchisor grants qualified third parties the right to develop a certain number of Franchised Businesses within a designated development area (the “DDA”) in accordance with the terms of this Agreement that must be strictly adhered to, with each Franchised Business within the DDA being opened and operating utilizing the Proprietary Marks and System pursuant to the terms and conditions set forth in Franchisor’s then-current form of franchise agreement (each, a “Franchise Agreement”).

E. Developer recognizes the benefits from receiving the right to operate a Franchised Business and desires to: (i) become a multi-unit Franchised Business operator subject to the terms of this Agreement; and (ii) receive the benefits provided by Franchisor under this Agreement.

F. Developer has applied for the right to open and operate _____ () Franchised Businesses within the DDA as set forth in this Agreement, and Franchisor has approved such application in reliance on Developer’s representations made therein.

G. Developer hereby acknowledges that adherence to the terms of this Agreement, including Franchisor’s operations manual and other System standards and specifications, are essential to the operation of all Franchised Businesses and Franchisor’s System as a whole.

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

AGREEMENT

1. **Designated Development Area.** Subject to the terms and conditions set forth herein, Franchisor grants Developer the right, and Developer undertakes the obligation, to develop and establish _____ () Franchised Businesses within the DDA described in the data sheet attached hereto as Exhibit “A” (the “Data Sheet”), provided Developer opens and commences operations of such Franchised Businesses in accordance with the development schedule provided in the Data Sheet (“Development Schedule”). Developer acknowledges and agrees that: (i) it does not have any territorial rights within the DDA until and unless a Franchised Business is established by Developer; (ii) Franchisor may permit other new franchisees or developers to search for locations for Franchised Businesses within the same DDA that is assigned to Developer under this Agreement if the Franchisor determines, in its sole discretion, that the DDA is large enough to contain additional Franchised Businesses; and (iii) potential locations for each Franchised Business, and resulting Protected Territories within the DDA will be reviewed and granted or denied on a first-to-propose basis.

2. **Development Fee.** In consideration of the rights granted under this Agreement, Developer agrees to pay to Franchisor a development fee in the amount designated on the Data Sheet (the “Development Fee”).

3. **Payment Terms.** The Development Fee is payable in full upon the execution of this Agreement. Notwithstanding the terms of Developer’s individual Franchise Agreements, Developer shall not be required to pay any additional “initial franchise fee” for Franchised Businesses opened pursuant to this Agreement. The Development Fee is deemed fully earned and non-refundable upon payment.

4. **Initial Franchise Agreement.** Contemporaneous with the execution of this Agreement, Developer must enter into Franchisor’s current form of Franchise Agreement for the first Franchised Business that Developer is required to open within the DDA. In the event Developer is a business entity of any kind, then Developer’s principals/owners must each execute the form of personal guaranty attached to the foregoing Franchise Agreement, as well as any additional Franchise Agreements described in Section 5 of this Agreement.

5. **Additional Franchise Agreements.** Developer agrees and acknowledges that it must: (i) enter into Franchisor’s then-current form of Franchise Agreement for each additional Franchised Business that Developer is required to open under this Agreement, the terms of which may be materially different than the terms of the current form of Franchise Agreement; and (ii) enter into such Franchise Agreements at such times as are required for Developer to timely meet, and strictly adhere to, its development obligations set forth in Section 6 of this Agreement.

6. **Development Obligations.** Developer must ensure that it: (i) opens and commences operations of the number of new Franchised Business during each of the development periods defined in the Development Schedule (each, a “Development Period”) until Developer has opened the number of Franchised Businesses it is required to open pursuant to the Development Schedule; and (ii) has the minimum cumulative number of Franchised Businesses open and

operating at the expiration of each Development Period. The parties agree and acknowledge that time is of the essence with respect to the foregoing development obligations, and that Developer's failure to comply with this Section is grounds for termination of this Agreement (and any future development rights granted hereunder) following notice and a thirty-day cure period, as set forth herein in Section 7.2.

7. Term and Termination.

7.1 This Agreement will commence as of the date it is fully executed and, unless earlier terminated by Franchisor, will expire on the last day of the calendar month that the final Franchised Business is required to be opened and operating under the Development Schedule. Upon expiration or termination of this Agreement for any reason, Developer will not have any rights within the DDA other than the territorial rights granted in connection with any Franchised Businesses that Developer has opened and commenced operating as of the date this Agreement is terminated or expires (pursuant to the respective Franchise Agreement(s) that Developer entered into for such Franchised Business(es)).

7.2 Franchisor will have the right, at its option, to terminate this Agreement and all rights granted to Developer hereunder, without affording Developer any opportunity to cure such default, effective upon written notice to Developer, upon the occurrence of any of the following events: (i) if Developer ceases to actively engage in development activities in the DDA or otherwise abandons its development business for three (3) consecutive months, or any shorter period that indicates an intent by Developer to discontinue development of the Franchised Businesses within the DDA; (ii) if Developer becomes insolvent or is adjudicated bankrupt, or if any action is taken by Developer, or by others against the Developer, under any insolvency, bankruptcy or reorganization act, or if Developer makes an assignment for the benefit of creditors or a receiver is appointed by the Developer; (iii) if Developer fails to meet its development obligations set forth in Section 6 of this Agreement during any Development Period, and fails to cure such default within thirty days of receiving notice thereof; and (iv) if any Franchise Agreement that is entered into in order to fulfill Developer's development obligations under this Agreement is terminated or subject to termination by Franchisor, pursuant to the terms of that Franchise Agreement.

8. Reservation of Rights. Except as provided in Section 1 of this Agreement, the parties agree and acknowledge that the rights granted in this Agreement are non-exclusive and that Franchisor and its affiliates reserve all other rights not expressly granted to Developer herein.

9. Sale or Assignment. Developer's rights under this Agreement are personal and Developer may not sell, transfer, or assign any right granted herein without Franchisor's prior written consent, which may be withheld in its sole discretion. Notwithstanding, if Developer is an individual or a partnership, Developer has the right to assign its rights under this Agreement to a corporation or limited liability company that is wholly owned by Developer according to the same terms and conditions as provided in Developer's initial Franchise Agreement. Franchisor has the right to assign this Agreement in whole or in part in its sole discretion.

10. Acknowledgment. Developer acknowledges that this Agreement is not a Franchise Agreement and does not confer upon Developer any rights to use the Franchisor's Proprietary Marks or System.

11. **Notices.** Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Flour Power shall be sent to:

Flour Power
445 South Main Street, 4th Floor
Davidson, North Carolina 28036
Attn: Robert Maynard
Telephone: (919) 889-3541

Notices to you shall be sent to the address set forth on the first paragraph of this Agreement.

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of expedited delivery service or registered or certified mail, three (3) business days after the date and time of mailing. Any change in the above addresses shall be made by giving fifteen (15) calendar days written notice of the change to the other party.

12. **Choice of Law.** This Agreement will be governed by the laws of the State of North Carolina (without reference to its conflict of laws principals).

13. **Mediation.** The parties agree to submit all disputes, controversies, claims, causes of action and/or alleged breaches or failures to perform arising out of or relating to this Agreement (and attachments) or the relationship created by this Agreement (collectively, “**Disputes**”) to nonbinding mediation prior to filing any action in court with respect to the Dispute. The mediation shall be conducted in Wake County, North Carolina through either an individual mediator or a mediator appointed by a mediation services organization or body, experienced in the mediation of disputes in the franchise business, agreed upon by the parties and, failing such agreement, within a reasonable period of time after either party has notified the other of its desire to seek mediation of any Dispute (not to exceed fifteen (15) days), through the American Arbitration Association (“**AAA**”) in accordance with its rules governing mediation, at the office of the AAA located nearest to Flour Power’s corporate headquarters in Davidson, Mecklenburg C, North Carolina. The costs and expenses of mediation, including compensation and expenses of the mediator, shall be borne by the parties equally. If the parties are unable to resolve the Dispute within ninety (90) days after the mediator has been appointed, then either party may submit such Dispute to binding arbitration in accordance with **Section 14** below.

