

FRANCHISE DISCLOSURE DOCUMENT

FM2050

Biggie Works Inc,
a California corporation
5171 Lincoln Ave
Cypress, CA 90630
(714) 329-0111
fm2050.com

The franchises described in this Franchise Disclosure Document are for the operation of a FM2050 clothing store ("Store") that offers high quality, fashion forward, and affordable clothing for women, including tops, outerwear, pants, dresses, sleepwear, bags, shoes, and accessories.

The estimated initial investment required ranges from \$163,700 to \$282,800. This includes the initial franchise fee of \$40,000.

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

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Jongwon (Joseph) Lim at 5171 Lincoln Ave., Cypress, CA 90630, (714) 329-0111, jjlim9@hotmail.com.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-977-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 your public library for other sources of information on franchising.

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

EFFECTIVE DATE: December 23, 2025

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 or Exhibit B.
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 C 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 FM2050 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 FM2050 franchisee?	Item 20 or Exhibit B 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.
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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.

Special Risks to Consider About *This* Franchise

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. Registration of a franchise by a state does not mean that the state recommends the franchise or has verified the information in this disclosure document.

Call the state franchise administrator listed in Exhibit F for information about the franchisor, or about franchising in your state.

Many franchise agreements do not allow you to renew unconditionally after the initial term expires. You may have to sign a new agreement with different terms and conditions in order to continue to operate your business. Before you buy, consider what rights you have to renew your franchise, if any, and what terms you might have to accept in order to renew.

Please consider the following risk factors before you buy this franchise:

1. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
2. The franchise agreement requires that most disagreements be settled by mediation in the home county (Los Angeles County, California). Out of state mediation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate with us in California than in your home state.
3. The agreements each state that the law of the state where the franchisor's principal place of business is located (which is currently in California) governs the agreement, and this law may not provide the same protections and benefits as local law. You may want to compare these laws. Local law may supersede this requirement in your state. Please refer to the state-specific addenda that are attached to this disclosure document as Exhibit H for further details.
4. Each franchisee must provide the franchisor a personal guarantee for all obligations under the franchise agreement, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guarantee will place your and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.
5. There may be other risks concerning this franchise.

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. Registration of a franchise by a state does not mean that the state

recommends the franchise or has verified the information in this disclosure document.

Call the state franchise administrator listed in Exhibit F for information about the franchisor, or about franchising in your state.

The effective dates of this disclosure document in the states with franchise registration laws are listed immediately before the acknowledgement of receipt pages required under Item 23 of this Franchise Disclosure Document.

Certain states may require other risks to be highlighted. If so, check the "State Specific Addenda" pages for your state.

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

To simplify the language in this Franchise Disclosure Document, the words “we”, “us” and “our” mean the franchisor, Biggie Works Inc. “You” or “your” means the person, and its owners if you are a business entity, who buys the franchise from us. Items expressed in bold face are for ease of reference only.

Franchisor, Parent, Predecessors, and Affiliates

We were organized in the State of California on May 7, 2025, under the name Biggie Works Inc, a California corporation (“Company”) to franchise FM2050 clothing stores (“Store”). We do business under the name FM2050. We do not do business under any other name. Our principal business address is 5171 Lincoln Ave., Cypress, CA 90630. Our phone number is (714) 329-0111.

Except as disclosed below, we do not have any (a) parent companies, (b) predecessors, or (c) affiliates required to be disclosed in this Item.

We are commonly owned and affiliated with Suri Nexus, a California corporation, with a principal business address at 5171 Lincoln Ave., Cypress, CA 90630 (“Sister Company”), which serves or will serve as a distribution arm of the Company to supply the curated merchandise to be sold at the Stores owned by Affiliate and/or the franchisees.

We are also affiliated with Blue Ridge Fashion, Inc., a California corporation, with a principal business address at 5171 Lincoln Ave., Cypress, CA 90630 (“Affiliate”), which operates and manages the Store’s e-commerce platform and sales. As disclosed in Item 13, our Affiliate is the current owner of the trademarks related to the FM2050 system and has licensed those rights to us.

We have four outlets in the U.S. as of the date of this Disclosure Document, all of which are company-owned through our Affiliate. We do not conduct any other business of the type being franchised. We currently do not engage in any other business activities.

Our agents for service of process are listed on Exhibit F.

The Franchises Being Offered

As of the date of this Disclosure Document, there are four company-owned Stores in California – with two located in Irvine, one in Arcadia, and one in San Jose.

The FM2050 franchise is an owner-developed and operated business (the “Franchised Business”) that offers a curated selection of women’s clothing and accessories under the FM2050 brand. The FM2050 brand focuses on streetwear-inspired fashion and limited-edition collections, and the Franchised Business operates under certain trade names, service marks, and trademarks, including “FM2050” (collectively, the “Proprietary Marks”). Franchisees use a defined system of visual merchandising, store design, inventory management, and marketing strategies that are licensed to you and are associated with the FM2050 reputation for quality, creativity, and cultural relevance (the “System”). You will sell only the approved clothing and

accessories that are part of the FM2050 product line and follow the brand's style, presentation, and retail standards. FM2050 will be designed to feature a modern and minimalist aesthetic, with custom-designed interior, fixtures, and signage that highlight the brand identity. Each FM2050 franchisee is initially trained individually by us. The typical FM2050 Store is located in shopping malls, retail strips, or high-traffic urban storefronts.

Each Store follows the System developed by the Franchisor. The System includes product presentation guidelines, seasonal product drops, brand-approved visual merchandising strategies, marketing templates, and a training program. The initial training includes instruction in store operations, visual merchandising, customer service, inventory systems, advertising artwork and other materials and business procedures together with a Store Operations Manual (the "Manual").

The size of each Store is approximately 1,500 square feet that accommodate up to approximately 20 shoppers. Store emphasize well-trained, brand-conscious, efficient and extremely personable store managers and sales associates, and offers a selection of fashion-forward women's apparel and accessories, including tops, dresses, jackets, pants, skirts, bags, and other related items. Each Store employs an average of 4-6 full time and part time employees depending on the store size, location, and customer volume.

Many, if not all, of the products sold in FM2050 stores are proprietary and exclusively branded with our marks. You must supply these products, along with certain store supplies and marketing materials, from us or an approved supplier. See ITEM 8 below.

Competition

The retail fashion and apparel industry is highly competitive. You will compete with a wide variety of clothing retailers, including national and regional fashion chains, fast fashion brands, boutique stores, department stores, and online retailers. Many of these competitors may have substantially greater financial, marketing, logistical, and operational resources than we or you do. In addition, you may face competition from other FM2050 stores, including both franchised and company-owned locations, depending on your geographic market.

The retail clothing industry is influenced by numerous factors, including shifts in fashion trends, consumer preferences, pricing strategies, marketing effectiveness, seasonal demand, and changes in local, regional, or national economic conditions. You will compete for consumer attention and sales in this dynamic and fast-changing retail environment.

Industry Regulation

There are no special regulations specific to the retail sale of apparel that affect the business being franchised. You must comply with all local, state and federal laws that apply to your FM2050 Franchised Business. You should consult with your attorney concerning any license requirements that may affect your FM2050 Franchised Business. You are responsible for complying with all local, state and federal laws in the operation of your FM 2050 Franchised Business.

You will need a business license, reseller's permit, and possibly other licenses and permits. It will be necessary for you to obtain permits from a number of government agencies to construct your Store, and you will need to comply with health, fire, safety, disabilities and other requirements.

ITEM 2. BUSINESS EXPERIENCE

Biggie Works Inc-

Our principal officers and other executives are:

Heather J. Lim – CEO

Ms. Heather J. Lim has served as the CEO, CFO and Secretary of the Company since its inception as of May 7, 2025 and also serves as the sole Officer of the Sister Company since its inception as of September 30, 2025. Ms. Lim also has served as the General Manager of Blue Ridge Fashion Inc., our Affiliate, since 2022. She is responsible for overseeing day-to-day retail operations, training programs, and implementation of FM2050's visual merchandising and inventory systems. She is based in Irvine, California and works closely with franchisees to ensure compliance with brand standards.

Joseph Jongwon Lim – Director

Mr. Joseph Jongwon Lim has served as a Director of the Company since its inception and as the President of Blue Ridge Fashion Inc., our Affiliate, since 2011. Mr. Lim oversees the strategic direction and overall management of the FM2050 brand. He is based in Irvine, California, and has over two decades of experience in executive leadership and brand operations.

Kristen Hanjoo Lim – Director

Ms. Kristen Lim is the Founder of the FM2050 brand and serves on the Board of the Company alongside Joseph Lim and Heather Lim. Ms. Lim also serves on the Board of the Sister Company. She established the brand in 2011 with a mission to empower women through fashion by offering high-quality, fashion-forward, and affordable clothing that promotes confidence and self-expression. Since founding FM2050, Ms. Lim has overseen the brand's creative direction, product development, and overall business growth. She has also served as a Director of Blue Ridge Fashion Inc. since 2011. Based in Los Angeles and Irvine, California, Ms. Lim brings more than a decade of experience in fashion retail and brand building.

We do not currently employ any franchise brokers.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this disclosure document.

ITEM 4. BANKRUPTCY

No person previously identified in ITEMS 1 or 2 of this Disclosure Document has been a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this ITEM.

ITEM 5. INITIAL FRANCHISE FEE

Initial Fee

The initial fee for each new franchise Store is \$40,000.00 ("Initial Franchise Fee"). You must pay us the Initial Franchise Fee in a lump sum payment and is fully earned by us when paid and is not refundable under any circumstances.

Layout Fees

You must use a licensed architect we approve at your expense to conduct a site survey and to prepare as-built drawings for the Franchised Location after you sign a Lease for your Franchised Location and must submit the same to use within 60 days of receiving site approval from us. Following our receipt of these materials, we will provide you with a preliminary floor plan layout and storefront rendering for the Franchised Location based upon your as-built drawings, and with our prototype design development package. You must pay us [\$5,000] for the preparation of the preliminary floor plan layout and storefront rendering when the as-built drawings are delivered to you. This fee is fully earned by use when paid and is not refundable under any circumstances.

Training Fees and Expenses

A one-time initial training program is included for each new Franchisee at no cost for up to 2 persons. For each additional trainee, the Franchisee will be charged a fee of \$500 per person ("Additional Trainee Fee"), which must be paid to Company at least 10 days prior to the scheduled training date. The training program covers a 9-day training course which will include, but not limited to: brand culture, customer experience, product knowledge, visual merchandising, customer service, POS system operation, inventory management, and store operations. Training may be conducted at the Company headquarters in Irvine, CA. Additional training, such as ongoing and periodic training updates, refreshers, additional training for a topic covered during the initial training program, may be offered at an additional cost. Franchisee shall solely be responsible for all Franchisor's training expenses, including but not limited to: travel, lodging, and meals.

Product Purchase Deposit

You will pay us a [\$10,000] product purchase deposit when signing your Franchise Agreement. This deposit will be applied to any invoices due to us for products which remain unpaid for more than 30 days. If you fail to make a payment or make a late payment, we will be entitled to deduct amounts owed to us from this deposit. You must replenish the deposit on demand. If any amount of this deposit remains at the termination or expiration of the Franchise Agreement, the balance will be returned to you.

Separate but in addition to the above product purchase deposit, You will be expected to place a minimum purchase order of one of the following packages on a weekly basis to maintain a sufficient level of inventory at Your Store:

- **Box A:** \$1,500
- **Box B:** \$2,000
- **Box C:** \$2,500

You have the discretion to order the appropriate package for Your Store but will be required to order on a weekly basis (reorders are excluded from this minimum purchase order requirement).

Different Fees

We may reduce, defer or waive the Initial Franchise Fee if and when we determine it is warranted by a unique or compelling situation at our sole and absolute discretion.

ITEM 6. OTHER FEES

Name of Fee ⁽¹⁾	Amount ⁽¹⁾	Due Date	Remarks
Continuing Fees (Royalty Fees)	5% of Gross Sales OR \$20 per square foot of the premises per annum, whichever is higher. ⁽²⁾	By the 7th of every month for the preceding month. ⁽³⁾	Gross Sales from your Store.
System-wide Marketing and Promotion Fee ⁽⁴⁾	2% of Gross Sales OR \$5 per square foot of the premises per annum, whichever is higher.	Same as above.	Deposited in Marketing and Promotion Fund administered and controlled by Us.
Local Advertising Fee ⁽⁵⁾	2% of Gross Sales OR \$10 per square foot of the premises per annum, whichever is higher.	Same as above.	Set aside every month at store level and used for individual store promotions and campaigns that have been approved by Us. Monthly report on expenditure to be provided to Us.
Audit Fees ⁽⁶⁾	Amount incurred by Us to audit your Store.	Within 10 days of receipt of an invoice.	Payable only if Our audit reveals that you understated your Gross Revenues by more than 5% or \$5,000 in any 12-month period.

Name of Fee ⁽¹⁾	Amount ⁽¹⁾	Due Date	Remarks
Relocation Fees	\$15,000	Before We approve relocation of your Franchised Location.	This amount will cover Our administrative costs in connection with relocation of your Franchised Location.
Transfer Fee	\$15,000	Before you transfer your Franchise Agreement or the transfer of controlling interest in a corporation or partnership which owns the franchised business.	Deposited in Marketing and Promotion Fund administered and controlled by Us.
Collection Costs	Amount incurred by Us to collect unpaid Continuing Fees and Marketing and Promotion Fees.	On demand.	Includes the amount of actual attorneys' fees, deposition costs, expert witness fees, investigation costs, accounting fees, filing fees and travel expenses.
Interest Charges for Unpaid Fees	The lesser of 10% per annum or the maximum legal rate allowable in the state in which your Store is located.	On demand.	Applies to past due payments of Continuing Fees, Central Kitchen Charges, Our invoices and Marketing and Promotion Fees due to Us.
Service Charge	\$100	Within 10 days after you fail to pay a Continuing Fees, Central Kitchen Charges, Our invoices and Marketing and Promotion Fees Agreement.	Applies to past due payments of Continuing Fees, Central Kitchen Charges, Our invoices and Marketing and Promotion Fees due to Us.
Consulting Services provided by Us	Then-current Consulting Services Fee; currently \$350 per day.	After services have been rendered.	You must also pay Our representative's travel and accommodation expenses.

Name of Fee ⁽¹⁾	Amount ⁽¹⁾	Due Date	Remarks
Training for Your New Employees	Then-current training fee; currently \$500 per day plus expenses.	Before your employee attends Our training.	All Operating Owners, Store Managers and Associate Managers must attend training within 90 days after being hired and before participating in your Store.
Ongoing Training for Your Existing Employees	Then-current training fee; currently \$500 per day plus expenses.	Before your employee attends Our training.	Your Operating Owner, Store Manager and Associate Manager must attend training if We determine that additional training is necessary.
Renewal Fee	\$20,000	When submitting renewal application.	Renewal application to be submitted at least 150 days before end of franchise agreement date.
Agreement Preparation Fee	\$3,000	Upon approval of franchise agreement by Us	When application for franchise is approved and to prepare franchise agreement and other relevant documents.

PLEASE SEE THE IMPORTANT FOOTNOTES BELOW.

Footnotes:

*All fees are imposed by and are payable to us, unless otherwise stated. Any interest owed begins to accrue from the date of underpayment. No other fees or payments are to be paid to us, nor do we impose or collect any other fees or payments for any third party. Any fees paid to us are nonrefundable unless otherwise noted.

(1) You must pay all of these payments to us. None of these fees are refundable for any reason except errors.

(2) “Gross Sales” are all amounts accrued for sales in or from the Store. “Gross Sales” does not include sales taxes or proceeds from the sale of furniture, equipment or similar items used in the Store.

(3) You must make all fees to us by the 7th calendar day after the end of the previous month or as otherwise specified in Our Manual.

(4) We may increase the amount of this Fee up to one time each calendar year. We will deposit the Marketing and Promotion Fee into a segregated account to be used for System marketing purposes. See Item 11.

(5) This Advertising Fee must be either spent by You in your local market or contributed to an Advertising Cooperative if one is established in Your trade area.

(6) In addition to any additional fees found due as a result of an audit of your financial records, you must pay us our Audit Fees if you have understated Gross Sales by more than 2% of the actual Gross Sales found by the audit.

ITEM 7. ESTIMATED INITIAL INVESTMENT⁽¹⁾

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Initial Franchise Fee ⁽²⁾	\$40,000	Cash	When you sign the Franchise Agreement	Us
Opening Inventory	\$30,000 - \$50,000	Cash	When you sign your Lease	Us / Approved supplier
Design Fee / Store Branding Package ⁽³⁾	\$10,000 - \$20,000	Cash	When you sign your Lease	Us / Approved vendor
Construction/ Remodeling ⁽³⁾	\$40,000 - \$100,000	As arranged	As incurred	Approved Vendor
Training Travel and Living Expenses ⁽⁴⁾	\$2,000 - \$3,000	As arranged	Before your Opening Date	Us
Security Deposit/Prepaid Rent (Note 5)	\$10,000 - \$20,000	As arranged	As required by Landlord	Landlord
POS System ⁽⁶⁾	\$1,500 - \$3,000	As arranged	Before your Opening Date	Approved Vendor
Office and Retail Supplies ⁽⁷⁾	\$500 - \$2,000	As arranged	Before your Opening Date	Various Vendors
Insurance ⁽⁸⁾	\$100 - \$2,000	As arranged	Before your Opening Date	Insurance Agent
Business Licenses	\$100 - \$300	Cash	Before your Opening Date	City, County, State
Professional Services (Legal and/or Accounting)	\$1,000 - \$4,000	As arranged	Before your Opening Date	Various Vendors
Phone and Utilities ⁽⁹⁾	\$200 - \$1,000	As arranged	Before your Opening Date	Phone, Utility Companies
Other Operating Funds (initial 3 months) ⁽¹⁰⁾	\$10,000 - \$20,000	As arranged	As incurred	Various vendors

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Layout Fee	\$5,000 per layout	Lump Sum	Signing of Franchise Agreement	Us and Approved Architect
Minimum Weekly Order	\$1,500-\$2,500	Lump Sum	As Arranged	Us
Product Purchase Deposit	\$10,000	Lump Sum	Signing of Franchise Agreement	Us
TOTAL ⁽¹¹⁾	\$163,700 to \$282,800			

PLEASE SEE THE IMPORTANT FOOTNOTES BELOW.

FOOTNOTES:

- (1) This table provides estimates to open a Store. This table estimates your initial investment from the period before your Store opens for business until approximately three months of operations. These estimates are based on the existing corporate-owned Store in Irvine, California. These are only estimates. The sources of funds listed above are amounts to be supplied from your own funds. No allowance has been made for inflation or debt service or interest payment on borrowed money, but you should also consider these figures in calculating the total investment. Unless specifically noted, none of the initial investment expenses listed in the table is refundable. We do not provide any direct or indirect financing.
- (2) The Initial Franchise Fee and opening inventory costs are described in Item 5 of this Disclosure Document. The Initial Franchise Fee and opening inventory costs are not refundable in whole or in part except as otherwise described in Item 5. We do not provide financing for the Initial Franchise Fee or the opening inventory.
- (3) You must pay us a store design fee of \$10,000 to \$20,000. The design fee is not refundable in whole or in part except as otherwise described in Item 5. You must perform or have performed any construction, remodeling or additions necessary to conform the Franchised Location with all applicable federal, county, city and local laws and rules and meet our requirements for the layout, design, construction and trade dress appearance of a FM2050 retail store. Construction and remodeling costs vary widely depending on the location, design, configuration and condition of the premises. You must grant us a security interest in and to all leasehold improvements, fixtures, furnishings and equipment, inventory and supplies located at or used about your FM 2050 Franchised Business. The cost of constructing a building shell and remodeling is not included.
- (4) You must pay for the expenses of attending training, such as lodging, meals, transportation and wages of trainees. This estimate is based upon training up to two persons for a total of

approximately 9 days. The costs will vary if you are traveling from out-of-state.

- (5) You will be required to pay rent, and may be required to pay a security deposit at the beginning of your lease or license agreement with the landlord or operator. Rent will depend on numerous factors such as size, condition and location of the leased location.
- (6) This estimate is for a point-of-sale system. The figure provided is the cost to purchase a computerized cash accounting and point of sale system, including installation. Your costs may vary. Currently FM2050 requires Shopify POS System. Your point-of-sale system must be able to conduct credit card and gift card transactions at your store.
- (7) You agree to use only the supplies we specify or approve. We will only allow office and retail supplies that support the image of the FM2050 System in the marketplace. Supplies of this nature include format, type, decoration and style as they relate to retail and office supplies. These costs are based upon our estimate of the initial supplies.
- (8) The figure given is the current annual rate if you obtain all insurance required in the Franchise Agreement. You must also obtain property and casualty insurance, which varies by size and location of FM2050 Store. We estimate that the annual cost of all required insurance coverage will range from \$200 to \$2,000. You may also have an obligation under state law to obtain workers compensation or other forms of insurance. We estimate that the annual cost of workers' compensation will range from \$600 to \$6,600.
- (9) You must have a separate business phone line and answering machine or voicemail used exclusively for your Store and a broadband Internet connection.
- (10) You must, always, maintain adequate reserves and working capital sufficient for you to fulfill all your obligations under your Franchise Agreement and to cover the risks and contingencies of your Store for at least 3 months. The estimates provided above include estimated employee wages, including pre-opening training for 2 persons, opening cash, and other miscellaneous expenses incurred before you begin operating your Store and during the first three months of operations. These amounts are the minimum recommended levels to cover operating expenses, including employees' salaries for 3 months. However, we cannot guarantee that those amounts will be sufficient. We have relied upon the experience of the Company in developing these estimates. You should review these estimates carefully with a business advisor before making any decision to purchase the Franchised Business.
- (11) We prepared these estimates based on our own experience. Except for security deposits, none of the above payments are expected to be refundable. We will not finance any of these payments.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as described below, you have no obligation to purchase or lease from us or from suppliers approved by us or in accordance with specifications we issue:

Goods, Services, Supplies, Fixtures, Equipment, Inventory, Real Estate to Establish or Operate the Franchised Business

Real Estate. You are solely responsible for locating your Store site for the Franchised Location, subject to our acceptance. Unless we notify you in writing, within 30 days after you have submitted a site presentation package for a proposed site, or 10 days after receipt of additional information which we request, whichever is later, that the proposed site is acceptable, the site will be deemed rejected. If your Store has not yet been constructed, or does not meet our current standards for new FM2050 Stores, you must cause the Store to be constructed, equipped and improved in compliance with our specifications set forth in the Manuals. You may not relocate your Franchised Business without our prior written consent.

If you do not already have a location when you sign your Franchise Agreement, you must lease a site for your FM2050 Store promptly following signing the Franchise Agreement. You must submit your proposed lease to us for approval at least 15 days before you sign it, and provide a fully signed copy within 15 days following signing. Our acceptance of your lease is based solely on our own interests and does not represent any guarantee or endorsement by us of the Franchised Location or confirmation that the lease complies with applicable law or that the terms of the lease are favorable to you. If we accept the proposed site, we will notify you of our preliminary acceptance of the site, subject to our further analysis, your successful negotiation of a final law or purchase agreement acceptable to us, and other reasonable conditions we may impose. Your lease must not (a) obligate us in any manner, or (b) contain any provision inconsistent with your Franchise Agreement, including the Lease Rider. In addition, your lease must provide for the following: (a) that the initial term of the Lease, or the initial term together with extended terms, must be for not less than 10 years; (b) consent to your use of our Proprietary Marks and signage as we may require for the Store; (c) a restriction on the use of the leased premises solely to the operation of the Franchised Business; (d) a prohibition on any subleasing or assigning of the Lease without our prior written consent; (e) that the landlord must provide us with copies of any and all notices of defaults given to you under the Lease; (f) a provision granting us the right to enter the Store to make modifications necessary to protect the Proprietary Marks or the System, or to cure any default under your Franchise Agreement or under the Lease; and (g) a provision granting us or our designer the option, exercisable within 15 days after receipt of any notice of default or termination from the landlord, without the landlord's further consent, to assume all of your rights under the Lease, including the right to assign or sublease the Franchised Location and the right to exercise all outstanding renewal options in accordance with the provisions of the Lease.

You must construct, equip and improve the Stores in compliance with our current design standards and trade dress. You may employ any architects and general contractors you desire, subject to our prior approval, and all plans and modifications to the Franchised Location must be submitted to us for our review and acceptance before you start construction. Unless we notify you in writing that the plans and modifications are accepted, they will be deemed rejected. We reserve the right, but not the obligation, to grant you written authorization to open your Store for business, which may be subject to our satisfactory inspection of the Store.

Goods, Supplies, Inventory, and Services. You must purchase FM2050 merchandise only from us and you must meet the minimum inventory order requirements as set forth in your Franchise Agreement. You must make ongoing inventory purchases on a weekly basis in an

amount equal to thirty percent (30%) of the Gross Revenue of your FM2050 Franchised Business for the preceding calendar month. Your inability to make these purchases or to maintain inventory levels at all times may result in termination of your franchise and loss of your investment. You must only sell the FM2050 Collection using FM2050 advertisements, point-of-sale materials, packaging, displays and related promotional accessories and merchandising tools and equipment. To purchase items from us, you must use the form of purchase order we provide. We may change our prices, delivery terms and other terms upon prior written notice, but our prices to you will be the same as the prices charged to similarly situated franchisees.

Equipment & Fixtures. You must purchase and install, at your expense, all fixtures, furnishings, equipment (including a point-of-sale cash system), décor, and signs as we direct. You may not install any merchandise, furnishings, interior or exterior décor items, supplies, or fixtures in your Store unless they have been approved by Us in writing. You must purchase these items from an approved supplier. You are not obligated to purchase from a particular approved seller, but must use specific brands of equipment, and in some cases certain comparable brands of equipment may be acceptable, subject to our prior written approval.

Computer Equipment. You must currently purchase or lease a POS computer system and use the required financial reporting and inventory control software, or any other brand we approve, which meets the specifications then set forth in our Manuals. You must maintain your computer system in good repair and working order, including installing program software updates we specify or supply or require you to purchase from approved vendors (See Item 11).

Approval of Suppliers. We and those suppliers approved and identified in the Manual are approved suppliers and may sell certain supplies, inventory, packaging and other materials to you and our other franchisees. Franchisor and its affiliates will not derive revenue from required purchases by franchisee other than as set forth herein and in the Franchise Agreement.

We will provide you with our Manual and various supplemental bulletins and notices that will contain the specifications, standards and restrictions on your purchase of products and services. Upon request, we will furnish to you an approved list of suppliers which we may update periodically. You must operate your Franchised Business in strict compliance with the standard procedures, policies, rules and regulations contained in the Manual.

If you desire to purchase products from other than our approved suppliers, you must submit a written request to us for approval of the proposed supplier, together with any evidence of conformity with our standards and specifications as we may reasonably require, or shall request the supplier itself to do so. We may inspect and evaluate the supplier's facilities and products before we approve or disapprove your proposed supplier, and you must pay all of our reasonable costs and expenses incurred in doing so. You may not use a supplier before we approve the supplier in writing. A supplier must demonstrate to our reasonable satisfaction that it can supply an item meeting our standards and specifications for the item, that it is in good financial standing in the business community and that its products and services are reliable. We will provide you with our specifications and standards, and our criteria for approval of suppliers and will approve or disapprove a proposed supplier in 60-90 days. We will notify you if and when we no longer approve a previously approved supplier. A supplier must continually adhere to our standards and specifications to maintain its approval. To purchase items from us or any

of the approved suppliers, including the Company, you must use the form of purchase order we provide. We may change our prices, delivery terms and other terms upon prior written notice, but our prices to you will be the same as the prices charged to similarly situated franchisees. We may negotiate purchase arrangements with primary suppliers for the benefit of franchisees. If we negotiate a purchase agreement for the region where your Store is located, you must participate in the purchasing program.

We estimate that substantially all of your expenditures for leases and purchases in establishing your Store and on an ongoing basis will be for goods and services which are subject to sourcing restrictions (that is, for which suppliers must be approved by us, or which must meet our standards or specifications).

We have just begun franchising and have no information from franchised Store for previous years. It is impossible to estimate what proportion of our total revenues will be derived from sales of all approved items.

You will not receive any material benefits from us or any supplier other than as described above. We derive no benefit from purchases made by franchisees other than from our or our Affiliate's sale of the supplies and products above described to you, which is sold to you at our wholesale cost plus a reasonable markup, nor do we provide or withhold material benefits to you based on whether or not you purchase through the sources we designate or approve (except, that your purchase of items from unapproved suppliers would breach your Franchise Agreement and subject you to possible termination and other remedies under applicable law).

Presently, there are no purchasing or distribution cooperatives, but we reserve the right to institute them in the future.

Insurance. You must obtain and maintain during the term of the Franchise Agreement (and the Sublease, if applicable) insurance policies protecting you, us, and the Company. The insurance must be underwritten by insurers licensed and admitted to write coverage in the state in which the Store is located and with a rating of "A" or better. These policies must include the coverage required by us and the Company which generally include: (a) "all risk" property insurance, including business interruption insurance, customarily obtained by similar businesses in the principal trade area; (b) comprehensive general liability insurance, including products and contractual, in an amount of not less than \$2,000,000 combined single limit; (c) workers' compensation insurance for statutory limits and employer's liability insurance in an amount not less than \$1,000,000. At least 10 days before any insurance is first required to be carried by you, and after that at least 30 days before the expiration of any policy, you must deliver to us, certificates of insurance evidencing the proper types and minimum amounts of required coverage. If you do not maintain the required insurance, we may obtain the insurance for you and charge you for its cost as well as our costs to obtain it. We will not derive income from purchasing insurance for you.

As we assess consumer preferences and trends in the marketplace and develop new marketing techniques, products, and services, we anticipate that we will create and modify our standards and specifications and our approved suppliers, and we will notify you of these developments through amendments to our confidential Manual or other forms of literature.

ITEM 9. FRANCHISEE'S OBLIGATIONS

**THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE
FRANCHISE AGREEMENT AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE
DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN
OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.**

Obligation	Section in Agreement	Item in Disclosure Document
a. Site selection and acquisition/Lease	Sections 1.2 and 7.12 of the Franchise Agreement	Items 1, 11
b. Pre-opening purchases/Leases	Articles 1 and 7 of the Franchise Agreement	Items 7, 8, 11, 16
c. Site development and other pre-opening requirements	Articles 5, 6, 7, 11, and 12 of the Franchise Agreement	Items 1, 5, 7, 11, 12, 15
d. Initial and ongoing training	Article 6 of the Franchise Agreement	Items 1, 11, 17
e. Opening	Articles 5, 6, 11, and 12 of the Franchise Agreement	Items 5, 7, 11
f. Fees	Article 4 of the Franchise Agreement	Items 1, 5, 6, 7, 17, 19
g. Compliance with standards and policies/Operations Manual	Article 7 of the Franchise Agreement	Items 1, 11
h. Trademarks and proprietary information	Articles 8 and 9 and Section 8.4 of the Franchise Agreement	Items 13, 14
i. Restrictions on products/Services offered	Section 7.3 of the Franchise Agreement	Items 8, 16
j. Warranty and customer service requirements	Sections 7.10 and 4.7 of the Franchise Agreement	Item 1
k. Territorial rights	Section 1.2 and 1.3 of the Franchise Agreement	Items 1, 12
l. Ongoing product/Service purchases	Article 7 of the Franchise Agreement	Items 8, 16
m. Maintenance, appearance and remodeling requirements	Sections 7.7, 7.8, 7.9, and 7.10 of the Franchise Agreement	Item 17
n. Insurance	Article 12 of the Franchise Agreement	Item 7
o. Advertising	Article 11 of the Franchise Agreement	Items 6, 7, 11
p. Indemnification	Article 19 of the Franchise Agreement	Item 13
q. Owner's participation/ Management/Staffing	Article 7 of the Franchise Agreement	Item 15
r. Records/ Reports	Article 10 of the Franchise Agreement	Item 6

Obligation	Section in Agreement	Item in Disclosure Document
s. Inspections/Audits	Article 10 and Section 7.6 of the Franchise Agreement	Item 17
t. Transfer	Article 13 of the Franchise Agreement	Items 6, 17
u. Renewal	Section 2.2 of the Franchise Agreement	Items 6, 17
v. Post-termination obligations	Section 22.3 of the Franchise Agreement	Item 17
w. Confidentiality and Non-competition covenants	Articles 9 and 16 of the Franchise Agreement	Items 5, 17
x. Dispute resolution	Article 23 of the Franchise Agreement	Item 17

ITEM 10. FINANCING

Neither we nor any Affiliate offer direct or indirect financing. Neither we nor any Affiliate guarantee your note, lease or other obligation. There are no waiver of defenses or similar provisions in any note, contract or other instrumented executed by franchisees with us or an Affiliate. If you are a corporation, limited liability company, limited partnership, or other business entity, we may require your shareholders, members and limited partners to guarantee all of your obligations to Us under our Guaranty (Exhibit D).

ITEM 11. FRANCHISOR'S OBLIGATIONS

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

If you sign a Franchise Agreement, we will provide the following assistance to you before you begin your franchise operations:

A. Pre-opening Obligations. Before You open your Store, We will:

1) Operations Manual. Loan you a copy of the Operations Manual, in written and/or electronic form (Franchise Agmt., Section 3.4). The table of contents of our Operation Manual is attached hereto as Exhibit G. The Manual consists of approximately 30 pages. You must keep the contents confidential and may not copy, reproduce or divulge any of the information contained in the Manual as it contains proprietary information. You must sign a confidentiality agreement regarding the Manual prior to the release of the Manual to you. We may add to, delete, supplement or otherwise modify the contents of the Manual. You must promptly insert any revised pages or other forms of supplements into the loaned copy of the Manual. In any dispute about the contents of the Manual, our master copy will control. You must operate the Store in compliance with all the contents of the Manual.

2) Site Selection and Design Assistance. You are solely responsible for the selection of the site of your Store, which will be subject to our review and acceptance. We may, without obligation, provide you with reasonable assistance in locating the site for your Store (Franchise Agmt., Section 1.2). If we do not accept the site within 30 days of our receipt of your site presentation package, or within 10 days after receipt of additional information, whichever is later, the site shall be deemed rejected. You may not construe any assistance we may provide, or our acceptance, as a guarantee or other assurance that the site will be successful. The factors we consider in accepting a Store location include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. If your Store is not operational within 6 months after signing your Franchise Agreement, we may terminate the Franchise Agreement. In addition to the site selection, you must use a licensed architect we approve at your expense to conduct a site survey and to prepare as-built drawings for the Franchised Location after you sign a Lease for your Franchised Location and must submit the same to us within 60 days of receiving site approval from us. Following our receipt of these materials, we will provide you with a preliminary floor plan layout and storefront rendering for the Franchised Location, based upon your as-built drawings, and with our prototype design development package. You must pay us \$5,000 for the preparation of the preliminary floor plan layout and storefront rendering when the as-built drawings are delivered to you.

3) Grand Opening. We will assist you in planning your grand opening program (Franchise Agmt., Section 3.7), and assist you in commencing business at your Store through initial advisory assistance to you as we deem advisable (Franchise Agmt., Section 3.7).

4) Training. We provide an initial training program and opening assistance as described above. We will provide opening assistance at your Store for up to two persons only if this is the first FM2050 Store owned or operated by you or any of your affiliates (Franchise Agmt., Section 6.1).

B. Post-opening. During the operation of your Franchised Business, We will:

1) Advisory Assistance. We will provide continuing advisory assistance and support to you as we deem advisable (Franchise Agmt., Section 3.7).

2) Inspections. We or our Affiliate will inspect your business premises and evaluate your Store operations, to assist you and to maintain the System's standards of quality, appearance, and service as we deem necessary (Franchise Agmt., Section 3.5).

3) Manual. We will provide you with copies of any modifications to the Manual (Franchise Agmt., Section 3.4).

4) Training Programs. We will make available training programs for you and your employees as we deem appropriate (Franchise Agmt., Section 3.3).

5) Develop and administer at our discretion advertising and promotion programs designed to promote the collective success of all Stores (Franchise Agmt., Article 11). The two levels of advertising that will be required of you are as follows:

System-wide Marketing Fund. We will provide advertising materials and services to You. We conduct advertising at a trade level to encourage the customer base to use Our services in preference to the competition. We may also use premium incentives and product awareness campaigns in advertising and promotion. Whenever possible, the material will be produced in-house or provided by approved vendors. Advertising media may include print, different social media platforms, radio or television, primarily local in scope.

You may develop advertising materials for Your own use at Your own cost. We must approve the advertising materials in advance and in writing. We do not restrict Your use of electronic media, including the Internet, so long as You properly use Our Marks and System, and obtain Our prior written approval. Your advertising must be in good taste and conform to ethical and legal standards and Our requirements. You agree not to use any materials or programs disapproved by Us at any time and You must use all materials and programs designated by Us as mandatory. We may require that a brief statement regarding the availability of the FM2050 franchises be included in advertising used by You and/or that brochures regarding purchase of FM2050 franchises be displayed in Your Store.

If and when We establish a Marketing Fund, you must pay us Marketing Fund Fees of up to 2% of Your Gross Sales (plus possible annual increases). No Company or affiliate owned Store is required to contribute to the Marketing Fund. We have not yet established a Marketing Fund for FM2050 Stores. We will administer the Marketing Fund and spend Marketing Fund Fees only for the purposes described in the Franchise Agreement and following procedures contained in the Marketing Fund Policy described in the Manual. We are not required to spend funds from the Marketing Fund in any designated area or to ensure that You receive equal benefit from expenditures. We will not use any monies from the Marketing Fund to solicit the sale of Our franchises. The monies in the Marketing Fund will generally be spent in the same fiscal year as they are accrued. Any unused funds will be spent in the next year. You may request an accounting of advertising expenditures at any time during normal business hours and obtain a written accounting within 30 days.

Local Co-Op Marketing Fund. There is currently no requirement to join an advertising cooperative ("Co-Op"). However, We reserve the right, in our sole discretion, to organize and implement in Your area, in which case You must fully participate in the Co-Op and make contributions to it in whatever amount the members of the Co-Op determine provided that such amount is not less than 1% minimum marketing amount. Contributions to the Co-Op will be credited against Your local marketing obligation.

6) Management of Marketing Fund. We will maintain the Marketing Fund and use these funds to pay for promotion and advertising programs for Stores as we deem appropriate (Franchise Agmt., Section 11.2). We will publish and modify from time to time a Marketing Fund Policy containing procedures and guidelines for disbursements from the Marketing Fund (Franchise Agmt., Section 11.3) and deposit Marketing Fund Fees received into a separate account (Franchise Agmt., Section 11.4).

7) POS & Computer Systems. Designate a record keeping system, forms and procedures which you must use in your business (Franchise Agreement, Section 10.1). In particular, your Store must have a point of sale and computer system as specified in the Manual, which will operate software designated by us and allow you to participate in the network. We will have direct access to your registers and be able to download data on sales

from your Store(s) and other information logged by the registers at our sole discretion. There is no limit on our right to access this information. Your Store must also have one or more modems, a handheld device, a telefax machine and a telephone answering machine. We may require you to upgrade or update the computers, other hardware, programs, telefax machine, and telephone answering machine, with reasonable limitation on the frequency or cost of this requirement. You are responsible for installing a high-speed modem hook up and other utilities for the Store. All of the designated equipment and software is available generally at competitive prices. We do not warrant or have any responsibility for the software or hardware you must obtain. Any warranty you may have on the equipment or software will be limited to that provided by the applicable manufacturer or licensor.

We have one approved manufacturer for this system/ software which is SHOPIFY. The initial hardware costs will be approximately \$2,000. The monthly software cost will be approximately \$100. You are required to update or upgrade Your equipment, software and third-party processing services at Your own expense. There are no contractual limitations on the frequency or cost of updating or upgrading these items. You should obtain cost information from Your equipment, software and third-party processing vendors. Your Store will require the following equipment, software and third-party processing services:

System	Purpose
Point of Sale- hardware (including printers and credit card devices) and software	Cash control, customer payment processing, sales processing, and sales tax accounting
Point of Sale electronic processing services for credit cards, debit cards and other payment media	Accept customer payments for goods and services purchased from You
General accounting system or third-party accounting service provider	Maintain Your accounting records for management, tax, and legal purposes, payment of expenses and other liabilities
Payroll accounting system or payroll service	Pay Your employees, maintain required tax, personnel and payroll records
Personal computer with high speed always-on Internet service and networking	Access to financial and management data; Your access to data; Our access to Your data
General office systems (such as Microsoft Word, Outlook, Excel and Internet Explorer)	Management and general office tools
Internet security, virus protection	Computer security protection

None of the above equipment and systems are proprietary properties of us or our Affiliates, and we are not obligated to provide or assist you in obtaining the above items or services.

Delegation of Obligations. Our obligations may be performed by any of our employees or agents as we may direct.

C. Internet. We have registered the Internet domain name www.fm2050.com and have established a site using this domain name. You acknowledge that the domain name is our sole property. You may not use in any manner any computer medium or electronic medium (i.e. any Internet homepage, email address, website, domain name, URL, bulletin board, newsgroup, blog, or other Internet-related medium or activity) that contain our Proprietary Marks, or any other words, symbols or terms confusingly similar to our Proprietary Marks without our express

prior written consent. We may include on our Internet website interior pages that identify all FM2050 Stores, including your FM2050 Store (Franchise Agmt., Section 20.2).

D. Intranet/Website. We may, at our option, establish an Intranet through which our franchisees may communicate with each other, and through which we may communicate with you and may disseminate the Manuals, updates and other confidential information to you. If we establish an Intranet, you must establish and maintain an electronic connection with the Intranet that allows us to send messages to and receive messages from you. In addition, we may, at our option, establish a website to provide information about the System and the goods and services that FM2050 Stores provide. At our request, you must contribute a reasonable amount, not to exceed \$1,000 per year, each toward the cost of the Intranet and website's maintenance for a not-to-exceed total of \$2,000 per year, which we can collect in advance on an annual basis or other basis and subject to annual adjustments as we deem appropriate. We will have sole discretion and control over all aspects of the Intranet and website, including the content and functionality of the Intranet and website. You will only have the privilege, and not the right, to use the Intranet and/or the website, subject to your compliance with our policies (Franchise Agmt., Sections 7.20, 20.3). You may not establish a website on the Internet using any domain name containing the Proprietary Marks or any variation thereof without our written consent. We retain the sole right to advertise on the Internet and create a website using the "FM2050" domain name. We retain the right to pre-approve your use of linking and framing between your web pages and all other websites.

E. Training. As of 2025, our franchise training program outline is as follows:

Our initial training program is conducted in English. Our Manuals which govern the operation of the Store that we provide to you periodically is written in English. Furthermore, most Stores are located in places where the predominant language is English. Therefore, we consider English language proficiency to be important both with respect to successful attendance at our training program, and in connection with the day-to-day operation of your Store, including being able to provide your customers with a high-level of customer service.

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION	NAMES OF INSTRUCTORS
Introduction to FM2050 & Brand Story	1	0	HQ (Irvine, CA)	TBD
Product Knowledge & Styling	2	2	HQ (Irvine, CA)	TBD
Sales & Customer Services	1	1	HQ (Irvine, CA)	TBD
Visual Merchandising Standards	1	2	HQ (Irvine, CA)	TBD
POS System (Shopify)	2	1	HQ (Irvine, CA)	TBD
Inventory Management & Store Operations	1	2	HQ (Irvine, CA)	TBD
Store Opening Procedures	1	2	HQ (Irvine, CA)	TBD
TOTAL:	19			

NOTES:

- (1) We expect to conduct these training courses several times each year. All of the above training must be successfully completed before opening of your Store.
- (2) We will provide our operations training course to you and/or your designated principal as soon as possible after we enter into a Franchise Agreement, depending on when you and your representatives are available. You must pay for the travel and living expenses for you and your employee(s). We anticipate training to take place at either the Company's headquarters in Irvine, CA. You and the general manager of your franchised location must successfully complete the initial training program to our satisfaction before starting operations. We generally require training to be completed within 30 days of executing the Franchise Agreement.
- (3) The instructors of the training program will have had several years of experience in the fashion and/or retail business with us or with other apparel retailers.
- (4) We require that your personnel personally attend refresher training courses covering operations and new product or procedure introductions.
- (5) We may develop audio-visual and other training materials at a reasonable charge.

ITEM 12. TERRITORY

You will not receive an exclusive territory. You may face competition from other franchisees, from Stores that we own, or from other channels of distribution or competitive brands that we control. You must operate your Store at a specific location selected by you and approved by us. We will grant you a territory in which we will not own, operate, sell or issue a franchise for a Franchised Business if you are in good standing under your Franchise Agreement (the "Territory"). We will establish your Territory when we approve the Franchised Location. We will set forth your Territory in your Franchise Agreement. Your Territory may be limited to the actual site of the Franchised Location or may range to a radius of up to 3 miles from the Franchised Location. We will consider the demographics, population, traffic patterns, potential trade area and other relevant information about an approved site when we establish your Territory. You can lose your Territory rights under a Franchise Agreement if you are in default under your Franchise Agreement. You may not relocate the Store without our written consent which we may withhold at our reasonable discretion. There is no minimum sales quota. We do not currently grant you any option, right of first refusal, or similar rights, however, we may award you additional Territory or franchises, but only at our sole discretion.

We grant a franchise based on our expectation that you will continuously and diligently follow all System requirements. If you fail to meet any of the requirements as described in this Disclosure Document or the Franchise Agreement, we may reduce, eliminate or otherwise modify your rights in the Territory.

The Franchise Agreement does not restrict Us from establishing other franchises or company-owned Stores or other channels of distribution selling or leasing similar products or services under a different trademark. We do not intend to do so.

ITEM 13. TRADEMARKS

As a FM2050 franchisee, you are licensed to use and display FM 2050 trademarks (“Marks”) during the term of your Franchise Agreement and only for the operation of your FM2050 Franchised Business. You may not license or sublicense any trademarks, service marks, trade names, logotypes or commercial symbols owned by us or our affiliates. The Affiliate is the owner of all rights, titles and interests in the FM2050 Marks and the Affiliate has filed the following marks on the Principal Register of the U.S. Patent and Trademark Office (“USPTO”):

REGISTRATION NUMBER (SERIAL NUMBER)	OWNER	MARK	WHERE REGISTERED	REGISTRATION DATE (APPLICATION DATE)
7652339	Blue Ridge Fashion, Inc.	FM2050	USA	Jan. 14, 2025

We have a trademark license agreement with our Affiliate that will remain valid until we are engaged in the business of franchising. There are no currently effective material determinations of the USPTO, Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any opposition or cancellation proceeding, or any pending litigation involving FM2050 Marks. There are no prior superior rights or infringing uses actually known to us that could materially affect your use of FM2050 Marks. We have not, however, conducted an exhaustive search of users of names that may be the same or similar to FM2050 Marks. There may be similar uses to FM2050 Marks of which we are unaware, that could arise from prior users.

You must follow our rules when using these Marks. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols except for those that we license to you, but may identify your business as the fictitious business name of your Store in a format as the law permits and we designate, such as “FM2050 of [geographic designation]”. You must file all fictitious name affidavits required by law in the state and county where you are located. You may not use the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us.

You must notify us immediately after learning about an infringement of or challenge to your use of the Marks. We will take the action we think appropriate to protect the integrity and validity of the Marks. We are not required to take any specific action in regard to infringements involving the Marks. We have the sole right to control administrative proceedings or litigation regarding any trademark infringements. We will defend you and indemnify you if you are a party to a legal proceeding involving a Mark licensed by us and used properly by you. If we choose to defend you, you must fully cooperate with us in the defense.

You must modify or discontinue the use of a trademark if we modify or discontinue it. You must pay all costs to make these changes. We have no obligation to reimburse you for any expense resulting from these changes.

On termination or expiration of the Franchise Agreement, your right to use our Marks terminates and you must not contest our right to the Marks, trade secrets or business techniques. Upon termination, you must not (i) identify yourself as a FM2050 (sub)franchisee or publicly identify yourself, or any business entity you are then associated with, as a former FM2050 (sub)franchisee, or (ii) use any of our confidential information or trade secrets.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any right in or to any patents. You do not receive the right to use an item covered by a patent or copyright, but you can use the proprietary information in the Manual. The Manual is referred to in ITEM 11. Although we have not filed an application for a copyright registration for the Manual, we claim a copyright and the information is proprietary. ITEM 11 describes limitations on the use of the Manual by you and your employees. You must also promptly tell us when you learn about unauthorized use of this proprietary information. We are not required to take any action, but we will respond to this information as we think appropriate.

You must maintain the confidentiality of all proprietary information during and after the term of the Franchise Agreement. You must agree that you will not use any of the proprietary information in any other business or in any manner we do not specifically authorize in writing. You also agree to fully and promptly disclose all ideas, techniques, and other similar information relating to the franchised business that are conceived or developed by you and/or your employees. We will have an ongoing right to use, and to authorize others to use, their ideas, etc., without compensation or other obligation. You agree, as part of the Franchise Agreement, you must sign our standard form of Confidentiality Agreement (Exhibit I), in our discretion, if we provide you with confidential information before you sign our Franchise Agreement, and agree not to contest our exclusive ownership of the copyright, trade secrets, processes, methods, processes, formulate, techniques, and other proprietary information to which we claim exclusive rights. You are not given any rights in other trade secrets or proprietary or confidential information developed by us in the future. You must implement any reasonable procedures we may adopt to protect our trade secrets, including restrictions on disclosures to your employees and requiring employees who will have access to our trade secrets, to sign employment agreements containing nondisclosure and noncompetition provisions.

Upon termination or expiration of your Franchise Agreement, you must immediately return to us your Manual and all other materials containing our trade secrets and confidential information.

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

Unless you obtain our prior written consent, we require that you personally attend our training courses and supervise the Store on a full-time basis. If you are a legal entity such as a corporation, partnership or limited liability company, one of your owners (Principals) must be approved by us to be your full-time representative and your on-premises Manager must have (and continue to maintain) management control and ownership of at least 51% of the legal entity and personally manage its affairs. All of your owner(s) must personally guarantee the Franchise Agreement and sign a confidentiality agreement in our favor and agree not to compete with us.

You may be required to participate in an in-person annual review process conducted by us.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer and sell only those products and services that we have approved (see ITEM 8). You must offer all products and services that we designate as required for all franchisees. These required products and services are described in the Operations Manuals. You may not sell any products, whether finished or unfinished, to any person or entity for resale. In addition, you may not use your licensed store for any purpose other than operation of your Store. You must obtain our prior written approval for any other products and services to be sold by your Store.

We may change the types of authorized products and services that you must offer from your Store. There are no limits on our rights to make such changes.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

	Provision	Section	Summary
a.	Initial Term	Section 2.1 of the Franchise Agreement	Initial term of Franchise is 10 years.
b.	Renewal or extension of the term.	Section 2.2 of the Franchise Agreement	You may renew the franchise for an additional 5-year term if certain conditions are met.
c.	Requirements for renewal or extension.	Section 2.2 of the Franchise Agreement	6-12 months' advance notice, no defaults during last 12 months, material and timely compliance with franchise during initial term, satisfied all monetary obligations owed to Us and Your suppliers, completed all required additional training, made all requested changes in operating personnel, modernized the Store and vehicles and other equipment, payment of renewal fee and signing of new franchise agreement and general release. You may be asked to sign a new contract with materially different terms and conditions than in your original contract.
d.	Termination by you without cause.	None	
e.	Termination by us without cause	None	
f.	Termination by us with cause.	Article 14 of the Franchise Agreement	We can terminate only if you default.

	Provision	Section	Summary
g.	"Cause" defined as defaults which can be cured.	Section 14.3 of the Franchise Agreement	You have 30 days after notice to cure defaults. Includes defaults in other franchise agreements with us. No cure period for default repeated twice within any twelve-month period.
h.	"Cause" defined as defaults which cannot be cured.	Section 14.2 of the Franchise Agreement	Non-curable defaults: Failure to complete training or allow inspection, bankruptcy or similar action, material misrepresentation in obtaining Franchise, conviction of crime involving moral turpitude or failure to obtain consent to transfer rights or offer first right of refusal.
i.	Obligations on termination.	Article 15 of the Franchise Agreement	Immediate obligations include no more use of telephone numbers, trademarks or proprietary information, remove all marks from all vehicles and other equipment, discontinue use of these telephone numbers, transfer all customer lists, contact lists or similar information to us, return of all our manuals, and de-identify the Store.
j.	Assignment of contract by us.	None	No restriction on our right to assign.
k.	"Transfer" by you-definition	Section 13.2 of the Franchise Agreement	Includes transfer of rights under Franchise Agreement and ownership change.
l.	Our approval of transfer by franchisee.	Section 13.3 of the Franchise Agreement	We have the right to approve all third-party transfers but will not unreasonably withhold approval.
m.	Conditions for Our approval of transfer.fr	Section 13.3 of the Franchise Agreement	No default, assets of the Store in standard condition, payment of all amounts owed to us and Affiliates, payment of transfer fee, transferee qualifies and passes training, current Franchise Agreement signed by transferee and release and non-competition agreement signed by you.
n.	Our right of first refusal to acquire your business.	Section 13.5 of the Franchise Agreement	We can match any offer for the franchised business.
o.	Our option to purchase your business	None	
p.	Your death or disability.	Section 13.6 of the Franchise Agreement	Approval by us of heir or sale within three months to an approved buyer.

	Provision	Section	Summary
q.	Non-competition covenants during the term of the franchise.	Section 16.1 of the Franchise Agreement	You cannot directly or indirectly operate a business similar to your franchised business. You may also not have an ownership interest in any entity which grants franchises or licenses to others to operate stores specializing in seasoned chicken or similar foods, or employ, recruit, or hire any person employed or previously employed by us or our other franchisees without our or the other employer's consent.
r.	Non-competition covenants after the franchise is terminated, transferred or expires.	Section 16.2 of the Franchise Agreement	No competing business for 2 years within 25 miles of any Store in U.S.
s.	Modification of the agreement.	Section 22.1 of the Franchise Agreement	Only written and signed modifications but Manual subject to change.
t.	Integration/ merger clause.	Section 22.1 of the Franchise Agreement	The agreement between the parties is limited to the agreement and other documents referred to therein, subject to state law.
u.	Dispute resolution by arbitration or mediation.	Section 23.2 of the Franchise Agreement	Except for certain claims, all disputes must be mediated in the county where our headquarters are located ("Home County"): Los Angeles County, California.
v.	Choice of forum	Section 23.2 of the Franchise Agreement	Except for injunctions, any arbitration/ or litigation must be in Home County: Los Angeles County, California.
w.	Choice of law	Section 23.1 of the Franchise Agreement	Law of state where your Store is located applies.

APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES APPEAR IN THE STATE SPECIFIC ADDENDA ATTACHED TO THIS DISCLOSURE DOCUMENT AS EXHIBIT H.

ITEM 18. PUBLIC FIGURES

No compensation or other benefit is given or promised to a public figure for the use of a public figure in the name or symbol of the franchised business or the endorsement or recommendation of the franchised business by a public figure in advertisements. You do not have the right to use the name of any public figure in promotional efforts or advertising without prior written approval from us.

We do not use any public figure in the U.S. to promote our franchises but may 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 franchise and/or franchisor-owned Stores, 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 Store 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 Store, however, we may provide you with actual records of that Store. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Jongwon (Joseph) Lim at 5171 Lincoln Ave., Cypress, CA 90630, (714) 329-0111; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20: LIST OF STORES

Table No. 1
SYSTEMWIDE STORESUMMARY
FOR YEARS 2022 to 2024

STORE TYPE	YEAR	STORES AT THE START OF THE YEAR	STORES AT THE END OF THE YEAR	NET CHANGE
FRANCHISED	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
COMPANY-OWNED	2022	4	4	0
	2023	4	4	0
	2024	4	4	0
TOTAL OWNED	2022	4	4	0
	2023	4	4	0
	2024	4	4	0

Table No. 2
TRANSFERS OF STORES FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR YEARS 2022 to 2024

STATE	YEAR	NUMBER OF TRANSFERS
CA	2022	0
	2023	0

	2024	0
TOTAL	2022	0
	2023	0
	2024	0

Table No. 3
FRANCHISE
STORE STATUS SUMMARY
FOR YEARS 2022 to 2024*

STATE	YEAR	STORES AT THE START OF THE YEAR	STORES OPENED	TERMIN- ATIONS	NON- RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS-- OTHER REASONS	STORES AT THE END OF THE YEAR
CA	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
TOTAL	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0

*We are new to franchising and only began franchising in 2025.

Table No. 4
STATUS OF COMPANY OWNED STORES
FOR YEARS 2022 to 2024

STATE	YEAR	STORES AT THE START OF THE YEAR	STORES OPENED	TERMIN- ATIONS	NON- RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS-- OTHER REASONS	STORES AT THE END OF THE YEAR
CA	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
TOTAL	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4

Table No. 5
PROJECTED OPENINGS
AS OF DECEMBER 31, 2024

STATE	FRANCHISE AGREEMENTS SIGNED BUT BUSINESS NOT OPENED	PROJECTED FRANCHISED NEW BUSINESSES IN THE NEXT FISCAL YEAR	PROJECTED COMPANY OWNED BUSINESS OPENINGS IN NEXT FISCAL YEAR
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California	0	3	1
Totals	0	3	1

ITEM 21. FINANCIAL STATEMENTS

Our audited financial statements for the last 3 fiscal years and opening balance sheet are attached as Exhibit C.

Our fiscal year end is December 31.

ITEM 22. CONTRACTS

Attached are the following contracts:

Exhibit A:	Franchise Agreement
Exhibit D:	Personal Guaranty
Exhibit E:	Rider to Lease
Exhibit I:	Confidentiality Agreement
Exhibit J:	General Release
Exhibit K:	Receipt

ITEM 23. RECEIPTS

THE LAST PAGE OF THE DISCLOSURE DOCUMENT (FOLLOWING THE EXHIBITS AND ATTACHMENTS) ARE TWO COPIES OF EXHIBIT K ACKNOWLEDGING RECEIPT OF THE DISCLOSURE DOCUMENT BY YOU. PLEASE SIGN AND DATE ONE COPY AND RETURN IT TO US, AND RETAIN A COPY FOR YOUR RECORDS.

EXHIBIT A
FRANCHISE AGREEMENT

BIGGIE WORKS INC
FRANCHISE AGREEMENT

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ATTACHMENTS

Attachment A	The Franchised Location & Protected Area
Attachment B	Entity Information
Attachment C	Guarantees
Attachment D	Collateral Assignment of Lease

BIGGIE WORKS INC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of [_____] (the "**Effective Date**"), by and between BIGGIE WORKS INC, a California corporation ("**FRANCHISOR**"), and [_____] ("**FRANCHISEE**"), with reference to the following facts:

A. FRANCHISOR, as the result of the expenditure of time, skill, effort and money, has developed a distinctive system relating to the establishment and operation of establishment, development and operation of retail stores offering fashion-forward women's apparel and accessories in accordance with its proprietary brand identity, merchandising standards, methods of operation, promotional strategies, and sales techniques (the "**System**").

B. The distinguishing characteristics of the System include, without limitation, proprietary clothing and accessory designs, exclusive product lines, merchandise items which incorporate FRANCHISOR's trade secrets and proprietary information (the "**Proprietary Products**"), distinctive exterior and interior design, decor, color scheme, fixtures, and furnishings; standards and specifications for products and supplies; service standards; uniform standards, specifications, and procedures for operations; procedures for inventory and management control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by FRANCHISOR from time to time.

C. The System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark "**FM2050**" and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by FRANCHISOR in writing for use in connection with the System (the "**Proprietary Marks**"). FRANCHISOR has obtained the right to use, and to license others to use, the Proprietary Products, the Proprietary Marks and the System.

D. FRANCHISOR continues to develop, use, and control the use of the Proprietary Marks in order to identify for the public the source of services and products marketed under this Agreement and under the System, and to represent the System's high standards of quality, appearance, and service.

E. FRANCHISEE desires to enter into the business of operating a store under the System, using Proprietary Products, the Proprietary Marks (the "**Franchised Business**"), and wishes to enter into an agreement with FRANCHISOR for that purpose, and to receive the training and other assistance provided by FRANCHISOR in connection with the development and operation of FM2050 Stores. FRANCHISEE represents and warrants to FRANCHISOR, as an inducement to FRANCHISOR's execution of this Agreement, that all statements made by FRANCHISEE and all materials provided to FRANCHISOR by FRANCHISEE in connection with the grant of this franchise to FRANCHISEE are accurate and complete and that FRANCHISEE has made no misrepresentations or material omissions in connection with obtaining this franchise.

FRANCHISOR grants this franchise in reliance upon each and all of FRANCHISEE's representations.