14. **Arbitration.** Subject to the parties’ obligation to mediate certain controversies, disputes and claims pursuant to **Section 13** above, Flour Power and you agree that all controversies, disputes, or claims between Flour Power and its affiliates, and their respective shareholders, officers, directors, agents, and/or employees, and you (and/or your Investors, guarantors, affiliates, and/or employees) arising out of or related to:

(5) this Agreement or any other agreement between you and Flour Power or your or Flour Power’s respective affiliates;

- (6) Flour Power's relationship with you;
- (7) the scope and validity of this Agreement or any other agreement between you and Flour Power or any provision of such agreements (including the validity and scope of the arbitration obligations under this **Section 14**, which the parties acknowledge is to be determined by an arbitrator and not a court); or
- (8) any System standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by one arbitrator and, except as this **Section 14** otherwise provides, according to the then current commercial arbitration rules of the American Arbitration Association. All proceedings will be conducted at a suitable location chosen by the arbitrator in the city in which Flour Power's then current principal business address is located (currently, Wake County, North Carolina). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except as expressly provided otherwise, judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any Proprietary Mark generic or otherwise invalid or, except as expressly provided in **Section 19** below, award any punitive or exemplary damages against either party (Flour Power and you hereby waiving to the fullest extent permitted by law, except as expressly provided in **Section 19** below, any right to or claim for any punitive or exemplary damages against the other). All aspects of the arbitration, including statements made and documents produced within the arbitration, will be confidential in nature and will not be admissible in any subsequent legal proceeding.

Except as expressly limited by **Section 17** below, Flour Power and you agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. Flour Power and you further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or Flour Power. Flour Power reserves the right, but has no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished Flour Power's right to seek the recovery of those costs in accordance with **Section 20**.

Flour Power and you agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Flour Power and its affiliates, and their respective shareholders, members, officers, directors, agents, and/or employees, and you (and/or your Investors, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between Flour Power and any other person. Notwithstanding the foregoing or anything to the contrary in this **Section 14** or **Section 22**, if any court or arbitrator determines

that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this **Section 14**, then the parties agree that this arbitration clause shall not apply to that dispute and that such dispute will be resolved in a judicial proceeding in accordance with this **Section 16**.

Except as expressly provided otherwise, despite Flour Power's and your agreement to arbitrate, Flour Power and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that Flour Power and you must contemporaneously submit their dispute for arbitration on the merits as provided in this **Section 14**.

The provisions of this **Section 14** are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

15. Injunctive Relief. Nothing contained in this Agreement herein will prevent Franchisor from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interests prior to the filing of any mediation proceeding or pending the trial or handing down of a decision or award pursuant to any mediation proceeding conducted hereunder.

16. Jurisdiction and Venue. With respect to any proceeding not subject to mediation or arbitration, the parties expressly agree to the jurisdiction and venue of any state court of general jurisdiction in Wake County, North Carolina and the jurisdiction and venue of the United States District Court for the Eastern District of North Carolina. Developer acknowledges that this Agreement has been entered into in the State of North Carolina, and that Developer is to receive valuable and continuing services emanating from Franchisor's headquarters in Wake County, North Carolina. In recognition of such services and their origin, Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts of North Carolina set forth above.

17. LIMITATION OF CLAIMS. EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE FLOUR POWER, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR FLOUR POWER'S RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED WITHIN EIGHTEEN (18) MONTHS FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS.

18. JURY TRIAL WAIVER. WITH RESPECT TO ANY PROCEEDING NOT SUBJECT TO MEDIATION OR ARBITRATION, THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR DEVELOPER'S PURCHASE FROM FRANCHISOR OF THE DEVELOPMENT RIGHTS DESCRIBED HEREIN.

19. **Waiver of Punitive Damages.** Developer waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which Developer may have against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, Developer's recovery will be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

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

21. **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Agreement will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.

22. **Severability.** The parties agree that if any provisions of this Agreement may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning, which renders it valid and enforceable. The provisions of this Agreement are severable, and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Agreement will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Agreement.

23. **Construction of Language.** The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Developer, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

24. **Successors.** References to “Franchisor” or “Developer” include the respective parties’ successors, assigns or transferees, subject to the limitations of Section 9 of this Agreement.

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

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

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

28. **Entire Agreement.** This Agreement contains the entire agreement between the parties concerning Developer’s development rights within the MSA; no promises, inducements or representations (other than those in the Franchise Disclosure Document) not contained in this Agreement have been made, nor will any be of any force or effect, or binding on the parties. Modifications of this Agreement must be in writing and signed by both parties. Franchisor reserves the right to change Franchisor’s policies, procedures, standards, specifications or manuals at Franchisor’s discretion. In the event of a conflict between this Agreement and any Franchise Agreement(s), the terms, conditions and intent of this Agreement will control. Nothing in this Agreement, or any related agreement, is intended to disclaim any of the representations Franchisor made to Developer in the Franchise Disclosure Document that Franchisor provided to Developer.

[SIGNATURE PAGE TO FOLLOW]

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

DEVELOPER

(Individual, Partnership or Corporation Name)

By: _____

Print Name: _____

Title: _____

FRANCHISOR

FLOUR POWER BUSINESS DEVELOPMENT INC.

By: _____

Print Name: _____

Title: _____

**ATTACHMENT A to DEVELOPMENT AGREEMENT
DATA SHEET**

1. **Designated Development Area.** The Designated Development Area is the area described below (or an attached map) by geographic boundaries and will consist of the following area or areas:

2. **Development Fee.** The Development Fee under the Development Agreement is \$ _____.

3. **Development Schedule.** The Development Schedule referred to in Section 1 of the Development Agreement is as follows:

Expiration of Development Period (each, a "Development Period")	# of New Franchised Businesses Opened Within Development Period	Cumulative # of Franchised Businesses that Must Be Open and Operating
____ Months from Effective Date		
____ Months from Effective Date		
____ Months from Effective Date		

APPROVED AND AGREED BY:

FRANCHISOR

DEVELOPER

**FLOUR POWER BUSINESS
DEVELOPMENT INC.**

(Individual, Partnership or Corporation Name)

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

EXHIBIT C TO FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

FLOUR POWER BUSINESS DEVELOPMENT, INC.

Financial Statements

December 31, 2021



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Independent Auditor's Report

To the Board of Directors
Flour Power Business Development Inc.
Raleigh, North Carolina

Opinion

We have audited the accompanying financial statements of Flour Power Business Development Inc. (a North Carolina corporation), which comprise the balance sheet as of December 31, 2021, and the related statements of earnings and retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flour Power Business Development Inc. as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Correction of Errors

As described in Note 11 to the financial statements, a prior period adjustment to retained earnings has been made related to the 2020 financial statements to correct material misstatements related to accounts receivable, prepaid expenses, computer software costs, deposits, accrued wages, accrued interest, and deferred revenue. Our opinion is not modified with respect to that matter.