F. FRANCHISEE understands and acknowledges the importance of FRANCHISOR's high standards of quality, design, store appearance, service, and product presentation, and the necessity of operating the Franchised Business in conformity with FRANCHISOR's standards and specifications.

NOW, THEREFORE, IN CONSIDERATION OF THE FOREGOING RECITALS WHICH ARE INCORPORATE BY THIS REFERENCE AND THE COVENANTS SET FORTH HEREUNDER, THE PARTIES AGREE AS FOLLOWS:

1. GRANT

1.1 **Grant.** FRANCHISOR hereby grants to FRANCHISEE the right, and FRANCHISEE undertakes the obligation, to use the System, the Proprietary Products and Proprietary Marks solely in connection with the operation of one (1) FM2050 Store at, and only at, the "**Franchised Location**" (as defined in Paragraph 1.2 of this Agreement). During the term of this Agreement, FRANCHISEE shall not sell Proprietary Products in bulk through any means of distribution other than from the Franchised Business at the Franchised Location including, without limitation, through the use of toll-free "1-800", "1-888" and "1-877" telephone numbers, mail order catalogs, direct mail advertising, domain names, URLs, on-line computer networks and services, the Internet, kiosks, carts, concessions, satellite units, or other mobile, remote, limited service or non-permanent facilities unless expressly authorized by FRANCHISOR in writing to do so. In addition, all sales by FRANCHISEE shall be for retail consumption only and FRANCHISEE shall not engage in wholesale sales of any kind without FRANCHISOR's prior consent. "**Wholesale sales**" means the direct or indirect sale or distribution of Proprietary Products to a third party for resale, retail sale or further distribution through any trade method or trade channel.

1.2 **Location of Franchised Business.** FRANCHISEE shall operate the Franchised Business only at the following address: _____ (the "**Franchised Location**"). If the Franchised Location has not been obtained by the Effective Date, FRANCHISEE shall promptly following the Effective Date locate one or more proposed sites which meet FRANCHISOR's then-current standards and specifications. FRANCHISEE shall submit to FRANCHISOR such demographic and other information regarding the proposed sites and neighboring areas as FRANCHISOR shall require, in the form prescribed by FRANCHISOR ("**Site Review Request**"). FRANCHISOR may seek such additional information as it deems necessary within twenty (20) days of submission of FRANCHISEE's Site Review Request, and FRANCHISEE shall respond promptly to such request for additional information. If FRANCHISOR shall not deliver written notice to FRANCHISEE that FRANCHISOR accepts the proposed site, within twenty (20) days of receipt of FRANCHISEE's Site Review Request, or within ten (10) days after receipt of such additional requested information, whichever is later, the site shall be deemed rejected. If FRANCHISOR accepts the proposed site it shall notify FRANCHISEE of its preliminarily acceptance of the site ("**Preliminary Acceptance**"), which Preliminary Acceptance shall be subject to further analysis by FRANCHISOR and successful

negotiation by FRANCHISEE of a final "**Lease**" for the site (as defined in Paragraph 7.12 of this Agreement) acceptable to FRANCHISOR, and such other conditions as FRANCHISOR may impose. Promptly following the Effective Date, or FRANCHISEE's receipt of Preliminary Acceptance, if no Franchised Location has been inserted in the blank space provided above, FRANCHISEE shall proceed to negotiate a Lease and shall submit to FRANCHISOR a copy of the proposed Lease to FRANCHISOR for Final Acceptance at least 15 days prior to execution. Promptly following FRANCHISOR's receipt of the proposed final Lease which meets FRANCHISOR's requirements as set forth in Paragraph 7.12 of this Agreement, and evidence of FRANCHISEE's satisfaction of all conditions set forth in the Preliminary Acceptance, FRANCHISOR shall notify FRANCHISEE ("**Final Acceptance**"). FRANCHISEE shall not enter into any Lease for the Franchised Location unless and until FRANCHISEE has received Final Acceptance relating to the proposed site. FRANCHISEE shall provide a copy of the executed Lease to FRANCHISOR within 15 days of signing.

1.2.1 FRANCHISOR may voluntarily (without obligation) assist FRANCHISEE in obtaining an acceptable location. FRANCHISEE acknowledges its sole responsibility for finding the Franchised Location and its sole responsibility for finding each proposed site for the Franchised Business developed pursuant to this Agreement.

1.2.2 Following the acquisition of the Franchised Location, FRANCHISOR and FRANCHISEE shall complete and execute **Attachment A** annexed to this Agreement.

1.2.3 FRANCHISEE may not relocate the Franchised Business without FRANCHISOR's prior written consent. If FRANCHISOR shall consent to any relocation, FRANCHISEE shall de-identify the former location in the manner described in this Agreement with respect to FRANCHISEE's obligations upon termination and expiration, and shall reimburse and indemnify and hold FRANCHISOR harmless from any direct and indirect losses, costs and expenses, including attorney's fees, arising out of FRANCHISEE's failure to do so.

1.3 **Protected Area.** During the initial term of this Agreement, and provided that FRANCHISEE is not in default of this Agreement or any other agreement between FRANCHISOR, its "**Affiliates**" (defined below), and FRANCHISEE, FRANCHISOR shall not own, operate, sell, or issue a franchise for any other FM2050 Store within an area designated on **Attachment A** (the "**Protected Area**"). Except as expressly provided for in this Paragraph 1.3, the license granted to FRANCHISEE under this Agreement is nonexclusive, FRANCHISEE shall have no territorial or protective rights and FRANCHISOR and its Affiliates shall have the right to place a company-owned or franchised FM2050 Store anywhere FRANCHISOR desires. In addition, FRANCHISOR and its Affiliates retain the right, among others, in any manner and on any terms and conditions that FRANCHISOR deems advisable, and without granting FRANCHISEE any rights under this Agreement:

1.3.1 To own, acquire, establish, and/or operate, and license others to establish and operate, a FM2050 Store, at any location outside of the Protected Area.

1.3.2 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks or other systems, whether such businesses are the same, similar, or different from the Franchised Business, at any location, whether inside or outside of the Protected Area, and to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business at any location, whether inside or outside of the Protected Area.

1.3.3 To license others to sell or distribute any products or services which bear any proprietary marks, including the Proprietary Marks, at any location other than a retail store, whether inside or outside of the Protected Area.

1.3.4 To produce, license, distribute and market FM2050 branded apparel and accessories through any store, whether inside or outside of the Protected Area (regardless of its proximity to the Franchised Location), including grocery stores, supermarkets and convenience stores and through any distribution channel, at wholesale or retail, including by means of the World Wide Web section of the Internet, mail order catalogs, direct mail advertising and other distribution methods.

1.3.5 To own, acquire, establish and/or operate and grant others the right to develop, own, operate and issue franchises and licenses to others to develop, own and operate other methods and channels of distribution utilizing the Proprietary Marks and the System, whether inside or outside of the Protected Area including, without limitation, toll-free "1-800", "1-888" and "1-877" telephone numbers, domain names, URLs, on-line computer networks and services, the Internet, kiosks, carts, concessions, satellite units, other mobile, remote, limited service or non-permanent facilities or other retail operations as a part of larger retail venues such as department stores, supermarkets, shopping malls or in public areas such as amusement parks, airports, train stations, public facilities, college and school campuses, arenas, stadiums, hospitals, office buildings, convention centers, airlines (in-flight service) and military bases.

The term "**Affiliate**" when used in this Agreement in connection with FRANCHISOR or FRANCHISEE, shall include each person or entity which directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with FRANCHISOR or FRANCHISEE, as applicable. Notwithstanding the foregoing definition, if FRANCHISOR or its Affiliate has any ownership interest in FRANCHISEE, the term "**Affiliate**" shall not include or refer to FRANCHISOR or that Affiliate (the "**Franchisor Affiliate**"), and no obligation or restriction upon an "**Affiliate**" of FRANCHISEE, shall bind FRANCHISOR, or a Franchisor Affiliate or their respective direct/indirect parents or subsidiaries, or their respective officers, directors, or managers.

1.4 **Modification to System and Manuals.** FRANCHISEE acknowledges that the System, FRANCHISOR's Confidential Operations Manuals and any other manuals loaned to FRANCHISEE by FRANCHISOR pursuant to Paragraph 3.4 of this Agreement (collectively the "**Manuals**"), and the products and services offered by the Franchised Business may be modified, (such as, but not limited to, the addition, deletion, and modification of clothing styles, product lines, merchandising standards, operating procedures, products and customer service

protocols) from time to time by FRANCHISOR. FRANCHISEE agrees to comply, at its expense, with all such modifications, including, without limitation, all requirements to implement the modifications, such as replacement or renovation of equipment, remodeling, redecoration and modifications to existing improvements, including structural changes. FRANCHISOR shall notify FRANCHISEE of any such System changes and FRANCHISEE shall implement any System changes upon receipt of notice thereof from FRANCHISOR, and shall complete their implementation within such time as FRANCHISOR may reasonably specify. For purpose of this Agreement, System changes shall include, without limitation, changes in any of the categories referred to in Paragraph 7.3 of this Agreement.

1.5 **No Sublicensing Rights.** FRANCHISEE shall not sublicense, sublease, subcontract or enter any management agreement providing for the right to operate the Franchised Business or to use the System granted pursuant to this Agreement.

2. **INITIAL AND EXTENDED TERM**

2.1 **Initial Term.** The initial term of this Agreement, except as otherwise provided in this Agreement, shall commence on the Effective Date and shall expire on the tenth anniversary of the opening of the Franchised Business for business to the public, but no later than eleven (11) years from the Effective Date, unless sooner terminated under the terms of this Agreement. If the term of the Lease for the Franchised Location is for less than ten (10) years, including any extension of the term, the initial term of this Agreement shall be for a period identical to the term of the Lease. FRANCHISEE shall have no right or option to extend or renew the term of this Agreement except as provided in Paragraph 2.2 of this Agreement.

2.2 **Option to Extend.** FRANCHISEE shall have the option to extend the term of this Agreement on the terms and conditions set forth in this Agreement, for one (1) additional five (5) year period, upon written notice given by FRANCHISEE to FRANCHISOR not less than six (6) months nor more than twelve (12) months prior to the scheduled expiration date of the initial term, provided that each of the following conditions are satisfied:

2.2.1 FRANCHISEE shall, in a manner satisfactory to FRANCHISOR, renovate, refurbish or reconstruct the Franchised Business at FRANCHISEE's expense prior to the effective date of each extension to conform to the building design, trade dress, color schemes, and presentation of Proprietary Marks to the image then in effect for new or the most recently remodeled stores under the System, including without limitation, such structural changes, remodeling and redecoration and such modifications to existing improvements, as may be necessary or required by law.

2.2.2 FRANCHISEE shall not be in default of any provision of this Agreement, or any other agreement between FRANCHISEE and FRANCHISOR or its Affiliates, or any standards set forth in the Manuals and FRANCHISEE shall have complied with all the terms and conditions of this Agreement, the Manuals and any other agreements during the initial term of this Agreement.

2.2.3 FRANCHISEE shall have satisfied all monetary obligations owed by FRANCHISEE to FRANCHISOR and its Affiliates, and shall have timely met those obligations throughout the initial term of this Agreement.

2.2.4 FRANCHISEE must have the ability to extend the term of the Lease for the Franchised Location on terms acceptable to both FRANCHISOR and FRANCHISEE. FRANCHISEE shall present evidence satisfactory to FRANCHISOR that FRANCHISEE has the right to remain in possession of the Franchised Location for the duration of the extended term of this Agreement, which shall, in no event, exceed three (3) years or the extension term of the Lease, whichever is less.

2.2.5 FRANCHISEE shall, at FRANCHISOR's option, execute FRANCHISOR's then- current form of Franchise Agreement and any addenda to the then-current form of Franchise Agreement, for the successor term, which Franchise Agreement shall supersede this Agreement in all respects, and the terms of which, including, without limitation, the amount of the royalty fee and advertising fee, may differ materially and be less advantageous to FRANCHISEE than the terms of this Agreement; provided, however, that FRANCHISOR's option as set forth in Paragraphs 15.9 - 15.11 of this Agreement shall remain in effect.

2.2.6 FRANCHISEE shall comply with FRANCHISOR's then-current qualification and training requirements.

2.2.7 FRANCHISEE shall pay FRANCHISOR a fee for the right to obtain an extended term in an amount equal to fifty percent (50%) of the then-current initial franchise fee charged by FRANCHISOR to new franchisees of FRANCHISOR, not to exceed the sum of \$20,000.

2.2.8 FRANCHISEE shall execute a general release, in a form prescribed by FRANCHISOR, of any and all claims which FRANCHISEE may have or believes to have against FRANCHISOR and/or its Affiliates and their respective officers, directors, agents and employees, whether the claims are known or unknown, which are based on, arise from or relate to this Agreement, the Franchised Business or the Franchised Location, as well as claims, known or unknown, which are not based on, do not arise from or do not relate to this Agreement, the Franchised Business or the Franchised Location but which relate to other franchise agreements, franchised businesses, franchised locations and other agreements between FRANCHISOR or its Affiliates and FRANCHISEE which arose on or before the date of the general release, including, without limitation, all obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, arising under federal, state and local laws, rules and ordinances.

2.2.9 If FRANCHISOR is not offering new franchises, is in the process of revising, amending or renewing FRANCHISOR's form of Franchise Agreement or Franchise Disclosure Document or is not lawfully able to offer FRANCHISEE FRANCHISOR's then-current form of Franchise Agreement at the time FRANCHISEE

exercises an option to extend the term of this Agreement, FRANCHISOR may offer to renew FRANCHISEE's existing Franchise Agreement upon the terms and conditions set forth in this Agreement for the extended term of this Agreement, or may offer to extend the term of this Agreement on a week-to-week basis following the expiration of the term for as long as FRANCHISOR deems necessary or appropriate so that FRANCHISOR may lawfully offer FRANCHISEE its then-current form of Franchise Agreement. Further, if applicable law requires FRANCHISOR to give notice to FRANCHISEE prior to the expiration of the term of this Agreement, this Agreement shall remain in effect on a week-to-week basis until FRANCHISOR has given the notice required by such applicable law.

2.3 Continued Compliance. FRANCHISEE's right to extend the term of this Agreement shall be subject to FRANCHISEE's continued compliance with the terms and conditions of this Agreement as well as FRANCHISEE's compliance with the conditions set forth in Paragraph 2.2 of this Agreement.

2.4 Termination at End of Term. If FRANCHISEE does not elect to extend the term of this Agreement, this Agreement shall terminate at the end of the initial term of this Agreement.

2.5 Notice Required by Law. If applicable law requires FRANCHISOR to give notice to FRANCHISEE prior to the expiration of the term, this Agreement shall remain in effect on a month-to-month basis until FRANCHISOR has given the notice required by such applicable law. If FRANCHISOR is not offering new FM2050 franchises, is in the process of revising, amending or renewing FRANCHISOR's form of franchise agreement or disclosure document, or FRANCHISOR is not lawfully able to offer FRANCHISEE the then-current form of the Franchise Agreement at the time FRANCHISEE advises FRANCHISOR pursuant to Section 2.2 hereof that FRANCHISEE desires to renew, FRANCHISOR may, in FRANCHISOR's sole discretion, (i) offer to renew this Agreement upon the same terms set forth herein for the appropriate renewal term or (ii) offer to extend the term hereof on a month-to-month basis following the expiration of the term for as long as FRANCHISOR deems necessary or appropriate so that FRANCHISOR may lawfully offer the then-current form of the Franchise Agreement. Any timeframes specified in this Article 2 shall be inclusive of any state mandated notice periods.

2.6 Additional Reservation of Rights. Notwithstanding anything herein to the contrary, FRANCHISOR reserves the right not to renew this Agreement and/or the Franchised Business as a result of a decision to withdraw from the Territory in which the Franchised Business is located.

3. DUTIES OF FRANCHISOR.

3.1 Plans. FRANCHISOR shall provide FRANCHISEE with a preliminary floor plan layout and store-front rendering, based upon as-built drawings of the Franchised Location prepared by FRANCHISEE's architect and provided to FRANCHISOR by FRANCHISEE.

3.2 Supervision and Assistance. FRANCHISOR shall provide such initial and continuing assistance to FRANCHISEE as FRANCHISOR deems advisable.

3.3 Training. FRANCHISOR shall offer an initial training program to FRANCHISEE and those employees of FRANCHISEE whom FRANCHISOR deems necessary and appropriate in its sole discretion and, during the term of this Agreement, make available such other training programs as FRANCHISOR deems necessary and appropriate.

3.4 Manuals. In order to protect the reputation and goodwill of FRANCHISOR, to maintain uniform standards of the products, services, and operations offered and sold under the Proprietary Marks, and to promote the goodwill of all FM2050 Stores and the System, FRANCHISOR has created the Manuals. FRANCHISOR shall loan one copy of the Manuals to FRANCHISEE during the term of this Agreement. FRANCHISOR may, from time to time in its sole discretion, revise the Manuals to incorporate System changes. FRANCHISEE shall promptly implement any System change upon receipt of notice thereof from FRANCHISOR, and shall complete their implementation within such time as FRANCHISOR may reasonably specify.

3.5 Inspection and Evaluation. FRANCHISOR shall conduct, when and as frequently as FRANCHISOR deems advisable, inspections of the Franchised Business and evaluations of its management and operations, in order to assist FRANCHISEE and to maintain the System's standards of quality, appearance, and service.

3.6 Supplies and Suppliers. FRANCHISOR shall provide FRANCHISEE with a list of FRANCHISOR's approved and designated suppliers of goods and services for the construction, equipping and operation of the Franchised Business following the Effective Date and shall further provide FRANCHISEE with updated lists of such suppliers periodically during the term of this Agreement.

3.7 Consultation and Advisory Services. FRANCHISOR may periodically consult with FRANCHISEE from time to time concerning the operation of the Franchised Business. FRANCHISOR shall at reasonable times, upon request and at no charge to FRANCHISEE, furnish counseling and advisory services to FRANCHISEE with respect to the planning, opening and operation of the Franchised Business, including consultation and advice regarding operating problems and procedures, new developments and improvements in the System, record keeping, purchasing, marketing, promotion and merchandising, business forms and the interpretation of policy as set forth in the Manuals, as the same may from time to time be amended, and other directives of FRANCHISOR. The advice to be rendered pursuant to this Paragraph 3.7 shall be general advice designed to assist FRANCHISEE in the operation of the Franchised Business. FRANCHISEE acknowledges and agrees that FRANCHISOR, by rendering such consultation and advisory services, does not thereby guarantee the success or profitability of the Franchised Business.

3.8 Delegation of Obligations. FRANCHISEE acknowledges and agrees that any duty or obligation imposed on FRANCHISOR by this Agreement may be performed by any designee, employee, or agent of FRANCHISOR, as FRANCHISOR may direct.

3.9 Franchisor's Rights In Fulfilling Obligations. In fulfilling its obligations to FRANCHISEE pursuant to this Agreement, and in conducting any activities or exercising any rights pursuant to this Agreement or on behalf of the System, FRANCHISOR (and its Affiliates) shall have the right:

3.9.1 To take into account, as FRANCHISOR sees fit, the effect on, and the interests of, other FM2050 Stores in which FRANCHISOR has an interest and on FRANCHISOR's (and its Affiliates') own activities.

3.9.2 To share market and product research, and other proprietary and non-proprietary business information, with other Stores in which FRANCHISOR has an interest, or with FRANCHISOR's Affiliates.

3.10 Responsibility of Franchisee. Notwithstanding the provisions of this Section 3, FRANCHISEE shall be and remain responsible for the operation of the Franchised Business at all times and shall hold FRANCHISOR, its Affiliates and their respective directors, officers, employees and agents, harmless there from. FRANCHISEE shall not look to FRANCHISOR for performance of regular operational duties.

4. FEES.

4.1 Initial Franchise Fee. FRANCHISEE shall pay to FRANCHISOR an initial franchise fee of \$40,000 on the Effective Date. The initial franchise fee shall be deemed fully earned and non-refundable when paid, in consideration of administrative and other expenses incurred by FRANCHISOR in entering into this Agreement, and for FRANCHISOR's lost or deferred opportunity to enter into this Agreement with others.

4.2 Royalty Fee. FRANCHISEE shall pay to FRANCHISOR, without deduction, abatement or offset, a continuing weekly royalty fee in an amount equal to five percent (5%) of the Gross Revenue of the Franchised Business. "**Gross Revenue**" shall mean all revenue from the sale of all products and services related to the Franchised Business, (regardless of whether such products are served at the Franchised Business or elsewhere), and all other income of every kind and nature related to the Franchised Business including, without limitation, catering income and business interruption insurance, whether for cash or credit, and regardless of collection in the case of credit, less any sales taxes or other taxes collected by FRANCHISEE from its customers for transmittal to the appropriate taxing authority.

4.3 Advertising Fee. FRANCHISEE shall make monthly expenditures and contributions for advertising and promotion as specified in Paragraphs 11.1 and 11.7 of this Agreement without deduction, abatement or offset.

4.4 Time of Payments. All payments required by Paragraphs 4.2 and 4.3 shall be paid on a monthly basis, due on the 7th of each month, calculated on the Gross Revenue for the preceding month. For purposes of this Agreement, the month's operating, accounting, and billing period for FRANCHISEE shall end on the last day of each month at the close of business. All payments required by Paragraphs 4.2 and 4.3 shall be accompanied by such reports or statements

required under Paragraph 10.5 of this Agreement. Any report or payment not actually received by FRANCHISOR on or before Sunday shall be deemed overdue. If any payment under this Agreement is overdue, FRANCHISEE shall pay to FRANCHISOR, immediately upon demand, in addition to the overdue amount, interest on such amount from the date it was due until paid, at the rate of ten percent (10%) per annum, calculated weekly, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies FRANCHISOR may have including, without limitation, the right of set-off to withdraw or retain, from time to time and without notice to FRANCHISEE, any amounts due and unpaid by FRANCHISEE from any accounts or amounts otherwise payable to FRANCHISEE. If any check, draft, electronic or otherwise, is unpaid because of insufficient funds or otherwise, then FRANCHISEE shall pay FRANCHISOR's expenses arising from such non-payment, including bank fees in the amount of at least \$50 and any other related expenses incurred by FRANCHISOR. FRANCHISEE shall not be entitled to set-off any payments required to be made under this Section 4 against any monetary claim FRANCHISEE believes it may have against FRANCHISOR.

4.5 Other Payments. In addition to all other payments provided in this Agreement, FRANCHISEE shall pay FRANCHISOR and its Affiliates promptly when due:

4.5.1 All amounts advanced by FRANCHISOR or which FRANCHISOR has paid, or for which FRANCHISOR has become obligated to pay on behalf of FRANCHISEE for any reason whatsoever.

4.5.2 The amount of all sales taxes, use taxes, personal property taxes and similar taxes, which shall be imposed upon FRANCHISEE and required to be collected or paid by FRANCHISOR (a) on account of FRANCHISEE's Gross Revenue, or (b) on account of initial franchise fees, royalty fees or advertising fees collected by FRANCHISOR from FRANCHISEE (but excluding ordinary income taxes). FRANCHISOR, in its discretion, may collect the taxes in the same manner as royalty fees are collected and promptly pay the tax collections to the appropriate governmental authority; provided, however, that unless FRANCHISOR so elects, it shall be FRANCHISEE's responsibility to pay all sales, use or other taxes now or hereinafter imposed by any governmental authorities on initial franchise fees, royalty fees and advertising fees.

4.5.3 All amounts due for any reason, including on account of purchases of Proprietary Products, supplies or services relating to the Franchised Business.

4.6 EFT and Pre-Authorized Payments. FRANCHISEE hereby authorizes FRANCHISOR to initiate debit entries and/or credit collection entries to FRANCHISEE's designated primary business operating checking or savings account for the payment of royalty fees, advertising fees and all other sums that may become due to FRANCHISOR, or its Affiliates, from FRANCHISEE.

4.6.1 At FRANCHISOR's request, FRANCHISEE, at FRANCHISEE's sole cost and expense, shall instruct its bank to pay the amount of its royalty fees, advertising fees

and all other sums that may become due to FRANCHISOR, or its Affiliates, directly to FRANCHISOR from FRANCHISEE' s account, by electronic funds transfer or such other automatic payment mechanism which FRANCHISOR may designate ("EFT") and upon the terms and conditions set forth in the Manuals, and promptly upon FRANCHISOR' s request, FRANCHISEE shall execute or re-execute and deliver to FRANCHISOR such pre-authorized check forms and other instruments or drafts required by FRANCHISOR's bank, payable against FRANCHISEE' s bank account, to enable FRANCHISOR to draw FRANCHISEE's royalty fees, advertising fees and all other sums that may become due to FRANCHISOR, or its Affiliates. FRANCHISEE shall make funds available for withdrawal by FRANCHISOR by electronic transfer on such dates of each month as FRANCHISOR shall designate throughout the term of this Agreement. If FRANCHISOR elects to utilize this method of payment of such obligations, FRANCHISEE shall maintain a single bank account for such payments and shall maintain such minimum balance in such account as FRANCHISOR may reasonably specify from time to time. FRANCHISEE shall not alter or close such account except upon FRANCHISOR's prior written approval. Any failure by FRANCHISEE to implement such EFT system in strict accordance with FRANCHISOR's instructions shall constitute a material default of this Agreement.

4.6.2 If FRANCHISEE is delinquent more than two (2) times in any continuous twelve (12) month period during the term in the payment of royalty fees, advertising fees or other fees, or of other sums due to FRANCHISOR or to its Affiliates including on account of the purchase of goods or services, or fails to report its sales on a timely basis, FRANCHISOR may require FRANCHISEE to implement a system prescribed by FRANCHISOR which shall permit FRANCHISOR unilaterally to estimate and draw down the amounts owed by FRANCHISEE, which system may include automatic debits, use of FRANCHISEE pre-authorized checks, other instruments or authority or any other arrangement FRANCHISOR may prescribe. FRANCHISOR may base its estimates of royalty fees, advertising fees and similar payments which are calculated based on Gross Revenue, on FRANCHISEE's historically reported Gross Revenue. FRANCHISEE shall promptly implement such system in strict accordance with FRANCHISOR's instructions and failure to do so shall constitute a material default of this Agreement.

4.7 **Security Interest.** In order to secure payment of all royalty fees, advertising fees and all other sums that may become due to FRANCHISOR, or its Affiliates, from FRANCHISEE and to secure performance by FRANCHISEE of all obligations of any kind, whenever and however incurred, in favor of FRANCHISOR, or its Affiliates:

4.7.1 FRANCHISEE hereby grants FRANCHISOR a security interest in and to all leasehold improvements, fixtures, furnishings and equipment, inventory, supplies and vehicles located at or used in connection with the Franchised Business, now or hereafter acquired by FRANCHISEE, together with all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of such assets, all rights of FRANCHISEE to use the Proprietary Products, the Proprietary Marks, patents,

copyrights and their registrations, trade secret information and other proprietary rights, and all rights granted, owned or licensed to FRANCHISEE under this Agreement for the use of the Proprietary Products, the Proprietary Marks, trade names, trade styles, patents, copyrights, trade secret information and other proprietary rights. FRANCHISEE hereby authorizes FRANCHISOR to, prepare and file all Uniform Commercial Code financing statements and other documents necessary or desirable to evidence, perfect and continue the priority of this security interest under the Uniform Commercial Code.

4.7.2 If FRANCHISEE is and remains in good standing under this Agreement and all other agreements with FRANCHISOR, and its Affiliates, FRANCHISOR will consent to FRANCHISEE's grant of an additional security interest in the Franchised Business or in any of the assets of the Franchised Business if the conditions set forth in Paragraph 13.4 of this Agreement are met.

4.7.3 If FRANCHISEE is in default of any of the terms and conditions of this Agreement or any other agreements between FRANCHISOR, and its Affiliates, and FRANCHISEE, FRANCHISOR may, in its discretion, exercise its rights with respect to its security interest. In such event, FRANCHISEE shall be and remain liable for any deficiency remaining due to FRANCHISOR and shall be entitled to recover any surplus which results after application of the proceeds derived from the enforcement of FRANCHISOR's security interest.

4.8 **Application of Fees.** Notwithstanding any designation by FRANCHISEE, FRANCHISOR shall have the sole discretion to apply any payments made by FRANCHISEE to any past due indebtedness of FRANCHISEE for royalty fees, advertising fees, interest or any other indebtedness, in such amounts and in such order as FRANCHISOR shall determine.

5. RENOVATION OR CONSTRUCTION OF THE FRANCHISED LOCATION.

5.1 Approval of Plans. FRANCHISEE shall employ a licensed architect approved by FRANCHISOR at FRANCHISEE's expense to conduct a site survey and to prepare as-built drawings of the Franchised Location and shall submit the same to FRANCHISOR in CAD form within sixty (60) days of receiving site approval from FRANCHISOR. Following FRANCHISOR's receipt of the same, FRANCHISOR shall provide FRANCHISEE with a preliminary floor plan layout and store-front rendering of the Franchised Location, based upon such as-built drawings and with FRANCHISOR's prototype design development package. FRANCHISEE shall pay FRANCHISOR the sum of \$5,000 for the preparation of the preliminary floor plan layout and store-front rendering when the as-built drawings are delivered to FRANCHISEE. FRANCHISEE's architect shall then complete the required plans and shall submit them to FRANCHISOR for approval within thirty (30) days from the date that FRANCHISEE receives the preliminary floor plan layout and store-front rendering of the Franchised Location and prototype design development package. The plans shall be deemed disapproved unless they have been expressly approved in writing by FRANCHISOR within thirty (30) days from the date that FRANCHISOR receives the required plans. FRANCHISEE shall, at its own expense, commence renovation or construction of the Franchised Location within thirty (30) days after approval by FRANCHISOR of FRANCHISEE's final plans.

FRANCHISEE shall use a licensed general contractor approved by FRANCHISOR for all construction, renovations, modifications, or improvements and shall provide FRANCHISOR with all information relating to such construction (including the costs of any renovations, modifications, or improvements) as FRANCHISOR may reasonably request. FRANCHISEE shall also provide FRANCHISOR with a construction schedule for the renovation or construction of the Franchised Location which shall provide for the completion of renovation or construction of the Franchised Location and the opening of the Franchised Business for business within not more than twelve (12) months following the Effective Date, subject only to **"Force Majeure"** (as defined in Paragraph 5.3 of this Agreement). The final plans shall not be changed or modified without the prior written approval of FRANCHISOR.