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PO Box 41168 | Raleigh, NC 27629
919.493.2603 | fax 919.489.6304 | www.stewardingram.com

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To the Board of Directors
Flour Power Business Development Inc.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Flour Power Business Development Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Flour Power Business Development Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

To the Board of Directors
Flour Power Business Development Inc.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Flour Power Business Development Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in the Company's Franchise Disclosure Document

Management is responsible for the other information included in the Company's Franchise Disclosure Document. The other information comprises various financial and nonfinancial information related to acquiring a franchise agreement from the Company but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Raleigh, North Carolina
April 1, 2022

FLOUR POWER BUSINESS DEVELOPMENT INC.

Balance Sheet
December 31, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 385,887
Accounts receivable, net	3,272
Income tax refund receivable	28,605
Inventory	4,211
Prepaid expenses	2,189
Total current assets	<u>424,164</u>

Other assets:

Computer software costs, net	14,034
Deposit	1,480
Deferred tax asset	62,309
Total other assets	<u>77,823</u>

Total assets	<u>\$ 501,987</u>
--------------	-------------------

Liabilities and Stockholders' Equity

Current liabilities:

Accounts payable	\$ 4,162
Accrued wages and payroll taxes	9,734
Accrued income taxes	18,198
Gift cards	67,052
Accrued interest payable	7,542
Deferred revenue	105,309
Total current liabilities	<u>211,997</u>

Long-term liabilities:

Economic Injury Disaster Loan	150,000
Deferred revenue	83,602
Total long-term liabilities	<u>233,602</u>

Total liabilities	<u>445,599</u>
-------------------	----------------

Stockholders' equity:

Common stock	25,000
Additional paid in capital	30,171
Retained earnings	1,217
Total stockholders' equity	<u>56,388</u>

Total liabilities and stockholders' equity	<u>\$ 501,987</u>
--	-------------------

See accompanying notes to financial statements

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FLOUR POWER BUSINESS DEVELOPMENT INC.

Statement of Earnings and Retained Earnings

For the year ended December 31, 2021

Revenue	\$ 311,553
Cost of goods sold	<u>5,263</u>
Gross profit	<u>306,290</u>
Operating expenses:	
Wages	106,153
Payroll taxes	9,037
Advertising	28,356
Travel, meals, and entertainment	31,016
Professional fees	47,014
Rent	19,882
Insurance	267
Information technology	10,703
Automobile lease - related party	11,422
Office expense	22,711
Repairs and maintenance	2,866
Utilities	14,850
Franchise taxes	383
Memberships	302
Amortization	7,048
Interest expense	<u>5,790</u>
Total operating expenses	<u>317,800</u>
Operating loss	(11,510)
Other income:	
Interest income	7
Loan forgiveness - Payroll Protection Program	<u>36,333</u>
Total other income	<u>36,340</u>
Net earnings before income taxes	24,830
Income tax benefit	<u>(2,527)</u>
Net earnings	27,357
Retained earnings, beginning of year	147,791
Prior period adjustment (See Note 11)	<u>(96,136)</u>
Retained earnings, beginning of year, as restated	51,655
Dividends	<u>(77,795)</u>
Retained earnings, end of year	<u>\$ 1,217</u>

See accompanying notes to the financial statements.

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FLOUR POWER BUSINESS DEVELOPMENT INC.

Statement of Cash Flows

For the year ended December 31, 2021

Cash flows from operating activities:	
Franchise fees collected	\$ 114,665
Royalties collected	161,982
Merchandise, gift card, and other revenue collected	102,718
Wages and payroll taxes paid	(110,081)
Payments to vendors	(192,760)
Interest paid	-
Income taxes paid	-
Interest income collected	7
Net cash provided by operating activities	76,531
Cash flows from investing activities:	
Capitalized computer software costs	(3,750)
Security deposit paid	(1,480)
Security deposit returned	1,800
Net cash used in investing activities	(3,430)
Cash flows from financing activities	
Loan proceeds received - Payroll Protection Program	20,333
Dividends paid	(77,795)
Net cash used in financing activities	(57,462)
Net change in cash and cash equivalents	15,639
Cash and cash equivalents, beginning of year	370,248
Cash and cash equivalents, end of year	\$ 385,887
<u>Supplemental Disclosures - Noncash Financing Activities:</u>	
Loan Forgiveness - Payroll Protection Program	\$ 36,333

See accompanying notes to financial statements.

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FLOUR POWER BUSINESS DEVELOPMENT INC.

Notes to Financial Statements

December 31, 2021

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of Flour Power Business Development Inc. (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Business

Flour Power Business Development Inc. was incorporated in North Carolina in March 2015.

The Company is the franchisor of Flour Power Kids Cooking Studios, a nationwide hands-on culinary entertainment and educational franchise that offers a variety of programs that teach children about cooking.

Recent Accounting Pronouncements

Adoption of Accounting Standards

In January 2021, the FASB issued ASU No. 2021-02 *Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*. This guidance provides a new practical expedient that simplifies the application of guidance in ASC 606 about identifying performance obligations. The practical expedient permits franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with the predefined list within the guidance. This list includes assistance in site selection, assistance in obtaining facilities and preparing the facilities for their intended use, training of the franchisee and their personnel, preparation and distribution of manuals, bookkeeping, information technology and advisory services, and inspection and testing under quality control programs. Additionally, this ASU provides an accounting policy election to recognize the pre-opening services as a single performance obligation.

This ASU is effective for periods beginning after December 15, 2020. The Company has retrospectively adopted this practical expedient and made the accounting policy election to recognize the pre-opening services as distinct from the franchise license and as a single performance obligation effective January 1, 2021.

As a result of adopting this ASU the Company has recorded a prior period adjustment to retained earnings related to deferred revenue.

FLOUR POWER BUSINESS DEVELOPMENT INC.

Notes to Financial Statements

December 31, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). This guidance revises the accounting related to leases by requiring lessees to recognize a lease liability and a right-of-use asset for all leases. The new lease guidance also simplifies the accounting for sale and leaseback transactions. This ASU is effective for years beginning after December 15, 2021 and early adoption is permitted. In July of 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases* (“ASU 2018-10”) and ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements* (“ASU 2018-11”) which amended certain aspects of ASU 2016-02. ASU 2018-10 amends narrow aspects of the guidance issued in the amendments in ASU 2016-02 based on comments and questions raised by stakeholders during the assessment and implementation of ASU 2016-02. ASU 2018-11 provides for another transition method in addition to the modified retrospective approach required by ASU 2016-02. This option allows entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Management currently plans to adopt the ASU effective January 1, 2022 using the modified retrospective transition method and will not adjust comparative period financial information or make the new required lease disclosures for periods before the effective date. The Company is currently evaluating the impact of the adoption of these related lease standards on the Company’s financial statements.

Cash and Cash Equivalents

The Company considers all checking and savings accounts to be cash and cash equivalents. The Company’s bank accounts are with one financial institution. The amount on hand at any one time in any of these accounts may exceed the \$250,000 federally insured limit. As of December 31, 2021, the Company had uninsured cash balances of \$135,887.

Accounts Receivable

Accounts receivable consists of amounts due from franchisees for royalties. Accounts receivable is recorded at net realizable value, which is the amount the Company expects to receive from the franchisees. The Company estimates an allowance for doubtful accounts based on historical account write offs, payment history with individual franchisees, and current economic factors. As of December 31, 2021, management has determined that all accounts receivable is considered collectible and no allowance for doubtful accounts is necessary.

Inventory

Inventories, which consist primarily of t-shirts, are stated at the lower of cost, determined under the first-in, first-out (FIFO) method, or net realizable value.

FLOUR POWER BUSINESS DEVELOPMENT INC.

Notes to Financial Statements

December 31, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Computer Software Costs

Computer software costs consists of internally developed computer software that was developed solely to meet the Company's needs. The company has capitalized all costs related to the application development process and costs related to upgrades and enhancements to the software. All other costs related to the software have been expensed as incurred. Capitalized computer software costs are being amortized on the straight-line basis over the estimated useful life of the software, which is currently estimated to be 5 years.

Gift Cards

The Company administers all gift card transactions for its franchise locations. In return, the Company retains 15% of revenue from gift card sales, with the remaining amounts being remitted to the franchise location in which the gift card is redeemed. It is the Company's policy to recognize its portion of the gift card revenue at the time the gift card is redeemed.

Revenue Recognition

Franchise Royalties and Fees

Franchise royalties, based on a percentage of franchise studio's cash basis sales, are recognized as they occur. The Company's current standard franchise agreement requires the franchisee to pay a royalty fee of 6% of cash basis sales, and all current franchisees are paying royalties at a 6% rate. Franchise royalties are billed and drafted from franchisee's bank accounts on a weekly basis.

The Company is utilizing the practical expedient available under ASU 2021-02 and has made the accounting policy election to treat all pre-opening services as distinct from the franchise license and as a single performance obligation under the franchise agreement. As such, the Company has determined that 80% of its standard franchise fee is allocable to pre-opening services and is therefore recognized as revenue at the time a franchise studio opens to the public. The remaining 20% of its standard franchise fee is allocated to the franchise license and is recognized as revenue on a straight-line basis over the 10-year franchise term. Franchise license renewal fees received for future license renewal periods are recognized as revenue on a straight-line basis over the life of the renewal period. Franchise fees are required to be paid in full when the franchise agreement is executed.

Merchandise Sales

Sales revenue consists of t-shirts sold to franchise studios. Revenue from these sales is recognized at the time the sale takes place and the t-shirts are shipped to the franchise studio.

FLOUR POWER BUSINESS DEVELOPMENT INC.

Notes to Financial Statements

December 31, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Marketing and Information Technology Fees

Under the terms of the franchise agreement, franchise studios are charged a monthly fee for marketing and information technology services. These fees vary slightly based on when the franchise studio acquired its franchise license. These fees are billed and drafted from franchisee's bank accounts at the beginning of each month.

Other Services

The Company is available, at the request of franchise studios, to provide other services in addition to the pre-opening services provided. Fees for these services are billed and recognized as revenue at the time they are completed.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred. Total advertising and marketing costs amounted to \$28,356 for the year ended December 31, 2021.

Income Taxes

Deferred tax assets and liabilities are determined based on the temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities using the current tax rates in effect in the years in which the differences are expected to reverse. In estimating future tax consequences, all expected future events are considered other than enactment of changes in the tax law or rates.

The determination of recording or releasing a tax valuation allowance is made, in part, based on an assessment performed by management regarding the likelihood that the Company will generate future taxable income against which benefits of its deferred tax assets may or may not be realized. This assessment requires management to exercise significant judgement and make estimates with respect to its ability to generate taxable income in future periods.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

FLOUR POWER BUSINESS DEVELOPMENT INC.

Notes to Financial Statements

December 31, 2021

Note 2 – Computer Software Costs

Computer software costs consists of the following as of December 31, 2021:

Computer software costs	\$ 54,365
Accumulated amortization	(40,331)
Computer software costs, net	<u>\$ 14,034</u>

Amortization of computer software costs amounted to \$7,048 for the year ended December 31, 2021.

Note 3 - Note Payable – Payroll Protection Program

In April 2020, the Company received loan proceeds from Truist Bank in the amount of \$16,000 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provided loans to qualifying businesses for amounts up to 2.5 times their 2019 average monthly payroll expenses. The loan and accrued interest are forgivable if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its pre-pandemic employee levels. The amount of loan forgiveness may be reduced if the borrower terminates employees or reduces salaries. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

On February 2021, the Company received a second round of PPP loan proceeds from Truist Bank in the amount of \$20,333. This loan carries substantially the same terms as the initial PPP loan and may be fully forgiven if the Company maintains its employee and compensation levels, uses all of the funds for payroll costs and other eligible expenses, and at least 60% of the proceeds are spent on payroll costs.

In April 2021, the Company was notified by Truist Bank that their first loan forgiveness application was approved. At that time, the full loan amount of \$16,000 was converted to other income and reported in the Statement of Earnings.

In October 2021, the Company was notified by Truist Bank that their loan forgiveness application for their second round PPP loan was approved. At that time, the full loan amount of \$20,333 was converted to other income and reported in the Statement of Earnings.

FLOUR POWER BUSINESS DEVELOPMENT INC.

Notes to Financial Statements

December 31, 2021

Note 4 – Note Payable-Economic Injury Disaster Loan

On September 8, 2020, the Company received loan proceeds from the U.S. Small Business Administration (“SBA”) in the amount of \$150,000 under the Economic Injury Disaster Loan program (“EIDL”). The EIDL program is designed to provide economic relief to businesses and nonprofits that are currently experiencing a temporary loss of revenue due to the ongoing COVID-19 pandemic. In March 2021, the SBA extended the deferral period for all loans under the EIDL program for an additional 12 months. Beginning on October 8, 2022, this note is payable in monthly installments of \$731, including interest at an annual rate of 3.75%. This note matures with all principal and interest due on September 8, 2050.

As of December 31, 2021, the principal balance of this note was \$150,000. Interest on the note principal will be accrued and added to the note balance between September 8, 2020 and October 8, 2022. Accrued interest to be added to note principal amounts to \$11,438, resulting in a total balance of \$161,438.

This note is collateralized by all of the Company’s cash accounts, receivables, inventory, and properties and equipment.

Annual maturities of this note payable, assuming no additional changes in the current terms and no principal prepayments, are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ -
2023	2,783
2024	2,889
2025	2,999
2026	3,113
Thereafter	149,654
Total	<u>\$ 161,438</u>

Note 5 - Capital Structure

The Company is authorized to issue up to 100,000 shares of common stock. As of December 31, 2021, the Company has issued 1,000 shares of common stock at a stated value of \$25 per share.

Note 6 - Lease Commitments

In July 2018, the Company entered into an agreement to lease office space in Raleigh, North Carolina. This lease was for a 3-year term and ended on June 30, 2021. Base rent under this agreement was \$1,800 per month.

Rent expense under this lease agreement amounted to \$11,742 for the year ended December 31, 2021.

FLOUR POWER BUSINESS DEVELOPMENT INC.

Notes to Financial Statements

December 31, 2021

Note 6 - Lease Commitments (continued)

In July 2021, the Company entered into an agreement to lease office space in Wake Forest, North Carolina. This lease is for a 2-year term ending on June 30, 2023. Base rent under this agreement \$1,480 per month. The lease contains an option to extend the lease for one additional term of 2 years.

Rent expense under this lease agreement amounted to \$8,140 for the year ended December 31, 2021.

Future minimum rental payments under this office lease are as follows:

2022	\$	17,760
2025		<u>8,880</u>
Total	\$	<u>26,640</u>

Related Party Automobile Lease

The Company leases an automobile from the Company's President and majority stockholder. The lease is an operating lease that began on January 1, 2021 and expires on April 30, 2023. The Company pays \$952 per month under this lease agreement. Rent expense under this lease agreement amounted to 11,422 for the year ended December 31, 2021.