5.2 Zoning, Permits, Clearances, and ADA Compliance. FRANCHISEE shall be responsible, at FRANCHISEE's expense, for obtaining all zoning classifications, permits, and clearances, including, but not limited to, certificates of occupancy and mall clearances and fire and health department approvals, which may be required by federal, state, or local laws, ordinances, or regulations. FRANCHISEE shall certify in writing to FRANCHISOR that all such classifications, permits, and clearances have been obtained. FRANCHISEE shall also take reasonable steps to insure that the Franchised Location complies with all applicable requirements of the Americans with Disabilities Act.

5.3 Requirements During Construction. FRANCHISEE shall provide written notice to FRANCHISOR of the date construction commenced within seven (7) days after commencement and shall thereafter provide to FRANCHISOR a monthly progress report signed by FRANCHISEE, its architect, and its general contractor warranting that construction is proceeding on schedule and in accordance with the approved final plans and with all applicable laws, ordinances, and regulations. During the construction period, FRANCHISOR and its agents shall have the right, but not the obligation, to inspect the site at all reasonable times. FRANCHISEE shall, at its expense, complete construction and open the Franchised Business for business (including all exterior and interior carpentry, electrical, plumbing, heating, ventilation, air conditioning, painting, and finishing work, and installation of all furniture, fixtures, equipment, and signs) in accordance with the final plans and construction schedule approved by FRANCHISOR, within not more than twelve (12) months following the Effective Date, subject only to **"Force Majeure"**. For purposes of this Agreement, **"Force Majeure"** means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; epidemics; or other similar forces which FRANCHISEE could not by the exercise of reasonable diligence have avoided; provided however, that neither an act or failure to act by a governmental authority, nor the performance, non-performance or exercise of rights under any agreement with FRANCHISEE by any lender, landlord, contractor, or other person shall be an event of Force Majeure hereunder, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. FRANCHISEE's financial inability to perform or FRANCHISEE's insolvency shall not be an event of Force Majeure hereunder.

5.4 Approval for Opening. FRANCHISEE shall notify FRANCHISOR of the anticipated construction completion date and, within a reasonable time after construction is

completed, FRANCHISOR shall have the right, but not the obligation, to conduct a final inspection of the Franchised Location. FRANCHISEE shall not open the Franchised Business without the express written authorization of FRANCHISOR, which authorization may be conditioned upon FRANCHISEE's strict compliance with the specifications of the approved final plans and System standards and completion of any pre-opening training required by FRANCHISOR and FRANCHISEE's compliance with staffing and other requirements set forth in the Manuals and applicable to the operations of the Franchised Business. FRANCHISEE shall open the Franchised Business for business following receipt of a certificate of occupancy and no more than ten (10) days after receipt of FRANCHISOR's written authorization to open.

5.5 Insurance During Construction. FRANCHISEE shall procure, prior to the commencement of any construction or the renovation of the Franchised Business, and shall maintain in full force and effect at all times during any construction or renovation, at FRANCHISEE's expense, an insurance policy or policies protecting FRANCHISEE, FRANCHISOR, and its Affiliates, and their respective partners, shareholders, directors, agents, and employees, against any demand or claim with respect to personal or bodily injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the construction or renovation of the Franchised Business. Such policy or policies shall be written by a responsible insurer or insurers acceptable to FRANCHISOR, shall comply with the requirements prescribed by FRANCHISOR in writing at the time such policies are obtained (including those provisions of Section 12 of this Agreement specified by FRANCHISOR), and shall include, at a minimum, the coverage's and amounts specified by FRANCHISOR in the Manuals or otherwise in writing.

6. TRAINING.

6.1 Pre-Opening Training. Prior to the opening of the first Franchised Business developed by FRANCHISEE, FRANCHISEE (or, if FRANCHISEE is a corporation, partnership, or limited liability company, a principal of FRANCHISEE acceptable to FRANCHISOR and who owns at least a fifty-one percent (51%) equity interest in FRANCHISEE) and those of FRANCHISEE's managers approved by FRANCHISOR, shall attend and complete to FRANCHISOR's satisfaction the initial training program (or segments thereof at FRANCHISOR's discretion) for franchisees and managers offered by FRANCHISOR. FRANCHISOR shall provide such training, instructors, a training manual, and other materials without charge to two (2) persons; FRANCHISEE shall pay a fee of \$500 for each additional attendee sent by FRANCHISEE. Except as stated in the preceding sentence, FRANCHISEE shall be responsible for any and all other expenses incurred in connection with sending its trainees to such training including, without limitation, the costs of transportation, lodging, meals, and any wages. For the second and any subsequent FM2050 Franchised Business developed by FRANCHISEE, FRANCHISOR shall not provide FRANCHISEE with the initial training program.

6.1.1 FRANCHISOR shall, in its sole discretion, select the time and location of the initial training program. During the term of this Agreement, FRANCHISEE shall always employ, on a full-time basis in the operation of the Franchised Business, at least two (2) managers who have successfully completed the minimum level of training

specified by FRANCHISOR in the Manuals or otherwise in writing. If FRANCHISEE must send additional employees for training to comply with the requirement set forth in the preceding sentence, or if FRANCHISEE chooses to send (with FRANCHISOR's prior consent) additional employees to such training, FRANCHISEE shall pay applicable training fees and/or expenses for the training required for such individuals. All in-store management personnel shall be dedicated exclusively to the FM2050 brand.

6.2 Additional Training. FRANCHISEE and FRANCHISEE's managers and other employees also shall attend such additional courses, seminars, and other training programs as FRANCHISOR may reasonably require from time to time. The fee for any additional courses shall be \$500 per day of training. FRANCHISEE shall be responsible for any and all expenses incurred in connection with sending its employees to such training including, without limitation, the costs of transportation, lodging, meals, training materials and any wages. FRANCHISOR shall, in its sole discretion, select the time and location of all additional training.

7. DUTIES OF FRANCHISEE.

7.1 Importance of System Standards. FRANCHISEE understands and acknowledges that every detail of the System and the Franchised Business is essential to FRANCHISEE, FRANCHISOR, and other FM2050 franchisees in order to (a) develop and maintain quality operating standards, (b) increase the demand for the products and services sold by all franchisees operating under the System, and (c) protect FRANCHISOR's reputation and goodwill. FRANCHISEE shall maintain FRANCHISOR's high standards with respect to facilities, services, products, and operations.

7.2 Use of Franchised Location. FRANCHISEE shall utilize the Franchised Location solely for the operation of a Franchised Business; shall keep the Franchised Business open and in normal operation for such minimum hours and days as FRANCHISOR may specify in the Manuals or otherwise in writing; and shall refrain from using or permitting the use of the Franchised Location for any other purpose or activity. The Proprietary Marks, any Internet domain names, URLs, copyrights, toll-free "1-800", "1-888" and "1-877" telephone numbers or other like toll-free telephone numbers which may be utilized by FRANCHISOR, or its Affiliates, and their mnemonics and other identifying marks constituting a part of the System, now or in the future, shall be used solely in connection with the operation of the Franchised Business at the Franchised Location. Nothing contained in this Agreement shall be construed to authorize or permit the use by FRANCHISEE of the System, the Proprietary Products or the Proprietary Marks, any Internet domain names, URLs, toll-free "1-800", "1-888" or "1-877" telephone numbers, or any confusingly similar imitations of the same, at any location other than the Franchised Location, on the World Wide Web section of the Internet or for any other purpose whatsoever.

7.3 System Standards. To ensure that the highest degree of quality and service is maintained, FRANCHISEE shall operate the Franchised Business in strict conformity with such methods, standards, and specifications as FRANCHISOR may from time to time prescribe in the Manuals or otherwise in writing. FRANCHISEE shall refrain from: (a) deviating from such

standards, specifications, and procedures without FRANCHISOR's prior written consent, and (b) otherwise operating in any manner which reflects adversely on the Proprietary Marks or the System. Without limiting the generality of the foregoing, FRANCHISEE agrees:

7.3.1 To sell or offer for sale only such authorized services and merchandise that meet Franchisor's uniform standards of quality, as have been expressly approved for sale in writing by Franchisor under the specific name designated by FRANCHISOR; shall sell or offer for sale, all services and merchandise required by FRANCHISOR in the Manuals or otherwise in writing as being part of the FM2050 System; shall not deviate from FRANCHISOR's methods, standards and specifications; and shall discontinue selling and offering for sale any services or merchandise which FRANCHISOR may, in its sole discretion, disapprove in writing at any time.

7.3.2 Reserved.

7.3.3 To sell or offer for sale only such items, authorized products and services as meet FRANCHISOR's uniform standards of quality, as have been expressly approved for sale in writing by FRANCHISOR under the specific product names and branding designated by FRANCHISOR and shall display, promote, and sell or offer for sale, all products, and services required by FRANCHISOR in the Manuals or otherwise in writing as being part of the System; shall not deviate from FRANCHISOR's methods, standards, and specifications regarding, without limitation, quality, product design, presentation, pricing, or merchandising of products sold; and shall discontinue selling and offering for sale any products or services which FRANCHISOR may, in its sole discretion, disapprove in writing at any time.

7.3.4 To purchase and install, at FRANCHISEE's expense, all fixtures, furnishings, equipment, decor, signs, and other items as FRANCHISOR may reasonably direct from time to time in the Manual or otherwise in writing in accordance with FRANCHISOR's standards and specifications; and shall refrain from installing or permitting to be installed on or about the Franchised Location, any fixtures, furnishings, equipment, decor, signs, vending or game machines or other items not previously approved in writing as meeting FRANCHISOR's standards and specifications.

7.3.5 That all brochures, advertisements, containers, bags, packaging and other like articles used in connection with the FM2050 Franchised Business shall conform to Franchisor's specifications, shall be imprinted with the FM2050 Marks, if and as specified by FRANCHISOR, and shall be purchased by FRANCHISEE from FRANCHISOR or its Affiliate or a distributor approved in writing by FRANCHISOR, as provided in Section 7.4 of this Agreement., which approval will not be unreasonably withheld.

7.4 Purchases of Products, Equipment, Supplies and Materials. FRANCHISEE shall purchase all services, equipment, fixture (including, without limitation, all shelving, racks, mirror, mannequins, and counter tops), supplies, and material used by the FM2050 Franchised Business, solely from suppliers (including FRANCHISOR, or its Affiliates, and manufacturers,

wholesalers, and distributors) who demonstrate, to FRANCHISOR's continuing reasonable satisfaction, the ability to meet FRANCHISOR's reasonable standards and specifications for such items, who possess adequate quality controls and capacity to supply FRANCHISEE's needs promptly and reliably, and who have been approved by FRANCHISOR in the Manuals or otherwise in writing and not thereafter disapproved. FRANCHISEE acknowledges and agrees that FRANCHISOR and its Affiliates may negotiate purchase arrangements with suppliers for FRANCHISEE's benefit and may derive revenue or obtain rebates, bulk pricing discounts or allowances for their own account from approved or designated suppliers if rebates or other considerations become available because of FRANCHISEE's purchases of products or services. If FRANCHISEE desires to purchase products from other than approved suppliers, FRANCHISEE shall submit to FRANCHISOR a written request to approve the proposed supplier, together with such evidence of conformity with FRANCHISOR's specifications as FRANCHISOR may reasonably require, or shall request the supplier itself to do so. FRANCHISOR shall have the right to inspect and evaluate the supplier's facilities and products to be supplied, and FRANCHISEE shall pay all of FRANCHISOR's reasonable expenses incurred in so doing or a minimum of \$500. FRANCHISOR may from time to time re-inspect and re-evaluate the facilities and products of any approved supplier and revoke its general approval of particular products or suppliers when FRANCHISOR determines, in its sole discretion, that such products or suppliers no longer meet FRANCHISOR's standards. Upon receipt of written notice of such revocation, FRANCHISEE shall cease to sell any disapproved products and cease to purchase from any disapproved supplier.

7.5 Purchases from Franchisor or its Affiliates. FRANCHISOR and its Sister Company and Affiliates are the only authorized suppliers of merchandise sold by the FM2050 Franchised Business.

7.5.1 All FM2050 Goods and Services purchased from FRANCHISOR or its Affiliates shall be purchased in accordance with the purchase order format issued from time to time by FRANCHISOR, the current form of which shall be set forth in the Manuals. FRANCHISOR may change the prices, delivery terms and other terms relating to its sale of FM2050 Goods and Services to FRANCHISEE on prior written notice, provided, that such prices shall be the same as the prices charged to similarly situated FM2050 franchisees and which shall be reasonable based upon the costs associated with such FM2050 Goods and Services. FRANCHISOR, in its discretion, may discontinue the sale of any Goods or Services at any time if in FRANCHISOR's judgment its continued sale becomes unfeasible, unprofitable, or otherwise undesirable. All product orders by FRANCHISEE shall be subject to acceptance by FRANCHISOR at FRANCHISOR's designated offices, and FRANCHISOR reserves the right to accept or reject, in whole or in part, any order placed by FRANCHISEE. FRANCHISEE shall submit to FRANCHISOR, upon written request, financial statements which contain sufficient information to enable FRANCHISOR to determine the credit limits, if any, to be extended to FRANCHISEE. FRANCHISOR, in its sole discretion, may establish the credit terms, if any, upon which it will accept FRANCHISEE's orders, and may require FRANCHISEE to pay for orders on a cash-in-advance or cash-on-delivery basis.

7.5.2 Each order placed by FRANCHISEE, whether oral or written, for any product shall be deemed to incorporate all of the terms and conditions of this Agreement, shall be deemed subordinate to this Agreement in any instance where any term or condition of such order conflicts with any term or condition of this Agreement, and shall include such information as FRANCHISOR may from time to time specify, and shall be submitted on such form of purchase order as may be prescribed by FRANCHISOR from time to time. No purchase order submitted by FRANCHISEE shall contain any terms except as approved in writing by FRANCHISOR, nor be deemed complete unless all of the information required by the prescribed purchase order form, as revised from time to time, is provided by FRANCHISEE. No new or additional term or condition contained in any order placed by FRANCHISEE shall be deemed valid, effective or accepted by FRANCHISOR unless such term or condition shall have been expressly accepted by FRANCHISOR in writing.

7.5.3 FRANCHISOR shall not be liable to FRANCHISEE on account of any delay or failure in the manufacture, delivery or shipment of goods or products caused by Force Majeure or other events or circumstances beyond FRANCHISOR's reasonable control including such events as labor or material shortages, conditions of supply and demand, import/export restrictions, or disruptions in FRANCHISOR's supply sources.

7.5.4 On the expiration or termination of this Agreement, or in the event of any default by FRANCHISEE of this Agreement, FRANCHISOR shall not be obliged to fill or ship any orders then pending or, in the case of termination or non-renewal, made any time thereafter by FRANCHISEE, and FRANCHISOR may notify its approved suppliers of any impending termination or expiration of this Agreement and may, among other things, instruct such suppliers to deliver only such quantity of Proprietary Products as is reasonably necessary to supply FRANCHISEE's needs prior to the expiration or termination date of this Agreement.

7.6 **Cooperation with Inspection.** FRANCHISEE shall permit FRANCHISOR or its agents, at any reasonable time, to remove from the Franchised Business representative samples of any products, materials, supplies, and goods used in the operation of the Franchised Business, without payment therefore, in amounts reasonably necessary for testing by FRANCHISOR or an independent laboratory, for the purposes of determining whether the samples meet FRANCHISOR's then-current standards and specifications. In addition to any other remedies it may have under this Franchise Agreement, FRANCHISOR may require FRANCHISEE to bear the cost of such testing if the supplier has not been approved by FRANCHISOR or if the sample fails to conform to FRANCHISOR's specifications.

7.7 **Maintenance of Franchised Location.** FRANCHISEE shall maintain the Franchised Location (including adjacent public areas) in a clean, orderly condition and in excellent repair; and, in connection therewith, FRANCHISEE shall, at its expense, make such additions, alterations, repairs, and replacements under this Agreement (but no others without FRANCHISOR's prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting, repairing, and replacing of obsolete or deteriorated signs, furnishings, fixtures, equipment, and decor as FRANCHISOR may reasonably direct by

written notice to FRANCHISEE. FRANCHISEE shall complete all work specified in any such notice within the time frame FRANCHISOR may reasonably specify.

7.8 Re-Imaging of Franchised Location. FRANCHISEE shall at its own expense, make such alterations, additions, or modifications to the Franchised Location as FRANCHISOR may reasonably require to accommodate changes made by FRANCHISOR to the System, including, without limitation, changes to store layout, merchandising standard, fixtures, or market positioning. FRANCHISEE shall have ninety (90) days from receipt of notice from FRANCHISOR regarding re-imaging requirements in which to make the required alterations, additions, or modifications to the Franchised Location.

7.9 Refurbishment of Franchised Location. At FRANCHISOR's request, but not more often than once every thirty (30) months (and in addition to any work which FRANCHISEE may undertake pursuant to other sections of this Agreement), FRANCHISEE shall refurbish the Franchised Location, at its own expense, to conform to the building design, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current public image for new or remodeled FM2050 Stores in the System, including, without limitation, replacement or renovation of equipment; remodeling, redecoration, and modifications to existing improvements and reasonable structural changes that FRANCHISOR may reasonably require or that may be required by law. The cost to FRANCHISEE for such refurbishment shall not exceed \$10,000 for refurbishment of the interior of the Franchised Business and shall not exceed \$5,000 for refurbishment of the exterior of the Franchised Business, plus an annual increase in each of these amounts at the anniversary of the Effective Date, by an amount equal to the percentage increase in the Consumer Price Index, all Urban Consumers, published by the U.S. Department of Labor Statistics or any successor Index, for the metropolitan area surrounding the Franchised Location for the period most comparable to the yearly anniversary date.

7.10 Franchisee Employee Policy; Uniforms and Employee Appearance.

7.10.1 After the Franchised Business has opened to the public, FRANCHISEE shall maintain a competent, conscientious, and trained staff, and shall take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet such minimum standards as FRANCHISOR may establish from time to time in the Manuals or otherwise in writing. In the event FRANCHISEE or its Affiliates own and operate multiple FM2050 Stores, FRANCHISOR may require, in its sole discretion, FRANCHISEE to employ a general operations manager responsible for the oversight of operations at all FM2050 Stores owned and operated by FRANCHISEE or its Affiliates. FRANCHISEE shall be solely responsible for all employment decisions and functions of the Franchised Business, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees, and regardless of whether FRANCHISEE receives advice from FRANCHISOR on these subjects.

7.10.2 FRANCHISEE shall cause all employees, while working in the Franchised Business, to: (i) wear uniforms of such color, design, and other specifications as

FRANCHISOR may designate from time to time, and (ii) present a neat and clean appearance. If FRANCHISOR removes the type of uniform utilized by FRANCHISEE from the list of approved uniforms, FRANCHISEE shall have ninety (90) days from receipt of written notice of such removal to discontinue use of its existing inventory of uniforms and implement the approved type of uniform. In no case shall any employee of FRANCHISEE wear his or her FM2050 uniform while working for FRANCHISEE at any location other than the Franchised Business.

7.11 Modification to the System. FRANCHISEE shall not implement any modification to the System without the express prior written consent of FRANCHISOR. FRANCHISEE shall notify FRANCHISOR in writing of any proposed modification, and shall provide to FRANCHISOR such information as FRANCHISOR requests regarding such modification. FRANCHISOR shall have the right to incorporate the modification into the System without compensation to FRANCHISEE.

7.12 Lease or Sublease. FRANCHISEE shall comply with all terms of its Lease with a third-party landlord (a "**Lease**") or a sublease with FRANCHISOR, or its Affiliates (a "**Sublease**"), for the Franchise Location, and all other agreements affecting the operation of the Franchised Business; and shall refrain from any activity which may jeopardize FRANCHISEE's right to remain in possession of, or to renew the Lease or Sublease for, the Franchised Location. If FRANCHISEE will occupy the Franchised Location under a Lease with a third-party landlord, approval of the Lease by FRANCHISOR may be conditioned upon the inclusion of any one or more of the following terms and conditions:

7.12.1 The initial term of the Lease, or the initial term together with extended terms, shall be for not less than five (5) years.

7.12.2 A provision consenting to FRANCHISEE's use of such Proprietary Marks and signage as FRANCHISOR may now or hereafter prescribe for the Franchised Business.

7.12.3 A provision which restricts the use of the leased premises solely to the operation of the Franchised Business.

7.12.4 A provision which prohibits FRANCHISEE from subleasing or assigning all or any part of its occupancy rights or extending the term of or renewing the Lease without FRANCHISOR's prior written consent.

7.12.5 A provision requiring that the lessor provide to FRANCHISOR copies of any and all notices of defaults given to FRANCHISEE under the Lease.

7.12.6 A provision granting FRANCHISOR the right to enter the Franchised Business to make modifications necessary to protect the Proprietary Marks or the System, or to cure any default under this Agreement or under the Lease.

7.12.7 A provision granting FRANCHISOR or FRANCHISOR's designee the option, exercisable within fifteen (15) days after receipt of any notice of default or termination from the landlord, without the landlord's further consent, to assume all of FRANCHISEE's rights under the Lease, including the right to assign or sublease the Franchised Location and the right to exercise all outstanding renewal options in accordance with the provisions of the Lease.

7.13 Unconditional Right of Franchisee to Set Prices for FM2050 Goods and Services. FRANCHISEE shall have the right to advertise and sell all products and services at any prices FRANCHISEE may determine, in its sole and absolute discretion, and shall in no way be bound by any price which may be recommended, suggested, or advertised by FRANCHISOR.

7.14 Participation in Programs. FRANCHISEE shall at all times cooperate with FRANCHISOR and other franchisees of FRANCHISOR and shall actively participate in any and all sales, public relations, advertising, cooperative advertising and purchasing programs or promotional programs which may be developed and implemented by FRANCHISOR which call for the cooperation of FRANCHISEE and other franchisees of FRANCHISOR and shall further cooperate in any additional programs which may be established and designated by FRANCHISOR from time to time including participating in market research programs, the test-marketing of new products and other similar programs for the benefit of the System, and shall purchase a reasonable quantity of new products for test-marketing, promote the sale of the tested products and provide FRANCHISOR with timely reports and test results of such programs for its review, analysis and compilation.

7.15 Notification of Legal Proceedings; and Crisis Management Events. FRANCHISEE shall notify FRANCHISOR in writing within ten (10) days after FRANCHISEE receives actual notice of the commencement of any investigation, action, suit, or other proceeding, or the issuance of any order, writ, injunction, award, or other decree of any court, agency, or other governmental authority that pertains to the Franchised Business or that may adversely affect FRANCHISEE's operation of the Franchised Business or ability to meet its obligations under this Agreement. Upon the occurrence of a "**Crisis Management Event**", FRANCHISEE shall immediately inform FRANCHISOR's President (or as otherwise instructed in the Manuals) by telephone. FRANCHISEE shall cooperate fully with FRANCHISOR with respect to FRANCHISOR's response to the Crisis Management Event. For purposes of this Agreement, "**Crisis Management Event**" means any event that occurs at or about the Franchised Business that has or may cause harm or injury to customers, employees, or property, or that could negatively impact the FM2050 brand, Proprietary Marks, or System, such theft, violent incidents, serious customer complaints, viral social media content, health-related emergencies, natural disasters, terrorist acts, shootings, or any other circumstance which may damage the System, Proprietary Marks, or image or reputation of FM2050 Stores, FRANCHISOR or its Affiliates.

7.16 Signs. FRANCHISEE shall maintain approved signs and / or awnings at, on, or near the front of the Franchised Business, identifying the Franchised Location as a FM2050 Store, which shall conform in all respects to FRANCHISOR's specifications and requirements and the layout and design plan approved for the Franchised Location, subject only to restrictions

imposed by applicable law. On receipt of notice by FRANCHISOR of a requirement to alter any existing sign on the Franchised Business, FRANCHISEE will, at FRANCHISEE's cost, make the required changes within sixty (60) days, subject to the approval of the landlord if required by FRANCHISEE's Lease.

7.17 Compliance with Governmental Regulations. FRANCHISEE shall meet and maintain the highest standards and ratings applicable to the operation of the Franchised Business, and shall timely obtain any and all permits, certificates, or licenses necessary for the lawful operation of the Franchised Business including, without limitation, licenses to do business, fictitious name registration, sales tax permits, certificate of occupancy, seller's permits or resale certificate, and fire clearances.

7.18 Vending or Other Machines. FRANCHISEE shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Franchised Location.

7.19 Co-Branding. FRANCHISEE may not engage in any co-branding in or in connection with the Franchised Business except with FRANCHISOR's prior written consent. FRANCHISOR shall not be required to approve any co-branding chain or arrangement except in its discretion, and only if FRANCHISOR has recognized that co-branding chain as an approved co-brand for operation within FM2050 Stores. "**Co-branding**" includes the operation of an independent business, product line or operating system owned or licensed by another entity (not FRANCHISOR) that is featured or incorporated within the Franchised Business or is adjacent to the Franchised Location and operated in a manner which is likely to cause the public to perceive it to be related to the Franchised Business licensed and franchised under this Agreement.

7.20 Intranet. FRANCHISOR may, at its option, establish and maintain an Intranet through which franchisees of FRANCHISOR may communicate with each other, and through which FRANCHISOR and FRANCHISEE may communicate with each other and through which FRANCHISOR may disseminate the Manuals, updates thereto and other confidential information. FRANCHISOR shall have sole and absolute discretion and control over all aspects of the Intranet, including the content and functionality thereof. FRANCHISOR will have no obligation to maintain the Intranet indefinitely, and may dismantle it at any time without liability to FRANCHISEE.

7.20.1 If FRANCHISOR establishes an Intranet, FRANCHISEE shall only have the privilege to use the Intranet, subject to FRANCHISEE's strict compliance with the standards and specifications, protocols and restrictions that FRANCHISOR may establish from time to time. Such standards and specifications, protocols and restrictions may relate to, among other things, (a) the use of abusive, slanderous or otherwise offensive language in electronic communications, (b) communications between or among franchisees that endorse or encourage default of any franchisee's franchise agreement, or other agreement with FRANCHISOR or its Affiliates, (c) confidential treatment of materials that FRANCHISOR transmits via the Intranet, (d) password protocols and other security precautions, (e) grounds and procedures for FRANCHISOR's suspending or revoking a franchisee's access to the Intranet, and (f) a privacy policy governing

FRANCHISOR's access to and use of electronic communications that franchisees post to the Intranet. FRANCHISEE acknowledges that, as administrator of the Intranet, FRANCHISOR can technically access and view any communication that any person posts on the Intranet. FRANCHISEE further acknowledges that the Intranet facility and all communications that are posted to it will become FRANCHISOR's property, free of any claims of privacy or privilege that FRANCHISEE or any other person may assert.

7.20.2 Upon receipt of notice from FRANCHISOR that FRANCHISOR has established the Intranet, FRANCHISEE shall establish and continually maintain (during all times that the Intranet shall be established and until the termination of this Agreement) an electronic connection (the specifications of which shall be specified in the Manuals) with the Intranet that allows FRANCHISOR to send messages to and receive messages from FRANCHISEE, subject to the standards and specifications.

7.20.3 At FRANCHISOR's request, FRANCHISEE shall contribute a reasonable amount, not to exceed \$1,000 per year, toward the cost of the Intranet's maintenance, which may vary from year to year during the term of this Agreement and shall pay the same to FRANCHISOR in the manner and at the times that FRANCHISOR may establish in the Manuals or otherwise from time to time.

7.20.4 If FRANCHISEE shall default under this Agreement or any other agreement with FRANCHISOR or its Affiliates, FRANCHISOR may, in addition to, and without limiting any other rights and remedies available to FRANCHISOR, disable or terminate FRANCHISEE's access to the Intranet without FRANCHISOR having any liability to FRANCHISEE, and in which case FRANCHISOR shall only be required to provide FRANCHISEE a paper copy of the Manuals and any updates thereto, if none have been previously provided to FRANCHISEE, unless not otherwise entitled to the Manuals.

8. PROPRIETARY MARKS.

8.1 **Franchisor Representations Concerning Proprietary Marks.** FRANCHISOR represents with respect to the Proprietary Marks that:

8.1.1 FRANCHISOR has obtained from its Affiliate a license to use, and to license others to use, the Proprietary Marks.

8.1.2 All steps reasonably necessary to preserve and protect the validity of the Proprietary Marks, and FRANCHISOR's right to use and license others to use, the Proprietary Marks will be taken.

8.1.3 FRANCHISOR will use and permit FRANCHISEE and other FM2050 franchisees to use the Proprietary Marks only in accordance with the System and the standards and specifications attendant to this Agreement which underlie the goodwill associated with and symbolized by the Proprietary Marks.

8.2 **Franchisee Representations Concerning Proprietary Marks.** FRANCHISEE agrees that:

8.2.1 FRANCHISEE shall use only the Proprietary Marks designated by FRANCHISOR, shall use them only in the manner authorized and permitted by FRANCHISOR and only with the letters "®", "TM," "SM" or "©", as appropriate, as instructed by FRANCHISOR, whenever and wherever the Proprietary Marks shall be used.

8.2.2 FRANCHISEE shall use the Proprietary Marks only for the operation of the Franchised Business, and only at the Franchised Location or in connection with FRANCHISOR approved advertising for the Franchised Business.

8.2.3 Unless otherwise authorized or required by FRANCHISOR, FRANCHISEE shall operate and advertise the Franchised Business only under the name "**FM2050**" without prefix or suffix. FRANCHISEE shall not use the Proprietary Marks as part of its corporate or other legal name. All fictitious names used by FRANCHISEE shall bear the designation "a franchisee of Biggie Works Inc".

8.2.4 FRANCHISEE shall identify itself as an independent franchisee-owner of the Franchised Business in conjunction with any use of the Proprietary Marks or the operation of the Franchised Business, including, but not limited to, such use on invoices, order forms, receipts, business stationery and contracts, as well as at such conspicuous locations on the Franchised Location as FRANCHISOR may designate in writing. The form and content of such identification shall comply with standards set forth in the Manuals.