Future minimum rental payments under this related party lease are as follows:

2022	\$	11,422
2023		<u>3,807</u>
Total	\$	<u>15,229</u>

Note 7 - Revenue Recognition

The Company's total revenue consists of the following for the year ended December 31, 2021:

	Earned Over Time	Earned at a Point in Time	Totals
Franchise fees	\$ 12,962	\$ 63,816	\$ 76,778
Royalties	-	162,409	162,409
Merchandise sales	-	9,488	9,488
Gift Card fees	-	5,196	5,196
Marketing fees	-	21,755	21,755
Information technology fees	-	31,427	31,427
Other services	-	4,500	4,500
Totals	<u>\$ 12,962</u>	<u>\$ 298,591</u>	<u>\$ 311,553</u>

FLOUR POWER BUSINESS DEVELOPMENT INC.

Notes to Financial Statements

December 31, 2021

Note 7 - Revenue Recognition (continued)

The Company has determined that 80% of each franchise fee is allocated to the pre-opening services performance obligation. As such, 80% of each franchise fee is recognized as revenue at the time the related franchise studio opens.

Contract Balances

The timing of revenue recognition and cash collections results in accounts receivable and deferred revenue on the Balance Sheet. Accounts receivable and deferred revenue relate to royalties and franchise fee revenue.

Accounts receivable consisted of the following amounts due from franchise studios for royalties:

December 31, 2021	<u>\$ 3,272</u>
December 31, 2020	<u>\$ 2,845</u>

During the year ended December 31, 2021 deferred revenue consisted of the following activity:

	<u>Deferred Revenue</u>
Beginning of year	\$ 151,024
Franchise fees received	114,665
Franchise fees earned due to franchise studio opening	(63,816)
Franchise fees recognized over franchise term	<u>(12,962)</u>
End of year	<u>\$ 188,911</u>

The Company expects all unopened franchise locations to open within one year. Therefore, they have reported all deferred revenue related to pre-opening services as a current asset. Also reported as a current asset are the franchise fees expected to be recognized within one year. Total deferred revenue above is presented as follows in the Balance Sheet:

Deferred revenue – current	\$ 83,602
Deferred revenue – noncurrent	<u>105,309</u>
Total	<u>\$ 188,911</u>

FLOUR POWER BUSINESS DEVELOPMENT INC.

Notes to Financial Statements

December 31, 2021

Note 8 – Related Party Relationships and Transactions

The Company has the exclusive right to the Flour Power trademark that is owned by Flour Power, Inc., a related party. The Company and Flour Power, Inc. are considered related parties because they are controlled by the same individuals, who are also stockholders in both companies.

The Company has not provided any consideration to Flour Power, Inc. for the use of the Flour Power trademark.

The Company leases an automobile from the Company's President under an operating lease. See Note 6 for details.

Note 9 - Income Taxes

The Company's income tax returns are subject to examination by federal and state taxing authorities. Because application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by taxing authorities. No such examinations by taxing authorities are presently in process.

Management believes that there are no significant unrecognized tax liabilities at December 31, 2021. The Company files income tax returns in the U.S. federal and North Carolina jurisdictions. The Company is not subject to examination by these taxing authorities for years prior to December 31, 2018.

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company has chosen to use the cash basis of accounting for income tax purposes where revenue is recognized when received and expenses are recognized when paid. Deferred tax assets and liabilities consist of the following:

Noncurrent:

Deferred tax assets:

Accounts payable and accrued expenses	\$	5,178
Gift cards		16,200
Deferred revenue		45,641
Valuation allowance		-
Total deferred tax assets		<u>67,019</u>

Deferred tax liabilities:

Accounts receivable		791
Prepaid expenses		529
Computer software costs		3,390
Total deferred tax liabilities		<u>4,710</u>

Total net deferred income tax asset	\$	<u>62,309</u>
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FLOUR POWER BUSINESS DEVELOPMENT INC.

Notes to Financial Statements

December 31, 2021

Note 9 - Income Taxes (continued)

The Company has used a federal tax rate of 21% and a state tax rate of 4.0% in calculating its net deferred tax assets and liabilities.

The Company incurred net operating losses in prior tax years. As allowed under the Internal Revenue Code, the Company has elected to carry those losses back to prior years in which they reported taxable income. As a result of these carrybacks the Company has recorded a federal income tax refund receivable of \$28,605 as of December 31, 2021.

The income tax provision for the Company is as follows:

Current:		
Federal income tax expense	\$	16,243
State income tax expense		1,955
Total current income tax expense		<u>18,198</u>
Deferred:		
Federal income tax benefit		(17,295)
State income tax benefit		(3,430)
Increase in valuation allowance		-
Total		<u>(20,725)</u>
Total income tax benefit	\$	<u>(2,527)</u>

The following is a summary of the Company's temporary and permanent differences for the year ended December 31, 2021:

Net earnings	\$	27,357
Temporary differences related to revenue		67,812
Temporary differences related to expenses		18,511
Nontaxable PPP loan forgiveness		<u>(36,333)</u>
Estimated taxable income	\$	<u>77,347</u>

Note 10 - Risks and Uncertainties

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (COVID-19). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic. This pandemic has adversely affected global economic activity and has greatly contributed to significant volatility in financial markets throughout the world.

FLOUR POWER BUSINESS DEVELOPMENT INC.

Notes to Financial Statements

December 31, 2021

Note 10 - Risks and Uncertainties

Depending on the severity and length of the outbreak, this pandemic could present material uncertainty and risk with respect to the Company including an adverse effect on the ability to continue with its overall operating performance, the ability to collect payments from customers, and the ability of employees to continue working.

The rapid development and fluidity of this situation precludes management from making an estimate as to the ultimate adverse impact of the pandemic on the Company's liquidity, financial condition, and results of operations for 2022.

Note 11 - Prior Period Adjustment

Beginning of year retained earnings in the Statement of Earnings and Retained Earnings has been restated to correct material misstatements in previously issued financial statements.

The following items were not reflected in the Company's Balance Sheet as of December 31, 2020:

<u>Assets</u>	
Accounts receivable, net	\$ 2,845
Income tax refund receivable	28,605
Inventory	4,000
Prepaid expenses	1,800
Computer software cost, net	17,332
Deposit	1,800
Deferred tax asset	41,584
Total	<u>97,966</u>
<u>Liabilities</u>	
Accrued wages and payroll taxes	(4,625)
Gift cards	(36,700)
Accrued interest payable	(1,753)
Deferred revenue	<u>(151,024)</u>
Total	<u>(194,102)</u>

Prior period adjustment to retained earnings, beginning of year \$ (96,136)

The correction has no effect on the results of the current year's activities. Had the above errors not occurred, net earnings for 2020 would have increased \$139,316, net of income tax benefits of \$40,683.

Note 12 - Subsequent Events

The Company has evaluated all subsequent events through April 1, 2022, the date the financial statements were available to be issued.

FLOUR POWER BUSINESS DEVELOPMENT INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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Les Merritt CPA-CFP

Independent Auditor's Report

To the Board of Directors
of Flour Power Business Development Inc.

We have audited the accompanying financial statements of Flour Power Business Development Inc. (a North Carolina corporation), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flour Power Business Development Inc. as of December 31, 2020 and 2019, 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.