8.2.5 FRANCHISEE's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement.

8.2.6 FRANCHISEE shall not use the Proprietary Marks to incur any obligation or indebtedness on behalf of FRANCHISOR.

8.2.7 FRANCHISEE shall execute any documents deemed necessary by FRANCHISOR or its Affiliates to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

8.2.8 FRANCHISEE shall not use the Proprietary Marks as part of its corporate or other legal name.

8.2.9 FRANCHISEE shall promptly notify FRANCHISOR of any suspected unauthorized use of, or any challenge to the validity of the Proprietary Marks, or any challenge to FRANCHISOR's or FRANCHISOR's Affiliate's ownership of, FRANCHISOR's license to use and to license others to use, or FRANCHISEE's right to use, the Proprietary Marks licensed under this Agreement. FRANCHISEE acknowledges

that FRANCHISOR or its Affiliate has the right to direct and control any administrative proceeding or litigation, or other adjudicative proceeding involving the Proprietary Marks, including any settlement thereof. FRANCHISOR or its Affiliate has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. FRANCHISOR shall defend FRANCHISEE against any third-party claim, suit, or demand arising out of FRANCHISEE's use of the Proprietary Marks. If FRANCHISOR, in its sole discretion, determines that FRANCHISEE has used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by FRANCHISOR. If FRANCHISOR, in its sole discretion, determines that FRANCHISEE has not used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by FRANCHISEE. In the event of any litigation relating to FRANCHISEE's use of the Proprietary Marks, FRANCHISEE shall execute any and all documents and do such acts as may, in the opinion of FRANCHISOR, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of FRANCHISEE's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, FRANCHISOR agrees to reimburse FRANCHISEE for its out-of-pocket litigation costs in doing such acts.

8.3 Franchisee Acknowledgments Concerning Proprietary Marks.
FRANCHISEE expressly understands and acknowledges that:

8.3.1 FRANCHISOR or its Affiliate is the owner of all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them and FRANCHISOR has the right to use, and license others to use, the Proprietary Marks.

8.3.2 The Proprietary Marks are valid and serve to identify the System and those who are franchised under the System.

8.3.3 During the term of this Agreement and after its expiration or termination, FRANCHISEE shall not directly or indirectly contest the validity of, or FRANCHISOR's or FRANCHISOR's Affiliate's ownership of the Proprietary Marks, nor take any other action which may tend to jeopardize FRANCHISOR's or FRANCHISOR's Affiliate's interest in this Agreement, or FRANCHISOR's right to use, and to license others to use, the Proprietary Marks.

8.3.4 FRANCHISEE's use of the Proprietary Marks pursuant to this Agreement does not give FRANCHISEE any ownership interest or other interest in or to the Proprietary Marks other than the license granted by this Agreement. FRANCHISEE shall have no right to modify, alter, change, or revise any Proprietary Marks or to use the Proprietary Marks for any other purpose other than for the Franchised Business pursuant to the terms of this Agreement.

8.3.5 Any and all goodwill arising from FRANCHISEE's use of the Proprietary Marks shall inure solely and exclusively to the benefit of FRANCHISOR or its Affiliate,

and upon expiration or termination of this Agreement and the license in this Agreement granted, no monetary amount shall be assigned as attributable to any goodwill associated with FRANCHISEE's use.

8.3.6 Except as otherwise provided in Paragraph 1.2 of this Agreement, the right and license of the Proprietary Marks granted under this Agreement to FRANCHISEE is nonexclusive, and FRANCHISOR and its Affiliates have and retain the rights described in Paragraph 1.3 of this Agreement, and, among others: (a) to use the Proprietary Marks themselves in connection with selling products and services; (b) to grant other licenses for the Proprietary Marks, in addition to those licenses already granted to existing franchisees; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses or franchises to this Agreement without providing any rights in this Agreement to FRANCHISEE.

8.3.7 FRANCHISOR reserves the right to change, revise, or substitute different proprietary marks for use in identifying the System, the Franchised Business, and products sold or offered for sale through the Franchised Business, if the Proprietary Marks no longer can be used, or if FRANCHISOR, in its sole discretion, determines that substitution of different proprietary marks will be beneficial to the System. In such circumstances, the use of the substituted proprietary marks shall be governed by the terms of this Agreement, and FRANCHISOR shall not compensate FRANCHISEE for such substitution and shall bear only the costs of modifying FRANCHISEE's signs and advertising materials to conform to FRANCHISOR's new proprietary marks. If FRANCHISOR's currently licensed Proprietary Marks can no longer be used, FRANCHISEE shall implement promptly any such substitution.

8.3.8 FRANCHISOR shall have the right, at all reasonable times, at the Franchised Business and elsewhere, to inspect the products and services on which the Proprietary Marks shall be used as FRANCHISOR considers necessary to carry out the purposes of inspection as part of appropriate quality control. Upon request, FRANCHISEE shall submit to FRANCHISOR all packages, labels, advertising, displays, advertising brochures and other materials used in connection with the goods and/or services bearing the Proprietary Marks and FRANCHISEE specifically undertakes to amend to the satisfaction of FRANCHISOR any such package, labels, advertising displays, advertising brochures and other materials which are not approved by FRANCHISOR.

8.4 **Changes in Law Affecting Proprietary Marks.** In the event that the trademark law is amended so as to render inapplicable any of the provisions of this Agreement, FRANCHISEE shall execute any documents, and do such acts and things as in the opinion of FRANCHISOR may be necessary to affect the intent and purpose of the provisions of this Agreement; provided, however, that FRANCHISOR shall bear all costs associated with such request.

9. CONFIDENTIAL MANUALS AND INFORMATION.

9.1 Use of Manuals. FRANCHISEE shall operate the Franchised Business in accordance with the standards, methods, policies, and procedures specified in the Manuals. FRANCHISEE shall treat the Manuals created for or approved for use in the operation of the Franchised Business, and the information contained in this Agreement, as confidential, and shall maintain such information as secret and confidential. FRANCHISOR may deliver the Manuals to FRANCHISEE in written and/or electronic format and FRANCHISEE shall not at any time copy, duplicate, record, or otherwise reproduce the Manuals, in whole or in part, or otherwise make the same available to any unauthorized person. The Manuals shall at all times remain the sole property of FRANCHISOR and shall be kept in a secure place at the Franchised Location. FRANCHISEE shall ensure that its copy of the Manuals is kept current at all times, and in the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by FRANCHISOR shall be controlling.

9.2 Confidentiality of Information. FRANCHISEE shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of, anyone else, any confidential information, knowledge, or know-how concerning the methods of operation of the Franchised Business which may be communicated to FRANCHISEE, or of which FRANCHISEE may be apprised, by virtue of FRANCHISEE's operation under the terms of this Agreement. FRANCHISEE shall divulge such confidential information only to such of its employees as must have access to it in order to perform their employment responsibilities. Any and all matters, information, knowledge, know-how, techniques, Proprietary Products, and other data which FRANCHISOR designates as confidential shall be deemed confidential for purposes of this Agreement.

9.3 Irreparable Injury from Disclosure of Confidential Information. FRANCHISEE acknowledges that failure to comply with the requirements of this Section 9 will result in irreparable injury to FRANCHISOR for which no adequate remedy at law may be available, and FRANCHISEE consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by FRANCHISOR in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Section 9.

9.4 Confidentiality Covenants from Individuals Associated with Franchisee. FRANCHISEE shall require any employee who may have access to any confidential information of FRANCHISOR to execute covenants that they will maintain the confidentiality of information they receive in connection with their association with FRANCHISEE. Such covenants shall be in a form satisfactory to FRANCHISOR, including, without limitation, specific identification of FRANCHISOR as a third party beneficiary of such covenants with the independent right to enforce them.

10. ACCOUNTING AND RECORDS.

10.1 POS System, Software and Computer System. FRANCHISEE shall purchase, use and maintain the computerized point of sale cash collection system (including all related hardware and software) as specified in the Manuals or otherwise by FRANCHISOR in writing

for use in connection with the Franchised Business (the "POS System"). The POS System must be connected to a telephone line (or other communications medium specified by FRANCHISOR) at all times and be capable of accessing the Internet via a designated third party network for the purpose of implementing software, transmitting and receiving data, accessing the Internet for ordering and maintaining the POS System. The POS System shall be electronically linked to FRANCHISOR or its designated Affiliate, and FRANCHISEE shall allow FRANCHISOR and/or its designated Affiliate, to poll the POS System on a daily or other basis at such times and in such manner as established by the FRANCHISOR or its designated Affiliate, with or without notice, and to retrieve such transaction information including sales, sales mix, usage, and other operations data as FRANCHISOR and/or its designated Affiliate deems appropriate. Within a reasonable time upon FRANCHISOR's request, FRANCHISEE shall apply for and maintain debit cards, credit cards or other non-cash systems existing or developed in the future to enable customers to purchase FM2050 products via such procedure, as specified by FRANCHISOR. FRANCHISOR may require FRANCHISEE to update, upgrade or replace the POS System, including hardware and/or software, from time to time upon written notice, provided that FRANCHISEE shall not be required to replace the POS System any more frequently than once every three (3) years.

10.1.1 If FRANCHISOR designates certain computer software to be used in the operation of the POS System and/or FRANCHISEE's computer system which is owned or licensed by FRANCHISOR ("Proprietary Software"), FRANCHISEE shall at FRANCHISOR's request license or sublicense such software from FRANCHISOR or its designee and enter into a software license agreement on FRANCHISOR's or such designee's then-current form. From time to time, FRANCHISEE shall purchase any upgrades, enhancements or replacements to the Proprietary Software. FRANCHISOR shall provide to FRANCHISEE, for a reasonable fee, such support services relating to the Proprietary Software as FRANCHISOR deems advisable. FRANCHISEE must incorporate any required modifications or additions within thirty (30) days after receiving written notice from FRANCHISOR, unless a longer time period is stated in the notice.

10.1.2 Upon not less than sixty (60) days prior written notice from FRANCHISOR, FRANCHISEE shall purchase, use and maintain a personal computer system as specified in the Manuals or otherwise by FRANCHISOR in writing for use in connection with the Franchised Business (the "Computer System"). FRANCHISOR may also designate certain computer software to be used in the operation of the Franchised Business. FRANCHISOR may require FRANCHISEE to maintain an e-mail account and connect the Computer System to a dedicated telephone line (or other communications medium specified by FRANCHISOR) at all times and be capable of accessing the internet via a designated third party network. FRANCHISEE shall obtain all software and hardware, including digital still and video cameras, as FRANCHISOR may specify to enable FRANCHISEE to send and receive e-mail and digital photos and streaming video or other multimedia signals and information to and from the Franchised Location, and FRANCHISEE shall, from time to time, upon FRANCHISOR's request transmit digital photos and real time video and audio signals of the Franchised Location to, and in the form and manner prescribed by, FRANCHISOR. FRANCHISEE shall purchase any upgrades, enhancements or replacements to the Computer System and/or hardware and

software as FRANCHISOR may from time to time require. Upon request, FRANCHISEE shall permit FRANCHISOR to access the Computer System and the files stored therein via any means specified, including electronic polling communications.

10.2 Maintenance of POS and Computer Systems. To ensure full operational efficiency and optimum communication capability between and among the POS System and Computer System installed by FRANCHISEE, and FRANCHISOR, and other franchisees, FRANCHISEE agrees, at its expense, to keep its POS System and Computer System in good maintenance and repair, and, at its expense, and following FRANCHISOR's determination that same will prove economically or otherwise beneficial to all System franchisees, to promptly install such additions, changes, modifications, substitutions and/or replacements to FRANCHISEE's POS System and Computer System, software, telephone and power lines, and other computer-related facilities, as FRANCHISOR directs.

10.3 Maintenance of Records. FRANCHISEE shall prepare, during the term of this Agreement, and shall preserve for at least five (5) years from the dates of their preparation, complete and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by FRANCHISOR from time to time in the Manuals or otherwise in writing.

10.4 Submission of Financial Statements and Tax Returns. FRANCHISEE shall, at its expense, provide FRANCHISOR with a copy of FRANCHISEE's financial statements showing the results of operations of the Franchised Business for each fiscal year during the term of this Agreement. The statements shall include a statement of income, balance sheet, and a statement of cash flows, accompanied by a review report, prepared by an independent certified public accountant satisfactory to FRANCHISOR using generally accepted accounting principles, and shall be furnished within ninety days after the end of each fiscal year of FRANCHISEE. FRANCHISEE also shall submit, within five (5) days of their filing, its federal and state tax returns for each year during the term of this Agreement; provided, however, that if FRANCHISEE is not a corporation, partnership, or limited liability company, FRANCHISEE may, at its option, submit only those schedules to its personal tax filings which reflect the revenues and expenses of the Franchised Business.

10.5 Submission of Performance Reports. FRANCHISEE shall, at its expense, provide FRANCHISOR with a weekly statement, on forms prescribed by FRANCHISOR, accurately reporting all revenue and expense activity during the preceding week and such other data and information regarding operation of the Franchised Business as FRANCHISOR may require. The statement shall be due and remitted to FRANCHISOR in connection with FRANCHISEE's payment of royalty and advertising fees in accordance with Paragraphs 4.2, 4.3, and 4.4 of this Agreement. Each statement shall be signed by FRANCHISEE attesting that it is true and correct. FRANCHISEE also shall provide to FRANCHISOR, for review or auditing, such other forms, sales reports, cash register receipts, records, information, and data as FRANCHISOR may reasonably designate, on the forms and in the manner as are reasonably designated by FRANCHISOR. For purposes of reporting under the terms of this Agreement, the operating, accounting, and billing periods for FRANCHISEE shall be thirteen (13) four (4) week periods.

10.6 Audit of Franchisee Records. FRANCHISOR or its designated agents shall have the right at all reasonable times to examine and copy, at FRANCHISOR's expense, the books, records, accounts, and business tax returns of FRANCHISEE. FRANCHISOR shall also have the right, at any time, to have an independent audit made of the books and records of FRANCHISEE. If an inspection or audit reveals that any payments due to FRANCHISOR have been understated in any report to FRANCHISOR, then FRANCHISEE shall immediately pay to FRANCHISOR the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of ten percent (10%) per annum calculated monthly, or the maximum rate permitted by law, whichever is less. If an inspection or audit discloses an understatement in any report of three percent (3%) or more, FRANCHISEE shall, in addition to repayment of monies owed with interest, reimburse FRANCHISOR for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies FRANCHISOR may have because of such under reporting.

10.7 Use of Financial Statements In Disclosure Document. FRANCHISEE hereby irrevocably consents to FRANCHISOR's use of information contained in its financial statements, at FRANCHISOR's election, in FRANCHISOR's Franchise Disclosure Document for the offer and sale of franchises.

11. ADVERTISING.

Recognizing the value of advertising and promotion, and the importance of the standardization of advertising and promotional programs to the furtherance of the goodwill and public image of FM2050 Stores and the System, the parties agree as follows:

11.1 Contribution. FRANCHISEE shall pay to FRANCHISOR a continuing monthly advertising fee in an amount equal to two percent (2%) of the Gross Revenue of the Franchised Business. FRANCHISOR, in its sole discretion, shall allocate such amount among contributions to the System-wide fund described in Paragraph 11.2 of this Agreement (the "Fund") and expenditures on local advertising, and may, in its sole discretion, from time to time and at any time, modify both the allocation and amount of each FRANCHISEE's expenditures among the Fund and local advertising. Each FM2050 Store owned by FRANCHISOR or an Affiliate of FRANCHISOR shall spend on advertising, to promote the System, each month, an amount which is calculated on the same basis as contributions and expenditures of similarly situated franchisees.

11.2 The Fund. FRANCHISOR shall have the right, in its sole discretion, but not the obligation, to establish, maintain, and administer the Fund. The following provisions shall apply to the Fund:

11.2.1 The Fund, all contributions to this Agreement, and any earnings thereon, shall be used exclusively to meet any and all costs of maintaining, administering, directing, conducting and developing the preparation of advertising, marketing, public

relations, and/or promotional programs and materials, and any other activities which the "Administrator" (as defined in Paragraph 11.2.2 of this Agreement), believes will enhance the image of the System, including, among other things, the costs of preparing and conducting media advertising campaigns in various media; preparation of direct mail advertising; market research; employing advertising and / or public relations agencies to assist in this Agreement; purchasing promotional items; conducting and administering in-store promotions; providing promotional and other marketing materials and services to the businesses operating under the System such as, but not limited to, in-store marketing campaigns, lookbooks, window signage, visual merchandising materials, sales aids, and point-of-purchase materials.

11.2.2 The Fund shall be maintained and administered by an administrator (the "Administrator") selected by FRANCHISOR. FRANCHISOR may select itself, an Affiliate, or a third party as Administrator. FRANCHISOR may change the Administrator, in its sole discretion, from time to time and at any time. The activities of the Fund may be coordinated with the advertising and promotional programs for units owned by FRANCHISOR or an Affiliate of FRANCHISOR.

11.2.3 The Administrator shall direct all advertising and promotional programs, with sole discretion over the creative concepts; materials, and media used in such programs, and the placement and allocation thereof. FRANCHISEE agrees and acknowledges that the Fund is intended to maximize general public recognition and acceptance of the Proprietary Marks for the benefit, of the System; and that the Administrator is not obligated, in administering the Fund, to make expenditures for FRANCHISEE which are equivalent or proportionate to FRANCHISEE's contribution, or to ensure that any particular franchisee benefits directly or pro rata from the advertising or promotion conducted under the Fund.

11.2.4 All sums paid to the Fund shall be maintained in an account separate from the other monies of FRANCHISOR and shall not be used to defray any expenses of FRANCHISOR or the Administrator, except for such reasonable costs and overhead, if any, as each may incur in activities reasonably related to the administration or direction of the Fund and advertising programs, including, among other things, costs of personnel for creating and implementing advertising, promotional, and marketing programs. The Fund and any earnings thereon shall not otherwise inure to the benefit of FRANCHISOR or the Administrator. FRANCHISOR shall maintain separate bookkeeping accounts for the Fund. Any unused monies in the Fund at the end of a year may be used in the next year.

11.2.5 A statement of the operations of the Fund as shown on the books of the Fund shall be prepared annually by the Administrator and furnished to FRANCHISEE upon FRANCHISEE's request.

11.3 **Local Advertising.** FRANCHISEE shall spend up to two percent (2%) of the Gross Revenue as a minimum amount for local advertising purposes. All local advertising and promotion by FRANCHISEE shall be in such media and of such type and format as

FRANCHISOR may approve, shall be conducted in a dignified manner, and shall conform to such standards and requirements as set forth in the Manuals or otherwise in writing. FRANCHISEE shall not use any advertising or promotional plans or materials unless and until FRANCHISEE has received written approval from FRANCHISOR, pursuant to the procedures and terms set forth in Paragraph 11.4 of this Agreement. Approval, if granted, shall remain in effect until notice from FRANCHISOR to discontinue further use. FRANCHISEE shall administer FRANCHISEE's local store marketing funds. Within thirty (30) days after the end of each calendar year, FRANCHISEE shall provide FRANCHISOR with copies of all invoices, statements, canceled checks or other forms of payment which FRANCHISEE has issued during the preceding calendar year which evidence FRANCHISEE's expenditure and payment for pre-approved local advertising programs. FRANCHISOR shall review the evidence of these expenditures and, if FRANCHISEE not spent the amount required for local advertising purposes, the difference between the amount required to be spent by FRANCHISEE for local advertising purposes during the preceding calendar year and the amount actually spent by FRANCHISEE for local advertising purposes during the preceding calendar year must be paid to the Fund within thirty (30) days.

11.4 Approval of Franchisee Advertising Materials. FRANCHISEE shall submit samples of all advertising and promotional plans and materials to FRANCHISOR (through the mail, return receipt requested), prior to their use, and may commence use of such plans or materials fifteen (15) days after FRANCHISOR's receipt, unless prior to this Agreement, FRANCHISOR shall have furnished notice, in writing, to FRANCHISEE prohibiting such use. FRANCHISOR also shall have the right at any time after FRANCHISEE commences use of such material to prohibit further use, effective upon receipt of written notice by FRANCHISEE.

11.5 Opening Advertising. Immediately preceding and following the opening of the Franchised Business, FRANCHISEE shall conduct an initial local advertising and promotion program in the form and manner prescribed by FRANCHISOR. FRANCHISEE shall spend a minimum of \$2,500 on grand opening advertising and promotion to publicize the opening of the Franchised Business. FRANCHISEE shall deliver to FRANCHISOR, upon FRANCHISOR's demand, but no later than thirty (30) days prior to the scheduled grand opening date of the Franchised Business, payment of \$3,000 for the coordination of such grand opening advertising program.

11.6 Telephone Listings. FRANCHISEE shall, at its expense, and in accordance with any standards established in the Manuals, obtain boldface listings in the white and yellow pages of the principal telephone directory serving the Franchised Business.

11.7 Directory Listings. At FRANCHISEE's sole cost and expense, FRANCHISEE must list the Franchised Business in local business directories, including, but not limited to, listings on internet search engines. If feasible, and with FRANCHISOR's prior written approval, FRANCHISEE may do cooperative listings with other franchisees. Notwithstanding the foregoing, FRANCHISEE may not maintain any business profile on Facebook, Twitter, LinkedIn, YouTube or any other social media and/or networking site without FRANCHISOR's prior written approval and in strict accordance with FRANCHISOR's requirements.

12. INSURANCE.

12.1 Franchisee's Insurance Obligations. FRANCHISEE shall procure, prior to the opening of the Franchised Business, and shall maintain in full force and effect at all times during the term of this Agreement, at FRANCHISEE's expense, an insurance policy or policies protecting FRANCHISEE, FRANCHISOR and its Affiliates, and their respective partners, shareholders, directors, agents, and employees, against any demand or claim with respect to personal and bodily injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the operation of the Franchised Business. Such policy or policies shall: (a) be written by insurer(s) licensed and admitted to write coverage in the state in which the Franchised Business is located and with a rating of "A" or better as set forth in the most recent edition of Best's Key Rating Guide; (b) name FRANCHISOR and its partners, shareholders, directors, agents, and employees as additional insureds; and (c) comply with the requirements prescribed by FRANCHISOR in writing at the time such policies are obtained, and provide at least the types and minimum amounts of coverage specified below or as revised by the Manuals. Such policies shall include, at the minimum, the following policies:

12.1.1 "All risk" property insurance, including business interruption insurance, customarily obtained by similar businesses in the store's principal trade area;

12.1.2 Comprehensive general liability insurance, including products and contractual, in an amount of not less than \$2,000,000 combined single limit (CSL);

12.1.3 Workers' compensation insurance for statutory limits and employer's liability insurance in an amount not less than \$1,000,000.

12.2 Waiver of Subrogation. In connection with any and all insurance required to be maintained by FRANCHISEE under Paragraph 12.1, FRANCHISEE and FRANCHISEE's insurers shall agree to waive their rights of subrogation against FRANCHISOR, and FRANCHISEE shall provide evidence of such waiver in accordance with Paragraph 12.5.

12.3 Franchisee's Insurance Obligation Not Affected By Franchisor's Insurance. FRANCHISEE's obligation to obtain and maintain insurance shall not be limited in any way by reason of any insurance which may be maintained by FRANCHISOR, nor shall FRANCHISEE's performance of that obligation relieve it of liability under the indemnity provisions set forth in Paragraph 19.4 of this Agreement.

12.4 Additional Required Endorsement. All public liability and property damage policies shall contain a provision that FRANCHISOR and its Affiliates, although named as an additional insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to FRANCHISOR, or its Affiliates, partners, shareholders, officers, directors, agents, or employees by reason of the negligence of FRANCHISEE.

12.5 Certificates of Insurance. At least ten (10) days prior to the time any insurance is first required to be carried by FRANCHISEE, and thereafter at least thirty (30) days prior to

the expiration of any policy, FRANCHISEE shall deliver to FRANCHISOR and its Affiliates Certificates of Insurance evidencing the proper types and minimum amounts of required coverage. All Certificates shall expressly provide that no less than thirty (30) days prior written notice shall be given to FRANCHISOR and its Affiliates in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by such Certificates. Certificates evidencing the insurance required by this Section 12 shall name FRANCHISOR and its Affiliates and each of their Affiliates, partners, shareholders, directors, agents, and employees as additional insureds, and shall expressly provide that any interest of each shall not be affected by any breach by FRANCHISEE of any policy provisions for which such Certificates evidence coverage.

12.6 Right to Secure Insurance on Behalf of Franchisee. Should FRANCHISEE, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by FRANCHISOR in the Manual or otherwise in writing, FRANCHISOR and/or its Affiliates shall have the right and authority (but not the obligation) to immediately procure such insurance and to charge same to FRANCHISEE, which charges, together with the expenses of FRANCHISOR and/or its Affiliates in so acting, shall be payable by FRANCHISEE immediately upon notice. The foregoing remedies shall be in addition to any other remedies FRANCHISOR and its Affiliates may have.

13. TRANSFER OF INTEREST.

13.1 Transfer by Franchisor. FRANCHISOR shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of FRANCHISOR's obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations, and shall become solely responsible for all obligations of FRANCHISOR under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, FRANCHISEE expressly affirms and agrees that FRANCHISOR and or its Affiliates may sell their assets, the Proprietary Products, the Proprietary Marks, or the System; may sell securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, FRANCHISEE expressly and specifically waives any claims, demands or damages arising from or related to the loss of FRANCHISOR's name, the Proprietary Products, the Proprietary Marks, the Proprietary Marks (or any variation thereof) and System and/or the loss of association with or identification of BIGGIE WORKS INC as FRANCHISOR under this Agreement. FRANCHISEE specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing. FRANCHISEE agrees that FRANCHISOR has the right, now or in the future, to purchase, merge, acquire or Affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that

chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as FM2050 Stores operating under the Proprietary Marks or any other marks following FRANCHISOR's purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which FRANCHISEE acknowledges may be proximate to the Franchised Business).

13.2 Transfer by Franchisee. FRANCHISEE understands and acknowledges that the rights and duties set forth in this Agreement are personal to FRANCHISEE, and that FRANCHISOR has granted this franchise in reliance on FRANCHISEE's (or, if FRANCHISEE is a corporation, partnership, or limited liability company, its principals') business skill, financial capacity, and personal character. Accordingly, neither FRANCHISEE nor any immediate or remote successor to any part of FRANCHISEE's interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in FRANCHISEE shall sell, encumber, assign, transfer, convey, pledge, merge, or give away any direct or indirect interest in this Agreement, in FRANCHISEE, or in all or substantially all of the assets of the Franchised Business without the prior written consent of FRANCHISOR. Any change in the control of FRANCHISEE shall be deemed a transfer for purposes of this Agreement. Any purported assignment or transfer not having the written consent of FRANCHISOR required by this Paragraph 13.2 shall be null and void and shall constitute a material breach of this Agreement, for which FRANCHISOR may immediately terminate without opportunity to cure pursuant to Paragraph 14.2.4 of this Agreement.

13.3 Requirements for Transfer by Franchisee. FRANCHISOR may, in its sole discretion, require any or all of the following as conditions of its consent to a transfer set forth in Paragraph 13.2 of this Agreement:

13.3.1 FRANCHISEE shall not be in default of any provision of this Agreement, any amendment of this Agreement or successor to this Agreement, or any other agreement between FRANCHISEE and FRANCHISOR, or its Affiliates.

13.3.2 The transferor (and, if the transferor is other than an individual, the transferor and such other owners of a beneficial interest in the transferor as FRANCHISOR may request) shall execute a general release, in a form prescribed by FRANCHISOR, of any and all claims which the transferor may have or believes to have against FRANCHISOR and/or its Affiliates and their respective officers, directors, agents and employees, whether the claims are known or unknown, which are based on, arise from or relate to this Agreement, the Franchised Business or the Franchised Location, as well as claims, known or unknown, which are not based on, do not arise from or do not relate to this Agreement, the Franchised Business or the Franchised Location but which relate to other franchise agreements, stores, franchised locations and other agreements between FRANCHISOR or its Affiliates and FRANCHISEE which arose on or before the date of the general release, including, without limitation, all obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, arising under federal, state and local laws, rules and ordinances, provided such release is fully mutual and has reciprocal language whereby FRANCHISOR releases FRANCHISEE from any and all claims during the same period.

13.3.3 The transferee (or, if the transferee is other than an individual, a principal of the transferee approved by FRANCHISOR) shall demonstrate to FRANCHISOR's satisfaction that the terms of the proposed assignment do not place an unreasonable financial burden on the transferee, and FRANCHISEE understands and acknowledges that FRANCHISOR shall be entitled, in connection with assessing the financial burden placed upon any prospective assignee, to share with such prospective assignee information relating to the Franchised Business, including information in FRANCHISOR's possession relating to operations and sales at the Franchised Business.

13.3.4 The transferee (or, if the transferee is other than an individual, a principal of the transferee approved by FRANCHISOR) shall demonstrate to FRANCHISOR's satisfaction that the terms of the proposed assignment do not place an unreasonable operational burden on the transferee, and that the transferee meets FRANCHISOR's standards for: (a) work experience and aptitude; (b) character and reputation; (c) absence of conflicting interests; and (d) such other criteria and conditions as FRANCHISOR shall then consider relevant in the case of an application for a new franchise by an applicant not currently operating a Franchised Business.

13.3.5 At FRANCHISOR's request, the transferee (and, if the transferee is other than an individual, such principals of the transferee as FRANCHISOR may request) shall execute, for a term ending on the Effective Date, the current standard form Franchise Agreement (and individual guarantees) then being offered to new System franchisees, which Franchise Agreement shall supersede this Agreement in all respects and the terms of which Franchise Agreement may differ materially from the terms of this Agreement and may be less favorable to the transferee; provided, however, that the transferee shall not be required to pay an initial franchise fee.

13.3.6 The transferee shall successfully complete, at its expense, the required initial training as described in Paragraph 6.1, including payment of the then-current training fee charged by FRANCHISOR in those circumstances where FRANCHISEE is required to pay a fee for attendees at the initial training programs.

13.3.7 Except in the case of a transfer to an entity formed for the convenience of ownership, where the ownership of such corporation is in the same proportion as the ownership of FRANCHISEE before such transfer, a transfer fee in an amount designated by FRANCHISOR, but which shall not exceed \$15,000, plus FRANCHISOR's out of pocket costs associated with the transfer, including costs of attorneys' fees associated with the transfer, shall be paid by FRANCHISEE to FRANCHISOR. If FRANCHISEE desires to conduct business in a corporate capacity, FRANCHISOR will consent to the assignment of this Agreement to a corporation, provided that (i) the corporation shall be and shall remain a closely-held corporation; (ii) the stock certificates issued by the corporation shall contain a restriction on transfer referencing this Franchise Agreement, in a form prescribed by FRANCHISOR; (iii) the ownership of the assignee corporation shall be in the same proportion as the ownership of FRANCHISEE before the transfer; and (iv) none of the shares of stock in the assignee corporation shall be held by a business competitor of FRANCHISOR. FRANCHISEE shall pay an administrative fee of \$500 per

transfer for each transfer to a corporation, partnership or limited liability company where such transfer is for the convenience of ownership only. At the time of request for a transfer for the convenience of ownership, FRANCHISEE shall submit the following documents to FRANCHISOR and FRANCHISOR shall review and approve such documents within thirty (30) days thereafter:

- a) For an assignment to a closely-held corporation, FRANCHISEE shall provide to FRANCHISOR a (i) file stamped copy of the Articles of Incorporation and By-laws of the proposed assignee corporation, (ii) a sample stock certificate, (iii) a Certificate of Good Standing in the state in which the corporation is authorized to do business and the state in which the corporation will conduct the store business pursuant to this Franchise Agreement, (iv) a list of officers and their percentage ownership of the stock of the corporation, and (v) a list of directors of the corporation.
- b) For an assignment to a partnership, FRANCHISEE shall provide to FRANCHISOR a (i) file stamped copy of the Certificate of Limited Partnership (if applicable) or the Statement of Partnership, and (ii) a copy of the fully executed Partnership Agreement, containing an exhibit showing the percentage of ownership in the partnership by all partners.
- c) For an assignment to a limited liability company, FRANCHISEE shall provide to FRANCHISOR a (i) Certificate of Formation of Limited Liability Company and (ii) a fully executed copy of the Operating Agreement, containing an exhibit showing the percentage of ownership of all members in the limited liability company.

13.3.8 FRANCHISEE shall remain liable for all of its obligations to FRANCHISOR and its Affiliates which arose prior to the effective date of the transfer, and shall execute any documents reasonably requested by FRANCHISOR to evidence such liability.

13.3.9 FRANCHISEE shall have paid all amounts due to FRANCHISOR.

13.3.10 The transferee, at its expense, shall refurbish the Franchised Business in the manner described in Paragraph 7.9, irrespective of the thirty (30) month time frame described in this Agreement, to conform to FRANCHISOR's then-current standards and specifications, and complete the refurbishing and other requirements within the time specified by FRANCHISOR.

13.3.11 As part of the transfer, FRANCHISEE shall assign all of its right, title and interest in and to the Lease to the transferee, with the written consent of the Landlord and all other parties whose consent is required.

13.3.12 FRANCHISEE shall remain liable to FRANCHISOR for all obligations of FRANCHISEE which arise as a result of acts, events or omissions which occurred

prior to the effective date of the transfer. FRANCHISOR's consent to any transfer shall not constitute a waiver or release of any claims FRANCHISOR may have against FRANCHISEE as of the date of the assignment.

13.4 Granting of a Security Interest by Franchisee. FRANCHISEE shall not grant a security interest in the Franchised Business or in any of the assets of the Franchised Business without first obtaining the prior written consent of FRANCHISOR. FRANCHISOR's consent or refusal to consent may be based upon whatever factors FRANCHISOR, in its sole discretion, deems economically and commercially reasonable in protecting FRANCHISOR's interests and security interest under this Agreement and the relationship created under this Agreement. Under any circumstances however, FRANCHISOR shall not consent to any such granting of a security interest unless all of the following conditions are met:

13.4.1 Such security is granted only for the purpose of securing a loan in favor of FRANCHISEE, which loan shall only be for the benefit of the Franchised Business.

13.4.2 In the event of any default by FRANCHISEE under any documents in any way relating to the security interest or the loan to which it relates, FRANCHISOR shall have the right at its sole option (but not the obligation) to cure any such default and/ or to be substituted as obligor to the lender whose interests are secured by such security interest. 13.4.3 In the event of any default, and if FRANCHISOR chooses to be substituted as obligor, FRANCHISOR shall be so substituted in all respects on the same terms and conditions to which FRANCHISEE was subject, except that any acceleration of the obligations secured, due to FRANCHISEE's default, shall be void upon cure by FRANCHISOR.

13.4.4 Such other conditions and terms as FRANCHISOR shall deem necessary and/or prudent to protect its interests under this Agreement.

13.5 Right of First Refusal. If any party holding any direct or indirect interest in this Agreement, in FRANCHISEE, or in all or substantially all of the assets of the Franchised Business desires to accept any bona fide offer from a third party to purchase such interest, FRANCHISEE shall notify FRANCHISOR of such offer at least thirty (30) days before such transfer is proposed to take place, and shall provide such information and documentation relating to the offer as FRANCHISOR may require. FRANCHISOR shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and any background materials concerning the proposed transfer that FRANCHISOR shall reasonably request, to send written notice to the seller that FRANCHISOR intends to purchase the seller's interest on the same terms and conditions offered by the third party. If FRANCHISOR elects to purchase the seller's interest, the closing on such purchase shall occur within thirty (30) days from the date of notice to the seller of the election to purchase by FRANCHISOR. If FRANCHISOR declines to purchase the seller's interest, FRANCHISEE shall have ninety (90) days from the earlier of: (a) receipt of a notice from FRANCHISOR declining to exercise its right of first refusal, or (b) thirty (30) days after FRANCHISOR's receipt of the transferor's written notification of the proposed transfer, to close on the transfer of such interest subject to FRANCHISOR's approval pursuant to Paragraph 13.3. Failure to effect a transfer with the third party within the ninety (90) day period,

or any material change thereafter in the terms of the offer prior to closing, shall constitute a new offer subject to the same rights of first refusal by FRANCHISOR as in the case of the third party's initial offer. Failure of FRANCHISOR to exercise the option afforded by this Paragraph 13.5 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 13, with respect to a proposed transfer. In the event the consideration, terms, and/or conditions offered by a third party are such that FRANCHISOR may not reasonably be required to furnish the same consideration, terms, and/or conditions, then FRANCHISOR may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, an independent appraiser shall be designated by FRANCHISOR at FRANCHISOR's expense, and the appraiser's determination shall be binding.

13.6 Transfer Upon Death or Incapacitation. Upon the death or permanent incapacity (mental or physical) of any person with an interest in this Agreement, in FRANCHISEE, or in all or substantially all of the assets of the Franchised Business, the executor, administrator, or personal representative of such person shall transfer such interest to a third party approved by FRANCHISOR within six (6) months after such death or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any inter vivos transfer, except that the transfer fee shall be waived. In the case of transfer by devise or inheritance, however, if the heirs or beneficiaries of any such person are unable to meet the conditions of this Section 13, the executor, administrator, or personal representative of the decedent shall transfer the decedent's interest to another party approved by FRANCHISOR within six (6) months, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within such period, FRANCHISOR may, at its option, terminate this Agreement, pursuant to Paragraph 14.2.5 of this Agreement.

13.7 Non-Waiver of Claims. FRANCHISOR's consent to a transfer shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of FRANCHISOR's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

13.8 Transfer by Franchisee in Bankruptcy - Right of First Refusal. If, for any reason, this Agreement is not terminated pursuant to Paragraph 14.1 and this Agreement is assumed, or assignment of the same to any person or entity who has made a bona fide offer to accept an assignment of this Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (a) the name and address of the proposed assignee, and (b) all of the terms and conditions of the proposed assignment and assumption, shall be given to FRANCHISOR within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and FRANCHISOR shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of this Agreement to FRANCHISOR itself upon the same terms and conditions and

for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by FRANCHISEE out of the consideration to be paid by such assignee for the assignment of this Agreement.

13.9 Restriction on Publicly Traded Securities. Securities, partnership or other ownership interests in FRANCHISEE may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of FRANCHISOR, which consent shall not be unreasonably withheld. All materials required for any such private offering by federal or state law shall be submitted to FRANCHISOR for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to FRANCHISOR for such review prior to their use. No such offering by FRANCHISEE shall imply that FRANCHISOR is participating in an underwriting, issuance or offering of securities of FRANCHISEE or FRANCHISOR, and FRANCHISOR's review of any offering materials shall be limited solely to the subject of the relationship between FRANCHISEE and FRANCHISOR and its Affiliates. FRANCHISOR may, at its option, require FRANCHISEE's offering materials to contain a written statement prescribed by FRANCHISOR concerning the limitations described in the preceding sentence. FRANCHISEE, its Owners and the other participants in the offering must fully defend and indemnify FRANCHISOR, and its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any additional documentation required by FRANCHISOR to further evidence this indemnity. For each proposed offering, FRANCHISEE shall pay to FRANCHISOR a non-refundable fee of \$5,000, which shall be in addition to any Transfer Fee under any Franchise Agreement or such greater amount as is necessary to reimburse FRANCHISOR for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. FRANCHISEE shall give FRANCHISOR written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Section.

14. DEFAULT AND TERMINATION.

14.1 Termination In the Event of Bankruptcy or Insolvency. FRANCHISEE shall be deemed to be in default under this Agreement, and all rights granted to FRANCHISEE in this Agreement shall automatically terminate without notice to FRANCHISEE, if FRANCHISEE becomes insolvent or makes a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by FRANCHISEE or such a petition is filed against and not opposed by FRANCHISEE; if FRANCHISEE is adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of FRANCHISEE or other custodian for FRANCHISEE's business or assets is filed and consented to by FRANCHISEE; if a receiver or other custodian (permanent or temporary) of FRANCHISEE's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law is instituted by or against FRANCHISEE; if a final

judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); if FRANCHISEE is dissolved; if execution is levied against FRANCHISEE's business or property; if suit to foreclose any lien or mortgage against the Franchised Location or assets is instituted against FRANCHISEE and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Business is sold after levy thereupon by any sheriff, marshal, or constable.

14.2 Termination with Notice and Without Opportunity to Cure. FRANCHISEE shall be in default under this Agreement, and FRANCHISOR may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording FRANCHISEE any opportunity to cure the default, effective immediately upon receipt of notice by FRANCHISEE upon the occurrence of any of the following events:

14.2.1 If FRANCHISEE fails to construct and open the Franchised Business for business within twelve (12) months from the Effective Date, subject only to Force Majeure.

14.2.2 If FRANCHISEE at any time ceases to operate or otherwise abandons the Franchised Business without the consent of FRANCHISOR, or loses the right to possession of the Franchised Location, or otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located. If, however, through no fault of FRANCHISEE, the Franchised Location is lost, damaged, or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) thereafter, then FRANCHISEE shall have thirty (30) days after such event in which to apply for FRANCHISOR's approval to relocate and/or reconstruct the Franchised Business, which approval shall not be unreasonably withheld.

14.2.3 If FRANCHISEE (or an officer or director of or a shareholder in FRANCHISEE, if FRANCHISEE is a corporation, or a general or limited partner of FRANCHISEE, if FRANCHISEE is a partnership, or a member, if FRANCHISEE is a limited liability company) is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that FRANCHISOR believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or FRANCHISOR's interest in this Agreement.

14.2.4 If any purported assignment or transfer of any direct or indirect interest in this Agreement, in FRANCHISEE, or in all or substantially all of the assets of the Franchised Business is made to any third party without FRANCHISOR's prior written consent, contrary to the terms of Section 13 of this Agreement.

14.2.5 If an approved transfer as required by Paragraph 13.6 of this Agreement, is not effected within the time provided following a death or permanent incapacity (mental or physical).

14.2.6 If FRANCHISEE fails to comply with the covenants in Paragraph 16.1 of this Agreement or fails to deliver to FRANCHISOR the executed covenants required under Paragraphs 9.4 or 16.5 of this Agreement.

14.2.7 If, contrary to the terms of Section 9 of this Agreement, FRANCHISEE, any principal or employee of FRANCHISEE, discloses or divulges the contents of the Manuals or other confidential information provided to FRANCHISEE by FRANCHISOR.

14.2.8 If FRANCHISEE or any principal of FRANCHISEE has made any material misrepresentations in connection with FRANCHISEE's application to FRANCHISOR for the franchise granted in this Agreement.

14.2.9 If FRANCHISEE, after curing a default pursuant to Paragraph 14.3 of this Agreement, commits the same, similar, or different default again, whether or not cured after notice.

14.2.10 If FRANCHISEE loses, through renovation, forfeiture, failure to renew, or otherwise, any license required with respect to the operation of the Franchised Business.

14.2.11 If FRANCHISEE or any employee fails to successfully complete the initial training required by Paragraph 6.1.

14.2.12 If FRANCHISEE understates any payment to FRANCHISOR by three percent (3%) or more, or understates any such payment in any amount, twice in any two (2) year period.

14.2.13 If an imminent threat or danger to public health or safety results from the operation of the Franchised Business.

14.2.14 If FRANCHISEE knowingly maintains false books or records or submits any false reports or statements to FRANCHISOR.

14.2.15 If FRANCHISEE fails to obtain or maintain required insurance coverage.

14.2.16 If, within ten (10) days after receipt of written notice from FRANCHISOR that any required payment is overdue, FRANCHISEE does not make such payment to FRANCHISOR, FRANCHISOR's Affiliates, or, to FRANCHISEE's suppliers or creditors, unless, with respect to FRANCHISEE's suppliers or creditors, FRANCHISEE notifies FRANCHISOR of the existence on a bona fide dispute and takes immediate action to resolve it.

14.2.17 If FRANCHISEE fails to make timely payments upon any obligation of FRANCHISEE upon which FRANCHISOR has advanced any funds for or on behalf of

FRANCHISEE, or upon which FRANCHISOR is acting as a guarantor of FRANCHISEE, or default upon or breach of any provision of any promissory note or other evidence of indebtedness or any agreement relating to this Agreement concerning any obligation of FRANCHISEE which arises from the Franchised Business.

14.2.18 If FRANCHISEE (or any guarantor, officer or director of or a shareholder in FRANCHISEE, if FRANCHISEE is a corporation, or a general or limited partner of FRANCHISEE, if FRANCHISEE is a partnership, or a member, if FRANCHISEE is a limited liability company) or any other franchisee of FRANCHISOR which controls, is controlled by, or is under common control with FRANCHISEE (a "Franchisee Affiliate"), fails to comply with any or all of the terms of this Agreement or any other agreement between FRANCHISOR, or its Affiliates, and FRANCHISEE within ten (10) days after receipt of written notice from FRANCHISOR to do so.

14.2.19 If FRANCHISEE defaults in the repayment or performance of any obligation or financing transaction with third parties under which this franchise, the Franchised Location or any asset of the Franchised Business is pledged as security for FRANCHISEE's performance.

14.2.20 If, contrary to the terms of Section 7.4 of this Agreement, FRANCHISEE purchases any products, equipment, supplies or materials to be used at the Franchised Business from any suppliers who are not expressly designated or approved by FRANCHISOR, and fails to remove the same from the Franchised Business and cease all use of the same within ten (10) days after receipt of written notice from FRANCHISOR to do so.

14.3 Termination With Notice and Opportunity to Cure. Except as otherwise provided in Paragraphs 14.1 and 14.2 of this Agreement, FRANCHISEE shall have thirty (30) days after its receipt from FRANCHISOR of a written Notice of Default within which to remedy any default under this Agreement or any Addendum executed along with this Agreement, and to provide evidence thereof to FRANCHISOR. If any such default is not cured within the specified time, or such longer period as applicable law may require, FRANCHISOR shall have the right to terminate this Agreement by providing written Notice of Termination to FRANCHISEE. FRANCHISEE shall be in default pursuant to this Paragraph 14.3 for failure to substantially comply with any of the requirements imposed by this Agreement, as it may from time to time reasonably be modified or supplemented by the Manuals, or failure to carry out the terms of this Agreement in good faith.

14.4 Cross-Default. Any default by FRANCHISEE under the terms and conditions of this Agreement, or any other agreement between FRANCHISOR, its Affiliates, and FRANCHISEE, shall be deemed to be a default of each and every other such agreement. In the event of the termination of this Agreement for any cause, or the termination of any other agreement between FRANCHISOR, its Affiliates, and FRANCHISEE, FRANCHISOR and its Affiliates may, at their option, terminate any or all of such other agreements.

15. OBLIGATIONS OF FRANCHISEE UPON TERMINATION.

Upon termination or expiration of this Agreement, all rights granted under this Agreement to FRANCHISEE shall forthwith terminate, and:

15.1 Cessation of Operations. FRANCHISEE shall immediately cease to operate the Franchised Business, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of FRANCHISOR.

15.2 Cessation of Use of Confidential Information and Proprietary Marks. FRANCHISEE shall immediately and permanently cease to use, by advertising or in any other manner whatsoever, any confidential methods, procedures, and techniques associated with the System, and all Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System.

15.3 Cancellation of Assumed Name Registration. FRANCHISEE shall take such action as may be necessary to cancel any assumed name registration or equivalent registration obtained by FRANCHISEE which contains the Proprietary Marks; and FRANCHISEE shall furnish FRANCHISOR with evidence satisfactory to FRANCHISOR of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement.

15.4 Assignment of Lease; Termination of Sublease. If FRANCHISEE leases the Franchised Location under a Lease with a Landlord, FRANCHISEE shall, at FRANCHISOR's request, immediately assign to FRANCHISOR any interest which FRANCHISEE has in any Lease for the Franchised Location. If the Franchised Location is subject to a Sublease, the Sublease shall immediately terminate, subject to the terms of the Sublease. In the event FRANCHISOR does not request assignment of the Lease, FRANCHISEE, within thirty (30) days after termination or expiration of this Agreement, shall make such modifications or alterations to the Franchised Location (including, without limitation, the changing of the color scheme and other distinctive design features, and the changing of and assigning to FRANCHISOR of, the telephone number) as may be necessary to distinguish the appearance of the Franchised Location from that of other FM2050 Stores, and shall make such specific additional changes to this Agreement as FRANCHISOR may reasonably request for that purpose. If FRANCHISEE fails or refuses to comply with the requirements of this Paragraph 15.4 following FRANCHISOR's demand that FRANCHISEE do so, FRANCHISOR shall have the right to immediately enter into negotiations with the landlord of the Franchised Location regarding assignment and assumption of the Lease and to enter the Franchised Location and conduct business at the Franchised Business, without being guilty of trespass or any other tort. In addition, FRANCHISOR may make or cause to be made such changes to the Franchised Business as may be required to enable FRANCHISOR, or its Affiliates, or another franchisee of FRANCHISOR, to continue the operation of the Franchised Business, all at the expense of FRANCHISEE, which expense FRANCHISEE shall pay to FRANCHISOR upon demand.

15.5 Modification of Premises to Avoid Public Confusion. FRANCHISEE agrees, in the event it continues to operate or subsequently begins 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 the promotion thereof, which, in FRANCHISOR's sole

discretion, is likely to cause confusion, mistake, or deception, or which, in FRANCHISOR's sole discretion, is likely to dilute FRANCHISOR's rights in and to the Proprietary Marks. FRANCHISEE further agrees not to utilize any designation of origin or description or representation which, in FRANCHISOR's sole discretion, falsely suggests or represents an association or connection with FRANCHISOR constituting unfair competition.

15.6 Franchisee Payment of Monies Due. FRANCHISEE shall promptly pay all sums owing to FRANCHISOR and its Affiliates. In the event of termination for any default of FRANCHISEE, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by FRANCHISOR as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of FRANCHISOR against any and all leasehold improvements, fixtures, furnishings and equipment, inventory, supplies and vehicles located at or used in connection with the Franchised Business, together with all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of such assets, all rights of FRANCHISEE to use the Proprietary Marks, patents, copyrights and their registrations, trade secret information and other proprietary rights, and all rights granted, owned or licensed to FRANCHISEE under this Agreement for the use of the Proprietary Marks, trade names, trade styles, patents, copyrights, trade secret information and other proprietary rights. FRANCHISEE hereby appoints FRANCHISOR as its attorney in fact, with full power and authority to execute on FRANCHISEE's behalf such documents as are necessary to obtain and perfect such lien. FRANCHISOR shall have the right to set off any amounts which it deems are payable to it by FRANCHISEE. In addition to the foregoing, FRANCHISEE shall pay FRANCHISOR, within thirty (30) days following the date of termination, an amount equal to the present value (using the then-current 30 year treasury bond rate) of the royalty fees FRANCHISEE would have paid FRANCHISOR, calculated as the product of (i) the average monthly Gross Revenue of the Franchised Business during the twelve (12) months immediately preceding the effective date of termination multiplied by (ii) the number of months remaining to complete the initial term of this Agreement, had this Agreement not been terminated. In this regard, FRANCHISOR and FRANCHISEE acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages FRANCHISOR will incur upon the termination of this Agreement due to the complications inherent in determining the amount of revenue lost by FRANCHISOR because of the uncertainty regarding the number of months left to complete the initial term of this Agreement, the uncertainty regarding the Gross Revenue of the Franchised Business during the remainder of the initial term of this Agreement and the amount of royalty fees FRANCHISEE would have paid FRANCHISOR based upon such Gross Revenue and the like. FRANCHISOR and FRANCHISEE further acknowledge and agree that this calculation of FRANCHISOR's potential damages is a reasonable, good-faith estimate of such damages. If FRANCHISOR is unable to make this calculation because of FRANCHISEE's failure to report the Gross Revenue of the Franchised Business as required by Paragraph 10.5 of this Agreement, FRANCHISOR may estimate the Gross Revenue of the Franchised Business for the applicable period based upon the historical financial information available to FRANCHISOR at such time.

15.7 Franchisee Payment of Franchisor's Cost in Securing Franchisee Compliance with Post Termination Obligations. FRANCHISEE shall pay to FRANCHISOR all damages, costs, and expenses, including reasonable attorneys' fees, incurred by FRANCHISOR prior or

subsequent to the termination or expiration of the franchise in this Agreement granted in obtaining injunctive or other relief for the enforcement of any provisions of this Section 15.

15.8 Return of Manuals and Other Confidential Information. FRANCHISEE shall immediately deliver to FRANCHISOR the Manuals and all other manuals, records, correspondence, files, and any instructions containing confidential information relating to the operation of the Franchised Business which are in FRANCHISEE's possession; and all copies thereof (all of which are acknowledged to be the property of FRANCHISOR).

15.9 Franchisor's Right to Purchase, Fixtures, and Tangible Assets. Except as otherwise provided in Paragraph 15.10, FRANCHISOR shall have the option to purchase the "tangible assets" (as defined in Paragraph 15.11 of this Agreement) of the Franchised Business at their then-current fair market value and in accordance with the procedures described in Paragraph 15.11. FRANCHISOR shall exercise its option by written notice to FRANCHISEE within thirty (30) days after either: (a) termination of this Agreement; or (b) the date that FRANCHISOR has notified FRANCHISEE that FRANCHISEE has not satisfied the pre-conditions to obtaining a successor term as set forth in Paragraphs 2.2.2 through 2.2.9.

15.10 Franchisee's Right to Sell Assets Upon Expiration. Except in circumstances where the Agreement is terminated prior to its normal expiration date, and notwithstanding FRANCHISOR's rights pursuant to Section 13 to approve any transfer, FRANCHISEE and any Franchisee Affiliate shall have the right to sell the assets that are the subject to FRANCHISOR's purchase option set forth in Paragraph 15.9 during the last six (6) months of the then expiring term, provided that the purchase agreement specifically includes a covenant approved by FRANCHISOR and which is expressly enforceable by FRANCHISOR as a third-party beneficiary, that the purchaser shall not, for a period of twelve (12) months after the expiration of this Agreement, use such premises for the operation of a business whose merchandise or method of operation is similar to that employed by the Franchised Business.

15.11 Calculating the Purchase Price of Assets. For purposes of this Paragraph 15.11 the term "tangible assets" shall mean only the leasehold improvements, furniture, fixtures, equipment and interior and exterior signs at the Franchised Business.

15.11.1 The purchase price for the tangible assets shall be the lesser of their net book value (using a 5-year straight line amortization period) or their then-current fair market value less the amount of all fees and obligations due to FRANCHISOR, or its Affiliates, from FRANCHISEE and less the amount of any current and long term liabilities of the Franchised Business to be assumed by FRANCHISOR as described in Paragraph 15.11.3 of this Agreement. The purchase price for the tangible assets shall not contain any amount for "goodwill", "going concern value" or initial franchise fees, royalty fees, advertising fees or any other sums paid to FRANCHISOR by FRANCHISEE prior to the termination of this Agreement. In addition, the purchase price for the tangible assets shall not include payment for any inventory or supplies or leasehold improvements, equipment, fixtures or signs which FRANCHISOR deems obsolete or has heretofore designated as failing to meet quality standards for the System.

15.11.2 The amount of the purchase price for the tangible assets shall be included by FRANCHISOR in its notice of its exercise of the option to purchase the tangible assets. If FRANCHISEE does not accept FRANCHISOR's purchase price for the tangible assets within ten (10) days following the date of FRANCHISOR's notice under Paragraph 15.9 of this Agreement, the purchase price for the tangible assets shall be determined as follows:

a) Within ten (10) days thereafter, each party shall name an appraiser to independently ascertain the purchase price for the tangible assets in accordance with the criteria set forth in Paragraph 15.11.1 of this Agreement. If the two appraisals are in "substantial agreement," the "average" of the two appraisals will be the purchase price. For this purpose, the term "substantial agreement" means a difference in the two appraisals of less than fifteen percent (15%) of the higher appraisal and the term "average" means fifty percent (50%) of the sum of the two appraisals.

b) If the two appraisals are not in substantial agreement, the two appraisers will jointly choose a third appraiser within ten (10) days of the date that the last appraisal is delivered to the parties who shall conduct his appraisal of the tangible assets within thirty (30) days. If a third appraiser is utilized, the purchase price will be the average of the two appraisals which are closest to each other.

c) The parties shall share equally the fees and expenses of the third appraiser, but each party shall be responsible for the fees and expenses of his or its appraiser. Each party shall bear its own expenses in presenting evidence to the appraisers.

d) In determining the purchase price for the tangible assets, the appraisers shall consider all relevant material submitted to them by the parties or otherwise obtained by them and shall set forth their determinations in writing, together with their opinions and the considerations on which the opinions are based, with a signed counterpart to be delivered to each party within thirty (30) days.

15.11.3 The purchase price for the tangible assets shall be reduced by the current and long term liabilities of the Franchised Business (except liabilities owed to FRANCHISEE or its principals) to be assumed by FRANCHISOR, up to the amount of the purchase price, subject to all defenses available to FRANCHISEE.

15.11.4 The balance of the purchase price for the tangible assets remaining after the deductions described in Paragraph 15.11.3 of this Agreement shall be payable to FRANCHISEE as follows:

a) Forty percent (40%) of the balance due will be paid in cash as a down payment on the date of the close of escrow.

b) The amount remaining due will be evidenced by a promissory note providing for payment of this sum, together with interest at a rate equal to the prime lending rate then charged by FRANCHISOR's principal bank determined as of the date of the close of escrow, in seventy-two (72) equal monthly installments of principal and interest commencing on the first day of the second calendar month following the date of the close of escrow and continuing on the same day of each consecutive month until paid in full.

15.11.5 The close of escrow shall occur within forty-five (45) days after the final determination of the purchase price for the tangible assets. Bulk transfer costs shall be paid by FRANCHISEE. Escrow costs shall be shared equally by FRANCHISOR and FRANCHISEE.

15.11.6 If FRANCHISOR does not elect to exercise its option to purchase the tangible assets, FRANCHISEE or any Franchisee Affiliate may assign any Lease for the Franchised Location or sell the real property to a third party, provided that the assignment or purchase agreement specifically include a covenant approved by FRANCHISOR and which is expressly enforceable by FRANCHISOR as a third-party beneficiary, that the purchaser shall not, for a period of twelve (12) months after the termination or expiration of this Agreement, use the Franchised Location for the operation of a store business whose merchandise or method of operation is similar to that employed by the Franchised Business.

15.11.7 FRANCHISOR shall have the right to assign its option to purchase the tangible assets at the Franchised Business and to obtain an assignment of any Lease to an assignee of FRANCHISOR's choice at any time prior to the close of escrow.

15.12 Irreparable Injury to Franchisor. FRANCHISEE agrees and acknowledges that FRANCHISEE's failure to comply with the provisions of Paragraphs 15.9 and 15.11 will result in irreparable harm to FRANCHISOR and to the Proprietary Marks, and FRANCHISEE agrees to pay all damages, expenses, court costs and reasonable attorneys' fees incurred by FRANCHISOR in obtaining specific performance of, or an injunction against violation of, and/or damages resulting from a violation of, the requirements of Paragraphs 15.9 and 15.11 of this Agreement.

15.13 Compliance with Post Term Covenants. All covenants, obligations, and agreements of FRANCHISEE which by their terms or by reasonable implication are to be performed, in whole or in part, after the termination or expiration of this Agreement, shall survive such termination or expiration.

16. COVENANTS.

16.1 Non-Competition During Term of Agreement. FRANCHISEE specifically acknowledges that, pursuant to this Agreement, FRANCHISEE will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of FRANCHISOR and the System. FRANCHISEE (or, if FRANCHISEE is a corporation, limited liability company, or partnership, all principals of FRANCHISEE) covenants that during the term of this Agreement, except as otherwise approved in writing by FRANCHISOR, FRANCHISEE (or, if FRANCHISEE is a corporation, limited liability company, or partnership, all principals of FRANCHISEE) shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, or legal entity:

16.1.1 Divert or attempt to divert any present or prospective 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.

16.1.2 Employ or seek to employ any person who is or has been within the previous thirty (30) days employed by FRANCHISOR or an Affiliate of FRANCHISOR as a salaried managerial employee, or otherwise directly or indirectly induce such person to leave his or her employment.

16.1.3 Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any business that is the same or similar to the Franchised Business or which offers products or services which are the same as or similar to the products and services being offered by the Franchised Business.

16.2 Non-Competition After Execution or Termination of Agreement. Commencing upon the date of: (a) a transfer permitted under Section 13 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); or (d) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Paragraph 16.2, and continuing for an uninterrupted period of two (2) years thereafter, FRANCHISEE shall not, without FRANCHISOR's prior written consent, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with a business which: (a) offers women's apparel, bags, shoes, and accessories, and (b) is, or is intended to be, located at or within a twenty five (25) mile radius of the Franchised Location. In applying for such consent, FRANCHISEE will have the burden of establishing that any such activity by it will not involve the use of benefits provided under this Agreement or constitute unfair competition with FRANCHISOR or other franchisees or area developers of FRANCHISOR.

16.3 Exceptions to Non-Compete Covenants. Paragraphs 16.1 and 16.2 shall not apply to ownership by FRANCHISEE of a less than five percent (5%) beneficial interest in the

outstanding equity securities of any company registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

16.4 Reducing Scope of Covenants. FRANCHISEE understands and acknowledges that FRANCHISOR shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Paragraphs 16.1 and 16.2, or any portion thereof, without FRANCHISEE's consent, effective immediately upon receipt by FRANCHISEE of written notice thereof; and FRANCHISEE agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Paragraph 21.1 of this Agreement.