Leslie Merritt, CPA, PC
Certified Public Accountant
Zebulon, North Carolina

April 2, 2021

Les Merritt CPA-CFP pc

(919) 269-8553
PO Box 127
1014 N. Arendell Avenue
Zebulon, NC 27597

FLOUR POWER BUSINESS DEVELOPMENT INC.
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Checking / Savings	\$ 370,248	\$ 352,653
Prepaid Income Taxes	-	6,780
Total Current Assets	370,248	359,433
TOTAL ASSETS	<u>\$ 370,248</u>	<u>\$ 359,433</u>
 Liabilities and Shareholder's Equity		
Current Liabilities:		
Payroll Taxes Payable	\$ 1,386	\$ -
Current Portion of Long-Term Debt	-	-
Total Current Liabilities	1,386	-
Long-Term Debt:		
Paycheck Protection Program	16,000	-
Economic Injury Disaster Loan	149,900	-
Total Long-Term Debt	165,900	-
Total Liabilities	<u>167,286</u>	<u>-</u>
Shareholder's Equity		
Common Stock (100,000 shares / no par value)	\$ 25,000	\$ 25,000
Additional Paid In Capital	30,171	30,171
Retained Earnings	147,791	304,262
Total Equity	202,962	359,433
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>\$ 370,248</u>	<u>\$ 359,433</u>

See Notes to the Financial Statement.

**FLOUR POWER BUSINESS DEVELOPMENT INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Income		
Franchise fees	\$ -	\$ 199,375
Referral fees	-	-
Royalties	129,371	153,206
Sale of studio franchise	-	116,485
Merchandise and gift card sales	22,873	18,375
Total Income	152,244	487,441
Operating Expenses:		
Accounting	5,775	5,857
Advertising and promotion	6,998	6,087
Automobile expense	13,849	26,794
Bank service charges	2,212	1,448
Computer and internet expenses	5,569	11,098
Continuing education	3,495	-
Contract labor	-	34,585
Dues and Subscriptions	2,442	3,082
Franchising fees	250	15,950
Client appreciation	646	429
Insurance expense	2,359	1,150
Legal and professional	31,685	21,485
Meals and entertainment	2,032	2,816
Office expense	35,843	30,214
Payroll taxes	8,414	6,137
Printing and postage	471	234
Repairs and Maintenance	5,991	19,606
Rent expense	21,600	20,553
Salary and Wages	100,633	76,507
Other taxes and licenses	41,524	853
Travel expense	7,737	19,290
Utilities	9,190	7,213
Total Operating Expenses	308,715	311,388
Income Before Provision For Income Taxes	(156,471)	176,053
Income Taxes Paid	-	10,166
Net Income	(156,471)	165,887
Retained Earnings at Beginning of Year	304,262	138,375
Retained Earnings at End of Year	\$ 147,791	\$ 304,262

See Notes to the Financial Statement.

FLOUR POWER BUSINESS DEVELOPMENT INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Net Income	\$ (156,471)	\$ 165,887
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	-	-
Gain on sale of assets	-	-
(Increase) decrease in:		
Prepaid income taxes	6,780	9,970
Increase (decrease) in:		
Payroll taxes payable	1,386	-
Net cash required by operating activities	(148,305)	175,857
Cash Flows from Investing Activities:		
Proceeds from sale of assets	-	-
Purchase of fixed assets	-	-
Net cash required by investing activities	-	-
Cash Flows from Financing Activities:		
Draws on loans	165,900	-
Owner investment	-	19,274
Net cash provided by financing activities	165,900	19,274
Increase (Decrease) in Cash	17,595	195,131
Cash at Beginning of Year	352,653	157,522
Cash at End of Year	<u>\$ 370,248</u>	<u>\$ 352,653</u>
Supplemental Disclosures:		
Interest paid	\$ -	\$ -
Taxes paid	<u>\$ -</u>	<u>\$ 10,244</u>

See Notes to the Financial Statement.

FLOUR POWER BUSINESS DEVELOPMENT INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE A – NATURE OF OPERATIONS

Flour Power Business Development Inc. is a North Carolina corporation formed on March 24, 2015. The Company was incorporated in order to provide a franchise opportunities for children's cooking classes. The Company provides franchises of the trademarked name Flour Power Kids Cooking Studios!. Flour Power Business Development Inc. receives a franchise fee and also royalties for the sale of the franchise rights.

NOTE B – DATE OF MANAGEMENT REVIEW

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition of disclosure through April 2, 2021, the date that the balance sheet was available to be issued.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Cash and Cash Equivalents

The Company considers cash and equivalents to include: (1) currency on hand (2) demand deposits with banks or financial institutions (3) other kinds of accounts that have the general characteristics of demand deposits (4) short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments maturing within three months from the date of acquisition qualify.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from these estimates.

Subsequent Events

Flour Power Business Development Inc. has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the Independent Auditor's Report. Flour Power Business Development Inc. has not evaluated subsequent events after the date. There were no subsequent events during this period that require disclosures.

Revenue Recognition

The Corporation follows the revenue recognition policies in ASC 606. These policies are as follows:

FLOUR POWER BUSINESS DEVELOPMENT INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Initial Franchise Fee:

Revenue from initial fees is allocated to the performance obligations in the franchise agreement that are distinct from the symbolic intellectual property. These primarily include training services, opening support services, opening marketing assistance and franchisee acquisition and acceptance. The amount allocated to each identified performance obligation is determined using the expected cost plus a margin approach. Revenue from initial fees is recognized when the performance obligation is satisfied and control of the goods or service has been transferred to the franchisee. Performance obligations that are normally satisfied by the opening of the franchised business to the public are determined to be earned during the period from the execution of the contract to the opening of the franchised business which is generally less than one year.

Royalty Fees:

When a franchisee purchases a Flour Power franchise, the Company grants the franchisee the right to use the proprietary methods, techniques, trade dress, trademarks and logos ("the license"). The license is defined as symbolic intellectual property. Revenues related to the license are continuing royalty fees of 6% of (weekly/monthly) gross revenues. These revenues are used to continue the development of the Company's brand, the franchise system and provide ongoing support for the Company's franchisees over the term of the agreement. The royalties are billed (weekly/monthly) and are recognized as revenue when earned.

NOTE D – EQUITY

At the Corporation's inception, 100,000 of common stock were authorized at no par value. Susan Caldwell, President, purchased 510 shares of common stock for \$12,750. Michael Caldwell, Vice-President purchased 490 shares of common stock for \$12,250.

NOTE E – NOTES PAYABLE

Paycheck Protection Program

On April 23, 2020, the Company received loan proceeds in the amount of \$16,000 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, they cannot assure you that they will not take actions that could cause the School to be ineligible for forgiveness of the loan, in whole or in part.

FLOUR POWER BUSINESS DEVELOPMENT INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Economic Injury Disaster Loans

On September 10, 2020, the Company received loan proceeds in the amount of \$149,900 under the Economic Injury Disaster Loans ("EIDL"). The EIDL, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts as working capital to help small businesses impacted by a disaster survive until normal operations resume. The loans are deferred for one year with interest accruing at a 3.75% fixed rate. After one year, the Company will begin making payments over a 30-year loan life. The Company can choose to prepay the loan with no penalties.

FLOUR POWER BUSINESS DEVELOPMENT INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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Les Merritt CPA-CFP

Independent Auditor's Report

To the Board of Directors
of Flour Power Business Development Inc.

We have audited the accompanying financial statements of Flour Power Business Development Inc. (a North Carolina corporation), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flour Power Business Development Inc. as of December 31, 2019 and 2018, 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.

Leslie Merritt, CPA, PC

Leslie Merritt, CPA, PC
Certified Public Accountant
Zebulon, North Carolina

April 20, 2020

Les Merritt CPA-CFP PC

(919) 269-8553
PO Box 127
1014 N. Arendell Avenue
Zebulon, NC 27597

FLOUR POWER BUSINESS DEVELOPMENT INC.
BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Checking / Savings	\$ 352,653	\$ 157,522
Prepaid Income Taxes	6,780	16,750
Total Current Assets	359,433	174,272
TOTAL ASSETS	\$ 359,433	\$ 174,272
Liabilities and Shareholder's Equity		
Shareholder's Equity		
Common Stock (100,000 shares / no par value)	\$ 25,000	\$ 25,000
Additional Paid In Capital	30,171	10,897
Retained Earnings	304,262	138,375
Total Equity	359,433	174,272
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 359,433	\$ 174,272

See Notes to the Financial Statement.

**FLOUR POWER BUSINESS DEVELOPMENT INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Income		
Franchise fees	\$ 199,375	\$ 195,500
Referral fees	-	2,000
Royalties	153,206	86,868
Sale of studio franchise	116,485	-
Merchandise and gift card sales	18,375	-
Total Income	487,441	284,368
Operating Expenses:		
Accounting	5,857	859
Advertising and promotion	6,087	26,957
Automobile expense	26,794	9,194
Bank service charges	1,448	817
Computer and internet expenses	11,098	8,168
Contract labor	34,585	-
Dues and Subscriptions	3,082	1,383
Franchising fees	15,950	17,995
Client appreciation	429	2,155
Insurance expense	1,150	4,114
Legal and professional	21,485	25,369
Meals and entertainment	2,816	1,814
Office expense	30,214	40,810
Payroll taxes	6,137	5,782
Printing and postage	234	7,486
Repairs and Maintenance	19,606	2,579
Rent expense	20,553	3,600
Salary and Wages	76,507	75,576
Other taxes and licenses	853	-
Travel expense	19,290	19,348
Utilities	7,213	5,119
Total Operating Expenses	311,388	259,125
Income Before Provision For Income Taxes	176,053	25,243
Income Taxes Paid	10,166	10,244
Net Income	165,887	14,999
Retained Earnings at Beginning of Year	138,375	123,376
Retained Earnings at End of Year	\$ 304,262	\$ 138,375

See Notes to the Financial Statement.

FLOUR POWER BUSINESS DEVELOPMENT INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Net Income	\$ 165,887	\$ 14,999
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	-	-
Gain on sale of assets	-	-
(Increase) decrease in:		
Prepaid income taxes	9,970	(6,506)
Increase (decrease) in:		
Accounts payable - trade	-	-
Net cash required by operating activities	175,857	8,493
Cash Flows from Investing Activities:		
Proceeds from sale of assets	-	-
Purchase of fixed assets	-	-
Net cash required by investing activities	-	-
Cash Flows from Financing Activities:		
Draws on credit line	-	-
Owner investment	19,274	-
Net cash provided by financing activities	19,274	-
Increase (Decrease) in Cash	195,131	8,493
Cash at Beginning of Year	157,522	149,029
Cash at End of Year	\$ 352,653	\$ 157,522
Supplemental Disclosures:		
Interest paid	\$ -	\$ -
Taxes paid	\$ 10,244	\$ 10,613

See Notes to the Financial Statement.

FLOUR POWER BUSINESS DEVELOPMENT INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE A – NATURE OF OPERATIONS

Flour Power Business Development Inc. is a North Carolina corporation formed on March 24, 2015. The Company was incorporated in order to provide a franchise opportunities for children's cooking classes. The Company provides franchises of the trademarked name Flour Power Kids Cooking Studios!. Flour Power Business Development Inc. receives a franchise fee and also royalties for the sale of the franchise rights.

NOTE B – DATE OF MANAGEMENT REVIEW

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition of disclosure through April 20, 2020, the date that the balance sheet was available to be issued.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Cash and Cash Equivalents

The Company considers cash and equivalents to include: (1) currency on hand (2) demand deposits with banks or financial institutions (3) other kinds of accounts that have the general characteristics of demand deposits (4) short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments maturing within three months from the date of acquisition qualify.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from these estimates.

Subsequent Events

Flour Power Business Development Inc. has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the Independent Auditor's Report. Flour Power Business Development Inc. has not evaluated subsequent events after the date. There were no subsequent events during this period that require disclosures.

Revenue Recognition

The franchisor has not yet adopted the ASC revenue recognition standard, and revenue from all initial franchise fees is recognized when received.

FLOUR POWER BUSINESS DEVELOPMENT INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE D – EQUITY

At the Corporation's inception, 100,000 of common stock were authorized at no par value. Susan Caldwell, President purchased 510 shares of common stock for \$12,750. Michael Caldwell, Vice-President purchased 490 shares of common stock for \$12,250.

NOTE E – REPOSSESSION AND SALE

During the year, Flour Power, Inc. (an S-corporation owned 100% by Michael and Susan Caldwell) transferred a receivable and deferred revenue related to the sale of a franchise in a prior year. During the year, Flour Power Business Development, Inc. repossessed the franchise for nonpayment of franchise fees and resold the franchise to a new owner. The gain on the sale of the franchise is reported in the statement of Income and Retained Earnings.

EXHIBIT D TO FRANCHISE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS

Listed here is the contact information for each of the state agencies responsible for franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

CALIFORNIA

Office of the Commissioner
California Department of Financial Protection
and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(866) 275-2677

HAWAII

Commissioner of Securities of the State of
Hawaii
Department of Commerce and Consumer Affairs,
Business Registration Division,
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2744

ILLINOIS

Chief – Franchise Bureau
Office of Attorney General
State of Illinois
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

Franchise Section
Indiana Securities Commission
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

MARYLAND

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

MICHIGAN

Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
670 Williams Building
525 W. Ottawa Street
Lansing, Michigan 48913
(517) 373-7117

MINNESOTA

Minnesota Department of Commerce
Securities-Franchise Registration
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1600

NEW YORK

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8222 Phone
(212) 416-6042 Fax

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard, Fifth Floor
Bismarck, North Dakota 58505
(701) 328-4712

OREGON

Dept. of Consumer & Business Services
Division of Finance and Corporate Securities
350 Winter St. NE, Rm. 410
Salem, OR 97301-3881
(503) 378-4387

RHODE ISLAND

Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, Rhode Island 02920
(401) 222-3048

SOUTH DAKOTA

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

VIRGINIA

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804-371-9051)

WASHINGTON

Department of Financial Institutions
Securities Division
PO Box 9033
Olympia, WA 98507
(360) 902-8760

WISCONSIN

Securities and Franchise Registration
Wisconsin Securities Commission
345 W. Washington Avenue
Madison, Wisconsin 53703
(608) 266-1064

EXHIBIT E TO FRANCHISE DISCLOSURE DOCUMENT

LIST OF STATE AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process. There also may be additional agents appointed in some of the states listed.