16.5 Enforceability of Covenants Not Affected by Franchisee Claims. FRANCHISEE expressly agrees that the existence of any claims it may have against FRANCHISOR, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by FRANCHISOR of the covenants in this Section 16. FRANCHISEE agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by FRANCHISOR in connection with the enforcement of this Section 16.

16.6 Covenants from Individuals. FRANCHISEE shall obtain and furnish to FRANCHISOR executed covenants similar in substance to those set forth in this Section 16 (including covenants applicable upon the termination of a person's relationship with FRANCHISEE) from any or all of the following persons: (a) all employees of FRANCHISEE who have attended any training program described in Paragraph 6.1 of this Agreement; (b) all officers, directors, members and holders of a beneficial interest of five percent (5%) or more of the securities of FRANCHISEE, and of any corporation directly or indirectly controlling FRANCHISEE, if FRANCHISEE is a corporation or limited liability company; and (c) the general partners and any limited partners (including any corporation, and the officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner), if FRANCHISEE is a partnership. Every covenant required by this Paragraph 16.6 shall be in a form approved by FRANCHISOR, including, without limitation, specific identification of FRANCHISOR as a third party beneficiary of such covenants with the independent right to enforce them.

16.7 Breach of Covenants Causes Irreparable Injury. FRANCHISEE acknowledges that FRANCHISEE's violation of any covenant of this Section 16 or any action described in Paragraphs 14.2, 14.3, or 18.3 would result in irreparable injury to FRANCHISOR for which no adequate remedy at law may be available, and FRANCHISEE consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by FRANCHISOR in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to such conduct or action.

17. ENTITY FRANCHISEE.

If FRANCHISEE is an entity, the following provisions will apply:

17.1 Representations of Franchisee. FRANCHISEE represents and warrants that the information set forth in Attachment B, which is annexed to this Agreement and by this reference made a part hereof, is accurate and complete in all material respects. FRANCHISEE shall notify FRANCHISOR in writing within ten (10) days of any change in the information set forth in Attachment B, and shall submit to FRANCHISOR a revised Attachment B, certified by FRANCHISEE as true, correct and complete and upon acceptance thereof by FRANCHISOR shall be annexed to this Agreement as Attachment B. FRANCHISEE promptly shall provide such additional information as FRANCHISOR may from time to time request concerning all persons who may have any direct or indirect financial interest in FRANCHISEE.

17.2 Corporate Franchisee. If FRANCHISEE is a corporation, it shall: (a) confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Franchised Business; (b) maintain stop transfer instructions on its records against the transfer of any equity securities and shall only issue securities upon the face of which a legend, in a form satisfactory to FRANCHISOR, appears which references the transfer restrictions imposed by this Agreement; (c) not issue any non-voting securities convertible into voting securities; (d) maintain a current list of all owners of record and all beneficial owners of any class of voting stock of FRANCHISEE and furnish the list to FRANCHISOR upon request. In addition, each present and future shareholder of FRANCHISEE shall jointly and severally guarantee FRANCHISEE's performance of each and every provision of this Agreement by executing a Guarantee in a form prescribed by FRANCHISOR.

17.3 Partnership Franchisee. If FRANCHISEE is a partnership it shall: (a) furnish FRANCHISOR with its partnership agreement as well as such other documents as FRANCHISOR may reasonably request, and any amendments to this Agreement; and (b) prepare and furnish to FRANCHISOR, upon request, a current list of all general and limited partners in FRANCHISEE. In addition, each present and future partner of FRANCHISEE shall jointly and severally guarantee FRANCHISEE's performance of each and every provision of this Agreement by executing a Guarantee in a form prescribed by FRANCHISOR.

17.4 Limited Liability Company Franchisee. If a FRANCHISEE is a limited liability company, FRANCHISEE shall: (a) furnish FRANCHISOR with a copy of its articles of organization and operating agreement, as well as such other documents as FRANCHISOR may reasonably request, and any amendments to this Agreement; (b) prepare and furnish to FRANCHISOR, upon request, a current list of all members and managers in FRANCHISEE; and (c) maintain stop transfer instructions on its records against the transfer of equity securities and shall only issue securities upon the face of which bear a legend, in a form satisfactory to FRANCHISOR, which references the transfer restrictions imposed by this Agreement. In addition, each present and future member of FRANCHISEE shall jointly and severally guarantee FRANCHISEE's performance of each and every provision of this Agreement by executing a Guarantee in a form prescribed by FRANCHISOR.

17.5 Formation Documents. In addition to any other obligations of FRANCHISEE under this Article 17, the bylaws of a corporation, operating agreement of a limited liability company, or partnership agreement of a partnership, as applicable to FRANCHISEE, must state that (i) the issuance and assignment of any interest in FRANCHISEE are restricted by Article 13

of the Agreement; (ii) FRANCHISEE may conduct no business except the operation of a Franchised Business pursuant to the terms of this Agreement; (iii) transfers of interests in FRANCHISEE are subject to the terms of this Agreement governing transfers; and (iv) stock or member certificates will contain a legend so indicating.

18. TAXES.

18.1 Payment of Taxes. FRANCHISEE shall promptly pay to FRANCHISOR an amount equal to all taxes levied or assessed, including, but not limited to, unemployment taxes, sales taxes, use taxes, withholding taxes, excise taxes, personal property taxes, intangible property taxes, gross receipt taxes, taxes on royalty fees, any similar taxes or levies, imposed upon or required to be collected or paid by FRANCHISOR by reason of the furnishing of products, intangible property (including trademarks and trade names) or services by FRANCHISOR to FRANCHISEE through the sale, license, or Lease of property or property rights provided by this Agreement.

18.2 Challenging Tax Assessment. In the event of any bona fide dispute as to FRANCHISEE's liability for taxes assessed or other indebtedness, FRANCHISEE may contest the validity or the amount of the tax or indebtedness in accordance with the procedures of the taxing authority or applicable law.

18.3 Notification of Investigation or Violation. FRANCHISEE shall notify FRANCHISOR by telephone within twenty-four hours, and confirm in writing within two (2) days thereafter, of any investigation or violation, actual or alleged, concerning any health, liquor or narcotics laws or regulations, and notify in writing within five (5) days of the commencement of any investigation, action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Business.

19. INDEPENDENT CONTRACTOR AND INDEMNIFICATION.

19.1 No Fiduciary Relationship. This Agreement does not create a fiduciary relationship between the parties to this Agreement. FRANCHISEE shall be an independent contractor; and nothing in this Agreement is intended to constitute or appoint either party an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of the other for any purpose whatsoever.

19.2 Public Notice of Independent Status. FRANCHISEE shall conspicuously identify itself and the Franchised Business in all dealings with its customers, contractors, suppliers, public officials, and others, as an independent franchisee of FRANCHISOR, and shall place such notice of independent ownership in its Franchised Business and on all forms. FRANCHISOR shall have the right to specify the language of any such notice.

19.3 Independent Contractor. FRANCHISEE acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on FRANCHISOR's behalf, or to incur any debt or other obligations in FRANCHISOR's name; and that

FRANCHISOR shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor shall FRANCHISOR be liable by reason of any act or omission of FRANCHISEE in its conduct of the Franchised Business or for any claim or judgment arising there from against FRANCHISEE or FRANCHISOR.

19.4 Indemnification. FRANCHISEE shall indemnify and hold harmless to the fullest extent by law, FRANCHISOR, its Affiliates and their respective directors, officers, employees, shareholders, and agents, (collectively the "Indemnitees") from any and all "losses and expenses" (as hereinafter defined) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises directly or indirectly from, as a result of, or in connection with FRANCHISEE's operation of the Franchised Business including, but not limited to, claims arising as a result of the maintenance and operation of vehicles or the Franchised Location (collectively an "event"), and regardless of whether same resulted from any strict or vicarious liability imposed by law on the Indemnitees; provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of indemnities (except to the extent that joint liability is involved, in which event the indemnification provided in this Agreement shall extend to any finding of comparative negligence or contributory negligence attributable to FRANCHISEE). For the purpose of this Paragraph 19.4, the term "losses and expenses" shall be deemed to include compensatory, exemplary, or punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to FRANCHISOR's reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. FRANCHISEE shall give FRANCHISOR prompt notice of any event of which it is aware, for which indemnification is required, and, at the expense and risk of FRANCHISEE, FRANCHISOR may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement thereof, provided that FRANCHISOR will seek the advice and counsel of FRANCHISEE. Any assumption of FRANCHISOR shall not modify FRANCHISEE's indemnification obligation. FRANCHISOR may, in its sole and absolute discretion, take such actions as it seems necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereof as may be, in FRANCHISOR's sole and absolute discretion, necessary for the protection of the indemnities or the System.

20. WEB SITES.

20.1 Definitions. For the purposes of this Agreement, the following words and phrases shall have the meanings set forth in this Paragraph 20.1:

20.1.1 "Content" means all text, images, sounds, files, video, designs, animations, layout, color schemes, trade dress, concepts, methods, techniques, processes and data used in connection with, displayed on, or collected from or through Franchisor's Web site.

20.1.2 "Deep Link" means a Link to the content of a Web site. Typically, a deep link is to an interior page of a Web site (*i.e.*, bypassing the front page of the Web site).

20.1.3 **"Electronic Commerce"** means offering and selling merchandise and services associated with the Proprietary Marks, and receiving and accepting orders and payment for that merchandise and services, directly or indirectly, through any means of electronic communication, including receiving and accepting orders over the Internet.

20.1.4 **"Franchisee's Web Page"** means one or more interior pages of Franchisor's Web site dedicated in whole or in part to the Franchised Business.

20.1.5 **"Franchisor's Web site"** means one or more Internet Web sites that may, among other things, facilitate orders, provide information about the System and the products and services that are offered on the Web site and at FM2050 Stores operated under the Proprietary Marks; Franchisee's Web Page may be part of the Franchisor Web site.

20.1.6 **"Internet"** means any means of electronic communication that employs inter-connected computer networks to communicate information (of any kind) by fiber optics, wire, radio or other methods of transmission, including the myriad of computers, telecommunications facilities and similar means (both equipment and software) that comprise the interconnected worldwide network of networks that employ the TCP/IP (Transmission Control Protocol/Internet Protocol) or any predecessor or successor protocols to that protocol.

20.1.7 **"URL"** means uniform resource locator, the unique address assigned to each page of a web site.

20.1.8 **"Web site"** means a series of inter-connected **"pages"** on the World Wide Web section of the Internet (the "World Wide Web" is the portion of the Internet that features graphics-rich pages using the HTTP and HTML protocols).

20.2 **Use of Proprietary Marks on Internet.** FRANCHISEE shall not develop, create, generate, own, license, Lease or use in any manner any computer medium or electronic medium (including, any Internet home page, e-mail address, Web site, bulletin board, newsgroup or other Internet-related medium) which in any way uses or displays, in whole or part, the Proprietary Marks, or any of them, or any words, symbols or terms confusingly similar to this Agreement without FRANCHISOR's express prior written consent, and then only in such manner and in accordance with this Agreement, such procedures, policies, standards and specifications as FRANCHISOR may establish in the Manuals from time to time and only so long as FRANCHISEE is not in default of this Agreement or any other Agreement between FRANCHISOR, its Affiliates and FRANCHISEE. Without limiting the generality of the foregoing, FRANCHISEE shall not cause, permit or allow the Proprietary Marks, or any of them, or any words, symbols or terms confusingly similar to this Agreement, be used or displayed in whole or part: (a) as, or as a part of, an Internet domain name; (b) as, or as a part of, a URL (at any level or address); or (c) on or in connection with any Internet home page, Web site, bulletin board, newsgroup, chat-group, buddy list, instant messenger, meta-tag or the comparable identifier in any future technology) or other internet-related activity, without FRANCHISOR's

express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as FRANCHISOR may establish in the Manuals from time to time. FRANCHISEE shall not Link to or frame Franchisor's Web site (including Franchisee's Web Page, if any) to any other Web site or authorize any third party to Link to or frame the Web site (including Franchisee's Web Page, if any) without FRANCHISOR's express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as FRANCHISOR may establish in the Manuals from time to time.

20.2.1 Except as provided in Paragraph 20.4 of this Agreement, FRANCHISEE shall not use, nor authorize any third party to use, the Proprietary Marks to advertise, promote, offer or sell any goods or services through the Internet, if those goods or services are the same as or similar to those (a) which are offered at or from the Franchised Business, (b) which bear any of the Proprietary Marks, or (c) which are otherwise offered or sold under the Proprietary Marks. FRANCHISEE may, however, use the Proprietary Marks to sell such goods or services through the Internet in compliance with Paragraph 20.4 of this Agreement or with FRANCHISOR's prior written consent, but then only in such manner and in accordance with such procedures, policies, standards and specifications as FRANCHISOR may establish in the Manuals from time to time.

20.2.2 FRANCHISOR will own and will retain all right, title and interest in and to the Proprietary Marks and the use thereof in any and all manners and to all existing and future domain names, URLs, future addresses and sub addresses established by FRANCHISOR (including Franchisee's Web Page sub addresses) which may or may not include the Proprietary Marks; all Software; all Content prepared for, or used on, Franchisor's Web site, and all intellectual property rights in or to any of them.

20.3 Franchisor's Web Site. FRANCHISOR may, but shall not be obligated to, establish and maintain from time to time Franchisor's Web site to provide information about the System and the goods and services that FM2050 Stores provide, even though Franchisor's Web site is accessible by persons in FRANCHISEE's trade area. FRANCHISOR has sole discretion and control over the design and content of Franchisor's Web site, except that FRANCHISOR may configure the site to accommodate Franchisee's Web Page as described in Paragraph 20.3.2 of this Agreement. FRANCHISOR may, at its sole option, from time to time, without prior notice to FRANCHISEE: (a) change, revise, or eliminate the design, content and functionality of Franchisor's Web site; (b) make operational changes to Franchisor's Web site; (c) change or modify the URL and/or domain name of Franchisor's Web site; (d) substitute, modify, or rearrange Franchisor's Web site, at FRANCHISOR's sole option, including in any manner that FRANCHISOR considers necessary or desirable to, among other things, (1) comply with applicable laws, (2) respond to changes in market conditions or technology, and (c) respond to any other circumstances; (3) limit or restrict end-user access (in whole or in part) to Franchisor's Web site; and (e) disable or terminate Franchisor's Web site without any liability to FRANCHISEE.

20.3.1 Franchisor's Web site may include a series of interior pages that may identify participating FM2050 Stores by, among other things, name, geographic region,

address, telephone number and/or e-mail address. FRANCHISOR may permit FRANCHISEE to customize or post certain information to Franchisee's Web Page, subject to FRANCHISEE's compliance with the procedures, policies, standards and specifications that FRANCHISOR may establish in the Manuals from time to time which may require FRANCHISEE to pay a reasonable fee for the privilege of having Franchisee's Web Page, and may include, without limitation, specifications and limitations for the data or information to be posted to Franchisee's Web Page, customization specifications, the basic template for design of Franchisee's Web Page, parameters and deadlines specified by FRANCHISOR, disclaimers, and such other standards and specifications and rights and obligations of the parties as FRANCHISOR may establish from time to time. Any modifications (including customizations, alterations, submissions or updates) to the Content made by FRANCHISEE for any purpose will be deemed to be a **"work made for hire"** under the copyright laws, and therefore, FRANCHISOR shall own the intellectual property rights in and to such modifications. To the extent any modification does not qualify as a work made for hire as outlined above, FRANCHISEE hereby assigns those modifications to FRANCHISOR for no additional consideration and with no further action required and shall execute such further assignments(s) as FRANCHISOR may request. FRANCHISEE may not modify Franchisee's Web Page except in coordination with FRANCHISOR's webmaster and in compliance with FRANCHISOR's policies and procedures. At FRANCHISOR's request, FRANCHISEE shall contribute a reasonable amount, not to exceed \$1,000 per year, toward the cost of the Web site's maintenance, which may vary from year to year during the term of this Agreement and shall pay the same to FRANCHISOR in the manner and at the times that FRANCHISOR may establish in the Manuals or otherwise from time to time. If FRANCHISEE fails to pay when due any fees or other amounts payable to FRANCHISOR under this Agreement, or any other agreement with FRANCHISOR or FRANCHISOR's Affiliates, or otherwise breaches this Agreement or any other agreement with FRANCHISOR or FRANCHISOR's Affiliates, FRANCHISOR may disable Franchisee's Web Page until such time as FRANCHISEE pays its outstanding obligations in full. FRANCHISEE hereby appoints FRANCHISOR as FRANCHISEE's attorney-in-fact with full power and authority for the sole purpose of disabling Franchisee's Web Page. This appointment shall be deemed to be coupled with an interest and shall continue in full force and effect until the termination or expiration of this Agreement.

20.3.2 FRANCHISOR may Link Franchisor's Web site to the Web sites of third parties, including, electronic service providers, Franchisor's Affiliates and other providers of goods and services.

FRANCHISOR may also permit third parties to Link (including Deep Links to any interior page of Franchisor's Web site, including Franchisee's Web Page) and frame Franchisor's Web site (including Franchisee's Web Page). FRANCHISOR may place legal notices, disclaimers, FRANCHISOR's corporate logos and slogans, advertisements, endorsements, trademarks, and other identifying information on Franchisor's Web site, all of which may be modified, expanded, or eliminated at FRANCHISOR's option. Further, FRANCHISOR may establish or participate in programs whereby FRANCHISOR refers end-users to other Web sites, or FRANCHISOR

receives referrals from other Web sites. All consideration (monetary and non-monetary) received by FRANCHISOR on account of the placement or sale of advertisements, endorsements, and sponsorships on Franchisor's Web site (including any Franchisee Page), and all consideration (monetary and non-monetary) received by FRANCHISOR on account of Affiliate programs, will belong only to FRANCHISOR. FRANCHISOR may also establish programs which encourage repeat and business by end-users.

20.3.3 Without limiting FRANCHISOR's general unrestricted right to permit, deny and regulate FRANCHISEE's participation on Franchisor's Web site in FRANCHISOR's sole discretion, if FRANCHISEE fails to pay when due any fees or other amounts payable to FRANCHISOR under this Agreement, or any other agreement with FRANCHISOR or FRANCHISOR's Affiliates or otherwise breaches this Agreement or any other agreement with FRANCHISOR or FRANCHISOR's Affiliates, FRANCHISOR may disable or terminate Franchisee's Web Page and remove all references to the Franchised Business on Franchisor's Web site until the breach is cured.

20.3.4 FRANCHISOR has no control over the stability or maintenance of the Internet generally; as a result, FRANCHISOR is not responsible for damage or loss caused by errors of the Internet. Furthermore, FRANCHISOR is not liable for any direct, indirect, special, incidental, exemplary or consequential damages arising out of the use of, or the inability to use, Franchisor's Web site or the Internet, including loss of profits, goodwill, or savings; downtime; or damage to or replacement of programs and data, whether based in contract, tort, product liability, or otherwise.

20.4 Electronic Commerce. FRANCHISEE will not use the Proprietary Marks to advertise, promote or sell any services or merchandise through the Internet, nor will FRANCHISEE offer or sell any service that is identified with the Proprietary Marks or any memorabilia or other merchandise that bears the Proprietary Marks through the Internet, except in compliance with Paragraph 20.2 of this Agreement and this Paragraph 20.4. FRANCHISEE's breach of this restriction will constitute willful trademark infringement and a material breach of this Agreement.

20.4.1 FRANCHISOR may, at its discretion, use the Web site described in Paragraph 20.3 of this Agreement or may establish another facility on the Internet for the purpose of engaging in Electronic Commerce with respect to products and services that are identified with the Proprietary Marks.

20.4.2 If FRANCHISOR decides to engage in Electronic Commerce, it will (a) establish uniform procedures, policies and protocols to govern electronic communications between FRANCHISOR and its customers and the use and dissemination of information that FRANCHISOR obtains with respect to customers' identities, purchasing habits and other commercially relevant matters; (b) develop a secure site on the facility through which FRANCHISOR can accept credit card and other confidential information from its customers; (c) establish a central administration center through which customer orders are processed, customer complaints are handled, sales taxes (if any) are remitted, and records of sales transactions are created and maintained; (d) establish a central fulfillment

center through which all customer orders are filled; and (e) establish the terms and conditions under which members of the System may participate in FRANCHISOR's Electronic Commerce program.

20.4.3 In the event that FRANCHISOR initiates FRANCHISOR's Electronic Commerce program, FRANCHISEE will have the opportunity to participate in the program provided that FRANCHISEE is in good standing under this Agreement and any other agreement with FRANCHISOR or FRANCHISOR's Affiliates. The Electronic Commerce program set forth in the Manuals may (a) state the terms on which FRANCHISOR and participating franchisees of FRANCHISOR may share program revenues and expenses, (b) obligate FRANCHISEE to adhere to FRANCHISOR's procedures, policies and protocols that govern electronic communications and the use and dissemination of customer information, (c) authorize FRANCHISOR from time to time to modify the procedures, policies and protocols that govern the Electronic Commerce program; and (d) release FRANCHISOR from liability to FRANCHISEE and its customers for theft or disclosure of confidential customer information or breach of FRANCHISOR's privacy standards unless the proximate cause of such theft, disclosure or breach is FRANCHISOR's gross negligence or willful misconduct.

20.4.4 If FRANCHISEE declines to participate in the Electronic Commerce program on the terms stated in the Manuals, FRANCHISEE will have no right to share in program revenues, nor will FRANCHISEE have any responsibility to bear or pay any program expenses.

20.4.5 If FRANCHISEE fails to pay when due any fees or other amounts payable to FRANCHISOR under this Agreement, or any other agreement with FRANCHISOR or FRANCHISOR's Affiliates or otherwise breaches this Agreement or any other agreement with FRANCHISOR or FRANCHISOR's Affiliates, FRANCHISEE hereby authorizes FRANCHISOR to disable or terminate the end-user's ability to place pick-up and delivery orders with FRANCHISEE until the breach is cured.

20.5 Assignment Upon Termination or Expiration. FRANCHISEE shall, at the option and request of FRANCHISOR, assign to FRANCHISOR all rights to all e-mail addresses, URLs, domain names, Internet listings, and Internet accounts related to the Franchised Business following demand by FRANCHISOR upon FRANCHISEE's misuse of the same and/or the termination or expiration of this Agreement. Furthermore, FRANCHISEE hereby appoints FRANCHISOR as FRANCHISEE's attorney-in-fact with full power and authority for the sole purpose of assigning these rights to FRANCHISOR. This appointment shall be deemed to be coupled with an interest and shall continue in full force and effect until the termination or expiration of this Agreement.

21. APPROVALS, WAIVERS, AND NOTICES.

21.1 Obtaining Approvals. Whenever this Agreement requires the prior approval or consent of FRANCHISOR, FRANCHISEE shall make a timely written request to FRANCHISOR therefore, and such approval or consent must be obtained in writing.

FRANCHISOR makes no warranties or guarantees upon which FRANCHISEE may rely, and assumes no liability or obligation to FRANCHISEE, by providing any waiver, approval, consent, or suggestion to FRANCHISEE in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefore. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representations made in the franchise disclosure document.

21.2 No Waiver. No delay, waiver, omission, or forbearance on the part of FRANCHISOR to exercise any right, option, duty, or power arising out of any breach or default by FRANCHISEE, or by any other franchisee, of any of the terms, provisions, or covenants thereof, and no custom or practice by the parties at variance with the terms of this Agreement, shall constitute a waiver by FRANCHISOR to enforce any such right, option, or power as against FRANCHISEE, or as to a subsequent breach or default by FRANCHISEE. Subsequent acceptance by FRANCHISOR of any payments due to it under this Agreement shall not be deemed to be a waiver by FRANCHISOR of any preceding or succeeding breach by FRANCHISEE of any terms, covenants, or conditions of this Agreement.

21.3 Notices. All notices or demands shall be in writing and shall be served in person, by Express Mail, by certified mail; by private overnight delivery; or by telecopier (fax). Service shall be deemed conclusively made (a) at the time of service, if personally served; (b) twenty-four (24) hours (exclusive of weekends and national holidays) after deposit in the United States mail, properly addressed and postage prepaid, if served by Express Mail; (c) upon the earlier of actual receipt or three (3) calendar days after deposit in the United States mail, properly addressed and postage prepaid, return receipt requested, if served by certified mail; (d) twenty-four (24) hours after delivery by the party giving the notice, statement or demand if by private overnight delivery; and (e) at the time of transmission by telecopier, if such transmission occurs prior to 5:00 p.m. on a business day and a copy of such notice is mailed within twenty-four (24) hours after the transmission. Notices and demands shall be given 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 FRANCHISOR: BIGGIE WORKS INC
5171 Lincoln Ave.
Cypress, CA 90630
Attention: Jongwon (Joseph) Lim

Notices to FRANCHISEE: []
[Insert address line 1]
[Insert address line 2]
Attention: []

Either party may change its address for the purpose of receiving notices, demands and other communications as in this Agreement provided by a written notice given in the manner aforesaid to the other party.

22. ENTIRE AGREEMENT, SEVERABILITY, AND CONSTRUCTION.

22.1 Entire Agreement. This Agreement, any attachments to this Agreement, and any ancillary agreements between FRANCHISEE and FRANCHISOR or any Affiliate which are executed contemporaneously with this Agreement, constitute the entire and complete Agreement between FRANCHISOR (and, if applicable, any Affiliate) and FRANCHISEE concerning the subject matter thereof, and supersede all prior agreements. Except for those permitted under this Agreement to be made unilaterally by FRANCHISOR, no amendment, change, or variation from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representations made in the franchise disclosure document.

22.2 Severability and Construction. Except as expressly provided to the contrary in this Agreement, each section, paragraph, part, term, and provision of this Agreement shall be considered severable; and if, for any reason, any section, paragraph, part, term, provision, and/or covenant in this Agreement 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, such shall not impair the operation of, or have any other effect upon, such other portions, sections, paragraphs, parts, terms, provisions, and/or covenants of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties to this Agreement; and the invalid portions, sections, paragraphs, parts, terms, provisions, and/or covenants shall be deemed not to be a part of this Agreement. Neither this Agreement or any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been review by all parties and shall be construed and interpreted according to the ordinary meaning of the words used to fairly accomplish the purposes and intentions of all parties to this Agreement. FRANCHISOR and FRANCHISEE intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, the provision shall be given the meaning that renders it enforceable.

22.3 Survival of Obligations After Expiration or Termination of Agreement. Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement shall survive such expiration or termination.

22.4 Survival of Modified Provisions. FRANCHISEE expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated 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 or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which FRANCHISOR is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

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

22.6 **Responsibility.** The term "**FRANCHISEE**" as used in this Agreement shall refer to each person executing this Agreement as FRANCHISEE, whether such person is one of the spouses, partners, shareholders, members, trustees, trustors or beneficiaries or persons named as included in FRANCHISEE, and shall apply to each such person as if he were the only named FRANCHISEE in this Agreement.

22.6.1 If FRANCHISEE is a married couple, both husband and wife executing this Agreement shall be liable for all obligations and duties of FRANCHISEE under this Agreement as if such spouse were the sole FRANCHISEE under this Agreement.

22.6.2 If FRANCHISEE is a partnership or if more than one person executes this Agreement as FRANCHISEE, each partner or person executing this Agreement shall be liable for all the obligations and duties of FRANCHISEE under this Agreement.

22.6.3 If FRANCHISEE is a trust, each trustee, trustor and beneficiary signing this Agreement shall be liable for all of the obligations and duties of FRANCHISEE under this Agreement.

22.6.4 If FRANCHISEE is a corporation or limited liability company, all shareholders or members executing this Agreement shall be liable for all obligations and duties of FRANCHISEE under this Agreement as if each such shareholder or member were the sole FRANCHISEE under this Agreement.

22.6.5 If FRANCHISEE is in breach or default under this Agreement, FRANCHISOR may proceed directly against each such spouse, partner, signatory to this Agreement, shareholder, member, trustee, trustor or beneficiary without first proceeding against FRANCHISEE and without proceeding against or naming in such suit any other FRANCHISEE, partner, signatory to this Agreement, shareholder, member, trustee, trustor or beneficiary. The obligations of FRANCHISEE and each such spouse, partner, person executing this Agreement, shareholder, member, trustee, trustor and beneficiary shall be joint and several.

22.6.6 Notice to or demand upon one spouse, partner, person signing this Agreement, shareholder, member, trustee, trustor or beneficiary shall be deemed notice to or demand upon FRANCHISEE and all such spouses, partners, persons signing this Agreement, shareholders, members, trustees, trustors and beneficiaries, and no notice or demand need be made to or upon all such FRANCHISEE's, spouses, partners, persons executing this Agreement, shareholders, members, trustees, trustors or beneficiaries.

22.6.7 The cessation of or release from liability of FRANCHISEE, or any such spouse, partner, person executing this Agreement, shareholder, member, trustee, trustor or beneficiary shall not relieve any other FRANCHISEE, spouse, partner, person

executing this Agreement, shareholder, member, trustee, trustor or beneficiary from liability under this Agreement, except to the extent that the breach or default has been remedied or monies owed have been paid.

23. APPLICABLE LAW.

23.1 Choice of Law. This Agreement takes effect upon its acceptance and execution by FRANCHISOR in California, and shall be interpreted and construed under the laws of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Franchised Business is located outside of California 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 Paragraph 23.1 is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of the State of California to which it would not otherwise be subject.

23.2 Mediation; Venue. The parties agree that any and all disputes that may arise out of this Agreement which they are unable to resolve shall be submitted to mediation. The mediation shall be conducted by a mediator agreed upon by the parties associated with the American Arbitration Association or any successor organization ("AAA") in accordance with its rules governing mediation. Mediation shall be held at the offices of the AAA in the city in which Franchisor maintains its principal business at the time of mediation. The costs and expenses of mediation, excluding attorneys' fees incurred by either party, shall be borne by the parties equally. If the parties are unable to resolve the dispute within 90 days after the mediator has been selected, then either party may bring a legal proceeding pursuant to this Section; it being agreed that statements made during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding and that the parties' agreement to mediate shall not apply to disputes related or based on amounts owed to Franchisor pursuant to this Agreement. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought within the State of California in the county in which FRANCHISOR has its principal place of business at the time the action is initiated without regard to its conflict of law rules.

23.3 Nonexclusivity of Remedy. No right or remedy conferred upon or reserved to FRANCHISOR or FRANCHISEE by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted.

23.4 Limitation of Adjudicative Proceedings. Any and all claims and actions arising out of or relating to this Agreement, the relationship of FRANCHISEE and FRANCHISOR, or FRANCHISEE's operation of the Franchised Business, brought by any party to this Agreement against the other, shall be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred. FRANCHISOR and FRANCHISEE hereby waive to the fullest extent permitted by law any right to or claim of any

punitive or exemplary damages against the other and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained by it.