CALIFORNIA

Commissioner of the Department of Financial
Protection and Innovation:
Toll Free: 1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013-2344
(213) 576-7500

Sacramento

2101 Arena Boulevard
Sacramento, California 95834
(916) 445-7205

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94105-2980
(415) 972-8559

HAWAII

Commissioner of Securities
Business Registration Division
Department of Commerce
and Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

Attorney General of the State of Illinois
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

MARYLAND

Maryland Securities Commissioner
at the Office of Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

Department of Attorney General
Consumer Protection Division
Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48913
(517) 373-7117

MINNESOTA

Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1600

NEW YORK

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza
99 Washington Ave., 6th Floor
Albany, New York 12231
(518) 473-2492

NORTH DAKOTA

Securities Commissioner, State of North Dakota
600 East Boulevard Avenue, 5th Floor, Dept. 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

OREGON

Oregon Division of Finance and Corporate
Securities
350 Winter Street NE, Room 410
Salem, Oregon 97301-3881
(503) 378-4387

RHODE ISLAND

Director of Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, Rhode Island 02920
(401) 462-9500

SOUTH DAKOTA

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

VIRGINIA

Clerk, Virginia State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9733

WASHINGTON

Director, Department of Financial Institutions
150 Israel Road Southwest
Tumwater, Washington 98501
(360) 902-8760

WISCONSIN

Administrator, Division of Securities
Department of Financial Institutions
345 West Washington Avenue, 4th Floor
Madison, Wisconsin 53703
(608) 266-8557

EXHIBIT F TO FRANCHISE DISCLOSURE DOCUMENT

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EXHIBIT G TO FRANCHISE DISCLOSURE DOCUMENT

SAMPLE FORM OF GENERAL RELEASE

FLOUR POWER BUSINESS DEVELOPMENT INC.
GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

FLOUR POWER BUSINESS DEVELOPMENT INC. (“we,” “us,” “our,” or “Franchisor”) and the undersigned _____ (“you,” “your,” or “Franchisee”), currently are parties to a certain franchise agreement dated _____ (the “Franchise Agreement”). You have asked us to take the following action or to agree to the following request: [insert as appropriate for renewal or transfer situation] _____

_____. We have the right under the Franchise Agreement to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and, if applicable, your owners) give us the release and covenant not to sue provided below in this document. You (and, if applicable, your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, directors, officers, principals, employees, and affiliated entities (collectively, the “Releasing Parties”), hereby forever release and discharge us and our affiliates, our and their current and former officers, directors, shareholders, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the “Franchisor Parties”) from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, “Claims”) that you and any of the other Releasing Parties now has, ever had, or, but for this document, hereafter would or could have against any of the Franchisor Parties (1) arising out of or related to the Franchisor Parties’ obligations under the Franchise Agreement or (2) otherwise arising from or related to your and the other Releasing Parties’ relationship, from the beginning of time to the date of your signature below, with any of the Franchisor Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the Franchisor Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity that is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signatures below, your transferring owners likewise grant to us the release and covenant not to sue provided above.

[The following additional language should be used with Washington franchisees]

This General Release is not intended as a waiver of those rights of the undersigned which cannot be waived under applicable state franchise laws nor is it intended to relieve RELEASEE, directly or indirectly, from liability imposed by the Washington Franchise Investment Protection Act or the rules adopted thereunder.

**FLOUR POWER BUSINESS
DEVELOPMENT INC.,**
a North Carolina corporation

By: _____

Title: _____

FRANCHISEE,
a/an _____

By: _____

Title: _____

EXHIBIT H TO FRANCHISE DISCLOSURE DOCUMENT

STATE ADDENDA TO DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department Of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

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 OFFERING CIRCULAR.

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.

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

ALL THE OWNERS OF THE FRANCHISE WILL BE REQUIRED TO EXECUTE PERSONAL GUARANTEES. THIS REQUIREMENT PLACES THE MARITAL ASSETS OF THE SPOUSES DOMICILED IN COMMUNITY PROPERTY STATES – ARIZONA, CALIFORNIA, IDAHO, LOUISIANA, NEVADA, NEW MEXICO, TEXAS, WASHINGTON AND WISCONSIN AT RISK IF YOUR FRANCHISE FAILS.

1. The following paragraph is added to the end of Item 3 of the Disclosure Document:

Neither franchisor nor any person or franchise broker in Item 2 of this 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 that association or exchange.

2. The following paragraph is added to the end of Item 6 of the Disclosure Document:

With respect to the Late Fee described in Item 6, this Item is amended to disclose that the maximum rate of interest permitted under California law is 10%.

3. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

The Franchise Agreement requires franchisee to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal 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. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Wake County, North Carolina, with the costs being borne equally by Franchisor and Franchisee. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of North Carolina. This provision may not be enforceable under California law.

4. The following paragraph is added at the end of Item 19 of the Disclosure Document:

The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Flour Power Kids Cooking Studios business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

HAWAII ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Hawaii only, this Disclosure Document is amended as follows:

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

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY

BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS 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.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities
335 Merchant Street
Honolulu, Hawaii 96813

Registration of franchises or filings of offering circulars in other states. As of the date of filing of this Addendum in the State of Hawaii:

1. A franchise registration is effective or an offering circular is on file in the following states: _____
2. A proposed registration or filing is or will be shortly on file in the following states:

3. No states have refused, by order or otherwise to register these franchises.
4. No states have revoked or suspended the right to offer these franchises.
5. The proposed registration of these franchises has not been withdrawn in any state.

ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, as amended (the “Act”), this Disclosure Document is amended as follows:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Act provides that any provision in a franchise agreement that designates jurisdiction of venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Act.

MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Maryland only, this Disclosure Document is amended as follows:

The following is added to Item 17:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

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

You have the right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

The Franchise Agreement provides for termination upon bankruptcy of the franchisee. This provision may not be enforceable under federal bankruptcy law.

MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Minnesota only, this Disclosure Document is amended as follows:

- Minnesota Statutes, 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 Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) 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 (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- 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.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, which states “No action may be commenced pursuant to this Section more than three years after the cause of action accrues.”

THESE FRANCHISES WILL BE/HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

1. The following information is added to the cover page of the Franchise Disclosure Document:

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor’s principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive

practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the

non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**:

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

NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of North Dakota only, this Disclosure Document is amended as follows:

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NDCC SECTION 51-19-09):

1. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06, without further disclosing that such covenants will be subject to the statute.
2. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.
3. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
4. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
5. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
6. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
7. Waiver of Exemplary and Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
8. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
9. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
10. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Rhode Island only, this Disclosure Document is amended as follows:

Item 17, summary columns for (v) and (w) are amended to add the following:

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT

In the Commonwealth of Virginia only, this Disclosure Document is amended as follows:

The following statements are added to Item 17(h):

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to the franchisee under the franchise, that provision may not be enforceable.

Item 17(t) is amended to read as follows:

Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.

WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

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

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually

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

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

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

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

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

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business. Because franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Area Development Agreement, payment of the franchise fee will be released proportionally with respect to each franchise outlet opened and until franchisor has met all its pre-opening obligations under the Agreement and Franchisee is open for business with respect to each such location.

Use of Franchise Brokers. The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchise and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experiences with the franchisor.

EXHIBIT I TO FRANCHISE DISCLOSURE DOCUMENT

STATE EFFECTIVE DATES

The following States require that the Franchise Disclosure Document be registered or filed with the State, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	June 13, 2022, as amended
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	Pending
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

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 Flour Power Business Development Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York law requires us to provide you the Franchise Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Flour Power Business Development Inc. does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, then a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit C.

The franchisor is Flour Power Business Development Inc., located at 445 South Main Street, Suite 400, Davidson, North Carolina 28036 and 919-435-8261.

The franchise seller(s) for this offering is or are: Robert Maynard at 445 South Main Street, Suite 400, Davidson, North Carolina 28036 and 919-435-8261

Issuance Date: April 26, 2022 as amended September 15, 2022

We authorize the respective state agencies identified on Exhibit D to receive service of process for us in the particular state.

I have received a Disclosure Document dated April 26, 2022 as amended September 15, 2022 that included the following Exhibits:

- A Franchise Agreement
- A-1 State Addenda to Franchise Agreement
- B Financial Statements
- C List of State Administrators
- D List of State Agents For Service Of Process
- E Manuals Table of Contents
- F Sample Form of General Release
- G State Addenda to Disclosure Document
- H State Effective Dates

Date

(Sign, Date and Return to Robert Maynard at
445 S Main Street, Suite 400, Davidson, NC
28036

Prospective Franchisee

Authorized Signature

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Date

(Sign, Date and Keep for Your Records)

Prospective Franchisee

Authorized Signature