23.5 Right to Injunctive Relief. Nothing in this Agreement contained shall bar FRANCHISOR's right to seek injunctive relief without the posting of any bond or security to obtain the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to FRANCHISEE's: (a) use of the Proprietary Marks, (b) obligations upon termination or expiration of the Agreement, (c) assignment or proposed assignment of the Franchised Business, this Agreement, or any ownership interest in FRANCHISEE, or (d) actions covered by the provisions of Section 15. FRANCHISOR also shall be able to seek injunctive relief to prohibit any act or omission by FRANCHISEE or its employees that constitutes a violation of any applicable law, is dishonest or misleading to FRANCHISEE's customers or to the public, or which may impair the goodwill associated with the Proprietary Marks; and FRANCHISEE agrees to pay all costs and reasonable attorneys' fees incurred by FRANCHISOR in obtaining such relief.

24. ACKNOWLEDGMENTS.

24.1 Recognition of Business Risks. FRANCHISEE acknowledges that it has conducted an independent investigation of the proposed franchise, and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of FRANCHISEE as an independent business person. FRANCHISEE acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential sales, income, profits, or success of the business venture contemplated by this Agreement, or of other FM2050 Stores. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representations made in the franchise disclosure document.

24.2 Receipt of Franchise Offering Material. FRANCHISEE acknowledges that it has received a copy of the complete the FM2050 Franchise Disclosure Document for FM2050 Stores, which contains a copy of this Franchise Agreement, at least fourteen (14) business days prior to the date on which this Agreement was executed. FRANCHISEE further acknowledges that FRANCHISEE has received a copy of the complete the FM2050 Franchise Agreement FM2050 Stores, the attachments to this Agreement, and agreements relating to this Agreement, if any, at least fourteen (14) business days prior to the date on which this Agreement was executed. FRANCHISEE acknowledges and agrees that FRANCHISOR has made no promises, representations, warranties or assurances to FRANCHISEE which are inconsistent with the terms of this Agreement or FRANCHISOR's Uniform Franchise Disclosure Document, concerning the profitability or likelihood of success of the Franchised Business, that he has been informed by FRANCHISOR that there can be no guaranty of success in the franchised business and that FRANCHISEE's business ability and aptitude is primary in determining his success. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representations made in the franchise disclosure document.

24.3 Anti-Terrorism Laws. FRANCHISEE and its officers, directors, members and shareholders shall comply with and/or assist FRANCHISOR to the fullest extent possible in

FRANCHISOR's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, FRANCHISEE and its officers, directors, members and shareholders certify, represent, and warrant that none of the property or interests of FRANCHISEE or its officers, directors, members and shareholders is subject to being "**blocked**" under any of the Anti-Terrorism Laws and that FRANCHISEE and its officers, directors, members and shareholders are not otherwise in violation of any of the Anti-Terrorism Laws.

24.3.1 For the purposes of this Section 24.3, "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA Patriot Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

24.3.2 FRANCHISEE and its officers, directors, members and shareholders certify that none of its employees, or anyone associated with FRANCHISEE or its officers, directors, members and shareholders are listed in the Annex to Executive Order 13224. FRANCHISEE agrees not to hire any individual listed in the Annex. The Annex is available at: <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>

24.3.3 FRANCHISEE certifies that FRANCHISEE has no knowledge or information that, if generally known, would result in FRANCHISEE, its officers, directors, members and shareholders, its employees, or anyone associated with FRANCHISEE to be listed in the Annex to Executive Order 13224.

24.3.4 FRANCHISEE shall be solely responsible for ascertaining what actions must be taken by FRANCHISEE to comply with the Anti-Terrorism Laws, and FRANCHISEE specifically acknowledges and agrees that FRANCHISEE's indemnification responsibilities set forth in this Agreement pertain to FRANCHISEE's obligations under this Section 24.3.

24.3.5 Any misrepresentation by FRANCHISEE under this Section 24 or any violation of the Anti-Terrorism Laws by FRANCHISEE, its officers, directors, members and shareholders, or FRANCHISEE's employees shall constitute grounds for immediate termination of this Agreement and any other Agreement FRANCHISEE has entered with FRANCHISOR or an Affiliate of FRANCHISOR, in accordance with the terms of this Agreement.

24.4 Attorneys' Fees. If FRANCHISOR becomes a party to any legal proceedings concerning this Agreement, the Franchised Business or the Franchised Location by reason of any act or omission of FRANCHISEE or its authorized representatives, FRANCHISEE shall be liable to FRANCHISOR for the reasonable attorneys' fees and court costs incurred by

FRANCHISOR in the legal proceedings. If either party commences a legal action against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.

24.5 Atypical Arrangements. FRANCHISEE acknowledges and agrees that FRANCHISOR may modify the offer of its franchises to other franchisees in any manner and at any time, which offers have or may have terms, conditions, and obligations which may differ from the terms, conditions, and obligations in this Agreement. FRANCHISEE further acknowledges and agrees that FRANCHISOR has made no warranty or representation that all Franchise Agreements previously issued or issued after this Franchise Agreement by FRANCHISOR do or will contain terms substantially similar to those contained in this Franchise Agreement. FRANCHISOR may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Franchise Agreements previously executed or executed after the date of this Franchise Agreement with other FM2050 Store franchisees in a non-uniform manner.

24.6 Intentionally Omitted.

24.7 Counterparts. This Agreement may be executed by the parties simultaneously in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Signatures transmitted electronically or by facsimile will be deemed original signatures; provided that the party delivering such electronic or facsimile signature shall deliver to the other an original signature page within twenty-four (24) hours after transmission.

24.8 State Specific Exemption. Paragraphs 24.1, 24.2 and 24.5 hereinabove do not apply to California.

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

BIGGIE WORKS INC

FRANCHISEE

By: _____

By: _____

Name: Jongwon (Joseph) Lim

Name: _____

Title: Director

Title: Owner

**BIGGIE WORKS INC
FRANCHISE AGREEMENT**

**ATTACHMENT A
THE FRANCHISED LOCATION AND PROTECTED AREA**

FM2050
FRANCHISE AGREEMENT

ATTACHMENT A
THE FRANCHISED LOCATION AND PROTECTED AREA

The following site has been selected by FRANCHISEE and approved by FRANCHISOR as the "**Franchised Location**" for the "**Franchised Business**" in accordance with Paragraph 1.2 of the Franchise Agreement entered into between FRANCHISOR and FRANCHISEE dated []:

[]

The following area has been designated by FRANCHISOR and accepted by FRANCHISEE as the "**Protected Area**" of the Franchised Business in accordance with Paragraph 1.3 of the Franchise Agreement:

[] A radius of zero (0) miles surrounding the Franchised Location.

[] The area outlined on the attached map and described as follows:

If the Territory is defined by streets, highways, freeways or other roadways, or rivers, streams, or tributaries, then the boundary of the Territory shall extend to the center line of each such street, highway, freeway or other roadway, or river, stream, or tributary.

IN WITNESS WHEREOF, the parties have executed this Agreement on [].

BIGGIE WORKS INC

FRANCHISEE

BY: _____

BY: _____

Name: Jongwon Joseph Lim

Name: _____

Title: Director

Title: _____

FM2050
FRANCHISE AGREEMENT

ATTACHMENT B
ENTITY INFORMATION

If FRANCHISEE is an entity, FRANCHISEE represents and warrants that the following information is accurate and complete in all material respects as of []:

- (1) FRANCHISEE is a (check as applicable): []
[] corporation
[] limited liability company
[] general partnership []
[] limited partnership []
[] Other (specify):

(2) FRANCHISEE shall provide to FRANCHISOR concurrently with the execution hereof true and accurate copies of its charter documents including Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution hereof, and any amendments to the foregoing.

(3) FRANCHISEE promptly shall provide such additional information as FRANCHISOR may from time to time request concerning all persons who may have any direct or indirect financial interest in FRANCHISEE,

(4) The name and address of each of FRANCHISEE's Owners, members, or general and limited partner:

NUMBER OF SHARES OR PERCENTAGE INTEREST

(if applicable)

NAME

ADDRESS

(5) There is set forth below the names, and addresses and titles of FRANCHISEE' s principal officers or partners who will be devoting their full time to the operation and management of the Franchised Business:

NAME

ADDRESS

(6) The address where FRANCHISEE' s Financial Records, and entity records (e.g., Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is:

[]

FRANCHISOR:
BIGGIE WORKS INC

By: _____
Name:
Title:

FRANCHISEE:

By: _____
Name: _____
Title: _____

EXHIBIT B
LIST OF FRANCHISEES

EXHIBIT C
FINANCIAL STATEMENTS

EXHIBIT D
PERSONAL GUARANTY

**BIGGIE WORKS INC
PERSONAL GUARANTY**

1. I have read the Franchise Agreement between BIGGIE WORKS INC, a California corporation (“Biggie Works”) and _____ (“Franchisee”).
2. I own a beneficial interest in the Franchisee, and would be considered an “Owner” within the definition contained in the Franchise Agreement.
3. I understand that, were it not for this Guaranty (“Guaranty”), Biggie Works would not have agreed to enter into the Franchise Agreement with Franchisee.
4. I will comply with the provisions contained in the Franchise Agreement concerning Franchisee’s use of FM2050 Marks and Copyrighted Works, as defined in the Franchise Agreement. I understand that, except for the license granted to the Franchisee, I have no individual rights to use the Marks or Copyrighted Works and I have no ownership interest in the Marks or Copyrighted Works.
5. I will comply with the provisions contained in the Franchise Agreement concerning the use of the Confidential Manuals and Information. I will maintain the confidentiality of all Confidential Information disclosed to me. I agree to use the Confidential Information only for the purposes authorized under the Franchise Agreement. I further agree not to disclose any of the Confidential Information, except to the Franchisee’s employees on a need to know basis, to the Franchisee’s and my legal and tax professionals to the extent necessary for me to meet my legal obligations, and as otherwise may be required by law.
6. I will comply with the provisions contained in the Franchise Agreement concerning the transfer of my ownership interest in the Franchisee.
7. While I am the Owner of the Franchisee and, for a two-year period after I cease to be an Owner (or two years after termination or expiration of the Franchise Agreement, whichever occurs first), I will not:
 - a. Divert or attempt to divert any present or prospective customer of any FM2050 Store to any competitor or do anything to harm the goodwill associated with the Marks and the System;
 - b. Employ or seek to employ any person who is or has been within the previous 30 days employed by Biggie Works or an Affiliate of Biggie Works as an employee, or induce such person to leave his or her employment; or
 - c. Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in as owner or otherwise, or relationship or association with, any business that engages in the production or sale at retail or wholesale similar goods offered by and through Biggie Works or its Affiliate, other than a FM2050 Store operated pursuant to a then-currently effective franchise Agreement.
8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Guaranty. If all or any portion of a covenant in this Guaranty is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Biggie Works is a party, I expressly agree to be bound by a 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 Guaranty.

9. I will pay all amounts due under this Guaranty within 14 days after receiving notice from Biggie Works that Franchisee has failed to make payment. I understand and agree that Biggie Works need not exhaust its remedies against the Franchisee before seeking recovery from me under this Guaranty.
10. No modification, change, impairment, or suspension of any of Biggie Works' rights or remedies shall in any way affect any of my obligations under this Guaranty. If Franchisee has pledged other security or if one or more other persons have personally guaranteed performance of the Franchisee's obligations, I agree that Biggie Works' release of such security will not affect my liability under this Guaranty.
11. I hereby waive all rights described in California Civil Code Section 2856(a)(1)-(2) inclusive, which includes, without limitation, any rights and defenses which are or may become available to the undersigned by reason of California Civil Code Sections 2787 to 2855 inclusive, and California Civil Code Sections 2899 and 3433.
12. I WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING BIGGIE WORKS, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT, THE PERFORMANCE OF ANY PARTY UNDER THE FRANCHISE AGREEMENT AND/OR THE OFFER OR GRANT OF THE FRANCHISE.
13. I agree that any notices required to be delivered to me will be deemed delivered at the time delivered by hand, one business day after electronically confirmed transmission by facsimile or other electronic system, one business day after delivery by express mail or other recognized, reputable overnight courier, or three business days after placement in the United States mail by registered or certified mail, return receipt requested, postage prepaid and addressed to the address identified on the signature line below. I may change this address only by delivering to Biggie Works written notice of such change.

Intending to be legally bound, I have executed this Guaranty on the date set forth below.
Guarantor:

Name:

Address:

Fax:

Date:

EXHIBIT E
RIDER TO LEASE

This Lease Agreement is entered into by and between _____ ("Lessor") and _____ ("Lessee") upon the express understanding that Lessee is a licensed franchisee of BIGGIE WORKS INC and that the premises are to be used during the term of this lease solely as a FM2050 franchised business. BIGGIE WORKS INC ("Franchisor") is a third party beneficiary of this lease agreement and is entitled to enforce on its own behalf the rights given to it in this lease agreement.

1. During the term of this Lease, the Lessor shall not alter, redecorate, change or otherwise modify the Premises, and shall not permit any such alteration, recordation or modification to be made without the prior written consent of the Franchisor, which consent may be withheld for any reason, or no reason at all, whether reasonable or unreasonable.

2. Lessor has reviewed Franchisor's plans and specifications for preparation of the Premises as a FM2050 franchised business and has no objection to such modifications and alterations. Lessee or Franchisor may thereafter redecorate, alter or modify the Premises provided no structural changes are made, and, in the case of alterations or modification of the Premises, but not redecoration or rearrangement of fixtures, Lessee shall first obtain Lessor's written consent, which shall not be unreasonably withheld.

3. Lessor agrees not to enter into a lease agreement with another third party who intends to operate a business that is similar to or in competition with the franchised business in the same shopping center or mall owned and/or managed by Lessor and/or one that will be operated within a one-mile radius from the subject Premises.

4. Lessor shall provide written notice to Lessee and to Franchisor upon the occurrence of any Event of Default hereunder. Such notice shall be mailed to the addresses, and in such manner, as is set forth in the "Notices" section hereof if mailed to Lessee and to the following address if sent to Franchisor:

BIGGIE WORKS INC
5171 Lincoln Ave.
Cypress, CA 90630
Phone: (951) 977-9440
Fax:

5. An "Event of Default" shall include any material breach of this Lease or of the Franchise Agreement. Upon occurrence of any Event of Default, Lessor may notify Lessee, which shall have 30 days in which to cure any such Event of Default. Franchisor may itself cure any default during the 30-day period, and may occupy the Premises and operate the franchised business if franchisee is unable to do so without any further notice or approval. If Franchisor exercises its option of taking over the Premises, and business, it may assign this Lease to another franchisee upon 30 days' notice to Lessor. In no event shall Franchisor be held liable for any liability whatsoever of the franchisee.

6. Upon termination of this Lease or of the Franchise Agreement, the Lessee shall remove all identifying signs and trademarks from the Premises. If Lessee fails to do so within five calendar days of its last day of active business or of the termination of this Lease, whichever is sooner, Franchisor may remove such signs and marks itself.

Lessor:
Name: _____
Title: _____

Lessee: _____
Name: _____
Title: _____

EXHIBIT F
LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
CALIFORNIA	Commissioner of Department of Financial Protection & Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013 www.dfpi.ca.gov Ask.DFPI@dfpi.ca.gov	Commissioner of Financial Protection & Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 (866) 275-2677 www.dfpi.ca.gov Ask.DFPI@dfpi.ca.gov
HAWAII	Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 304 Honolulu, HI 96813	Securities Compliance Branch Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722
ILLINOIS	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706	Chief, Franchise Bureau Illinois Attorney General 100 W. Randolph Street Chicago, IL 60601 (312) 814-3892
INDIANA	Secretary of State Administrative Offices 201 State House Indianapolis, IN 46204	Securities Commissioner Securities Division Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681
MARYLAND	Maryland Securities Commissioner Securities Division 200 St. Paul Place Baltimore, MD 21202-2020	Maryland Attorney General Office of the Attorney General 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
MICHIGAN	Michigan Department of Commerce, Corporations and Securities Bureau 525 W. Ottawa 670 Law Building Lansing, MI 48913	Franchise Administrator Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, MI 48913 (517) 373-7117
MINNESOTA	Minnesota Commissioner of Commerce 85 7 th Place East, Suite 500 St. Paul, MN 55101-2198	Deputy Commissioner Minnesota Department of Commerce 85 7 th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-6328
NEW YORK	Secretary of State of the State of New York 41 State Street Albany, NY 11231	Assistant Attorney General Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 (212) 416-8211
NORTH DAKOTA	North Dakota Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, ND 58505	Franchise Examiner Office of Securities Commissioner 600 East Boulevard, 5th Floor Bismarck, ND 58505 (701) 328-4712
RHODE ISLAND	Director of Rhode Island Department of Business Regulation Division of Securities Suite 232 Providence, RI 02903	Associate Director and Superintendent of Securities Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903-4232 (401) 222-3048
SOUTH DAKOTA	Director of South Dakota Division of Securities c/o 500 East Capitol Pierre, SD 57501	Franchise Administrator Division of Securities c/o 118 West Capitol Pierre, SD 57501-5070 (605) 773-4013

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
VIRGINIA	Clerk of the State Corporation Commission 1300 E. Main Street Richmond, VA 23219	Chief Examiner/Investigator State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street Richmond, VA 23219 (804) 371-9051
WASHINGTON	Director of Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, WA 98501	Administrator Dept. of Financial Institutions Securities Division P.O. Box 4102 Tumwater WA 98504--1200 (360) 902-8760
WISCONSIN	Wisconsin Commissioner of Securities P.O. Box 1768 345 W. Washington Avenue, 4 th Floor Madison, WI 53703	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 W. Washington Avenue, 4 th Floor Madison, WI 53703 (608) 261-9555

EXHIBIT G
OPERATIONS MANUAL
TABLE OF CONTENT

EXHIBIT H
CALIFORNIA ADDENDUM
TO BIGGIE WORKS INC FRANCHISE DISCLOSURE DOCUMENT

Cover Page

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise. See NASAA STATEMENT OF POLICY REGARDING THE USE OF FRANCHISE QUESTIONNAIRES AND ACKNOWLEDGMENTS. [dhttps://www.nasaa.org/wp-content/uploads/2022/11/sop-franchise-questionnaires.pdf](https://www.nasaa.org/wp-content/uploads/2022/11/sop-franchise-questionnaires.pdf).

Risk Factors:

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION at www.dfpi.ca.gov.

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

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

Under California Corporations Code Section 31512.1, any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

- (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
- (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
- (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
- (d) Violations of any provision of this division.

Item 3. Litigation

Neither BIGGIE WORKS INC nor any person identified in Item 2 of the franchise disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

Item 17. Renewal, Termination, Transfer and Dispute Resolution

In connection with Item 17 of the franchise disclosure document, the following paragraphs are included pursuant to California law:

1. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, non-renewal or transfer of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
2. 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.
3. The Franchise Agreement requires application of the laws of California.
4. The Franchise Agreement contains a liquidated damage clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
5. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Sec. 101, et. seq.).

EXHIBIT I
CONFIDENTIALITY AGREEMENT FOR PROSPECTIVE FRANCHISEES

BIGGIE WORKS INC
CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (this "**Agreement**") is made this ____ day of [____], 20__, by and between **BIGGIE WORKS INC**, a California corporation ("**Franchisor**"), on the one hand, and [____], a [____] ("**Candidate**"), on the other hand, with reference to the following facts:

A. Franchisor has developed the "**FM2050 System**" for the establishment and operation of FM2050 Stores which offer women's apparel and accessories, including tops, dresses, jackets, pants, skirts, bags, and other related items. ("**FM2050 Stores**"), use the trade name and service mark "**FM2050**" and other related trademarks, service marks, logos and commercial symbols (the "**Marks**"). The "**FM2050 System**" means the unique system developed by Franchisor that includes operating methods and business practices related to FM2050 Stores, the relationship between Franchisor and its franchisees, interior and exterior FM2050 Store design, other items of trade dress, specifications for equipment, fixtures and uniforms, defined product lines, merchandising and visual presentation standards, Franchisor specified pricing and promotions, restrictions on ownership, standard operating and administrative procedures, management and technical training programs, marketing and public relations programs, and Franchisor's website, all as Franchisor may modify the same from time to time.

B. Franchisor has the right to use, and to license others to use, the Marks and the FM2050 System, and has, as a result of its expenditure of time, skill, effort, and money, developed a distinctive franchise model for qualified franchisees to obtain the right to operate a FM2050 Store using the Marks and the FM2050 System.

C. Franchisor may provide Candidate with confidential and proprietary information regarding the FM2050 System prior to granting or declining to grant Candidate a franchise. Franchisor desires that Candidate maintain the confidentiality of all such confidential and proprietary information on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, IT IS AGREED:

1. **INCORPORATION OF RECITALS.**

The recitals set forth in Paragraph A through Paragraph C above are true and correct and are hereby incorporated by reference into the body of this Agreement.

2. **CONFIDENTIALITY.**

Candidate acknowledges and agrees:

2.1. **Confidential Information.** That Candidate's knowledge of the elements of the FM2050 System and any other proprietary data that may be disclosed to Candidate by Franchisor, or any affiliate of Franchisor, including, without limitation, any and all confidential and/or proprietary knowledge, data or information of a party and any and all confidential and/or proprietary knowledge,

data or information which a party has obtained or obtains from another person or entity and which a party treats as proprietary or designates (whether or not in writing or electronic form) as “**Confidential Information**”. By way of illustration, but not limitation, “**Confidential Information**” includes tangible and intangible information (whether or not in electronic form) relating to Franchisor’s business operations, retail concepts, product designs, seasonal collections, sourcing strategies, supplier and manufacturer relationships, proprietary clothing specifications and patterns, visual merchandising standards, sources of materials and fixtures, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, the FM2050 System, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential. Confidential Information also includes the manner in which any of the above described items may be combined with any other information or products or synthesized or used by Candidate. Confidential Information does not include any information that was in the lawful and unrestricted possession of Candidate prior to its disclosure by Franchisor; is or becomes generally available to the public by acts other than those of Candidate after receiving it; has been received lawfully and in good faith by Candidate from a third party who did not derive it from Franchisor or Candidate; or is shown by acceptable evidence to have been independently developed by Candidate.

2.2. **Value.** That the Confidential Information has been developed by Franchisor and its affiliates by the investment of time, skill, effort and money and is widely recognized by the public and is of substantial value.

2.3. **Proprietary.** That the Confidential Information is proprietary, confidential and constitutes a trade secret of Franchisor and its affiliates.

2.4. **Maintain Confidentiality.** That Candidate will fully and strictly maintain the confidentiality of the Confidential Information, will exercise the highest degree of diligence in safeguarding the Confidential Information and will not disclose or reveal the Confidential Information to any person other than another person who is actively and directly participating in the acquisition of the franchise with Candidate, but only after first disclosing the identity of such person to Franchisor in writing and obtaining such person’s signature on a Non-Disclosure Agreement similar to this Agreement, unless covered by attorney-client privilege.

2.5. **Reproduction and Use.** That Candidate will not directly or indirectly reproduce or copy any Confidential Information or any part thereof and will make no use of any Confidential Information for any purpose whatsoever unless and until Candidate becomes a franchisee of Franchisor, and then only in accordance with the provisions of Candidate's Franchise Agreement.

3. **GENERAL.**

3.1. **Injunction.** Candidate recognizes the unique value and secondary meaning attached to the Confidential Information and the elements of the FM2050 System and agrees that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the Confidential Information will cause irreparable damage to Franchisor and its franchisees. Candidate therefore agrees that if Candidate should engage in any such unauthorized or improper use of the Confidential Information, Franchisor shall be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, in addition to any other remedies prescribed by law.

3.2. **Heirs and Successors.** This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

3.3. **Entire Agreement.** This Agreement represents the entire understanding between the parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisor and Candidate that expressly modifies this Agreement. The parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties.

3.4. **No Warranties.** Candidate acknowledges and agrees that Franchisor has made no promises, representations or warranties to Candidate that are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document concerning the profitability or likelihood of success of the FM2050 Store, that Candidate has been informed by Franchisor that there can be no guaranty of success in the FM2050 Store and that Candidate's business ability and aptitude are primary in determining his success.

3.5. **No Right to Use the FM2050 System or the Marks.** This Agreement is not a Franchise Agreement or a license of any sort, and does not grant Candidate any right to use or to franchise or license the use of, the Confidential Information, which right is expressly reserved by Franchisor.

3.6. **Waiver.** Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance.

3.7. **Validity.** Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

3.8. **Headings and Gender.** The headings herein are for purposes of convenience only and shall not be used in construing the provisions hereof. As used herein, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

3.9. **Attorneys' Fees.** If Franchisor becomes a party to any legal proceedings concerning this Agreement by reason of any act or omission of Candidate or its authorized representatives, Candidate shall be liable to Franchisor for the reasonable attorneys' fees and court costs incurred by Franchisor in the legal proceedings. If either party commences a legal proceeding against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.

3.10. **Cumulative Remedies.** Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.

3.11. **Notices.** All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility, and (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid. Notices and demands shall be given 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 Franchisor:

BIGGIE WORKS INC
5171 LINCOLN AVE
CYPRESS, CA 90630
Attention: JOSEPH JONGWON LIM

Notices to Candidate:

Attention: _____

Either party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other party.

3.12. **Governing Law.** This Agreement takes effect upon its acceptance and execution by Franchisor in California, and shall be interpreted and construed under the laws of California.

3.13 **Venue.** The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought within the city and county in which Franchisor has its principal place of business at the time the action is initiated, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

3.14. **Counterparts and Electronic Copies**. This Agreement 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. Signatures transmitted electronically or by facsimile will be deemed original signatures. Electronic copies of this Agreement shall constitute and be deemed an original copy of this Agreement for all purposes, provided that such electronic copies are fully executed, dated and identical in form to the original hard copy version of this Agreement.

FRANCHISOR:

BIGGIE WORKS INC,
a California corporation

CANDIDATE:

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

EXHIBIT J
GENERAL RELEASE

GENERAL RELEASE AGREEMENT

THIS GENERAL RELEASE AGREEMENT (this "**Release Agreement**") is made and entered into as of _____ (the "**Effective Date**"), by and among BIGGIE WORKS INC, a California corporation ("**Franchisor**"), on the one hand, and _____, a ("**Franchisee**"), and _____ ("**Owner**"), on the other hand, who are collectively referred to in this Release Agreement as the "**Releasing Parties**", with reference to the following facts:

A. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____ (the "**Franchise Agreement**") for the FM2050 store (the "**FM2050 Store**") located at [_____] (the "**Franchised Location**").

B. Franchisee desires to enter into a _____.

C. This Release Agreement has been requested at a juncture in the relationship of the parties where Franchisor is considering either a change or an expansion of the relationship between the parties and/or their affiliates. Franchisor is unwilling to make the anticipated change or expansion in the relationship of the parties unless it is certain that it is proceeding with a "clean slate" and that there are no outstanding grievances or Claims against it. Releasing Parties, therefore, gives this Release Agreement as consideration for receiving the agreement of Franchisor to an anticipated change or expansion of the relationship between the parties. Releasing Parties acknowledges that this Release Agreement is intended to wipe the slate clean.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. **Definitions.** As used herein, the following capitalized terms have the means ascribed to them.

1.1 "**Claims**" means all actual and alleged claims, demands, Losses, charges, agreements (whether written or oral), covenants, responsibilities, warranties, obligations, contracts (whether oral or written), debts, violations, suits, counterclaims, cross claims, third party claims, accounts, liabilities, costs, expenses (including attorneys' fees and court costs), rights to terminate and rescind, rights of action and causes of action of any kind or nature.

1.2 "**Constituents**" means past, present and future affiliates, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing.

1.3 "**Excluded Matters**" means Franchisor's continuing contractual obligations which arise or continue under and pursuant to the Franchise Agreement on and after the date of this

Release Agreement (this Release Agreement is not intended to terminate or amend the Franchise Agreement; this Release Agreement is intended to relieve Franchisor and its Constituents of responsibility for its or their failure, if any, to have timely performed or completed obligations which by the terms of the Franchise Agreement were to have been performed or completed prior to the Effective Date).

1.4 **“Franchisor Released Parties”** means Franchisor and each of its Constituents.

1.5 **“Losses”** means all damages, debts, liabilities, accounts, suits, awards, judgments, payments, diminutions in value and other losses, costs and expenses, however suffered or characterized, all interest thereon, all costs and expenses of investigating any Claim, reference proceeding, lawsuit or arbitration and any appeal therefrom, all actual attorneys’ fees incurred in connection therewith, whether or not such Claim, reference proceeding, lawsuit or arbitration is ultimately defeated and, all amounts paid incident to any compromise or settlement of any such Claim, reference proceeding, lawsuit or arbitration.

2. **General Release Agreement.** Releasing Parties, for themselves and their Constituents, hereby release and forever discharge the Franchisor Released Parties from any and all Claims, whether known or unknown, based upon anything that has occurred or existed, or failed to occur or exist, from the beginning of time to the Effective Date, except for the Excluded Matters and obligations under this Release Agreement.

3. **Waiver of Unknown Claims.** With respect to those claims being released pursuant to Section 2, Releasing Parties, for themselves and their Constituents, acknowledge that they are releasing unknown claims. Releasing Parties acknowledge that this general release extends to claims which Releasing Parties do not know or suspect to exist in favor of Releasing Parties at the time of executing this Release Agreement, which if known by Releasing Parties may have materially affected their decision to enter into this Release Agreement. It is understood by Releasing Parties that the facts under which this Release Agreement is given may hereafter turn out to be other than or different from the facts known or believed to be true. Releasing Parties therefore, expressly assume the risk of the facts turning out to be so different and agree that this Release Agreement shall be in all respects effective and not subject to termination or rescission by any such difference in facts.

4. **Representations and Warranties.** Releasing Parties hereby represent and warrant to the Franchisor that, in entering into this Release Agreement, they (i) are doing so freely and voluntarily upon the advice of counsel and business advisor of their own choice (or declined to do so, free from coercion, duress or fraud); (ii) have read and fully understand the terms and scope of this Release Agreement; (iii) realize that it is final and conclusive, and intends to be final and conclusive, as to the matters set forth in this Release Agreement; and (iv) have not assigned, transferred, or conveyed to any third party all or any part of or partial or contingent interest in any of the Claims which are released by this Release Agreement now or in the future, that they are aware of no third party who contends or claims otherwise, and that they shall not purport to assign, transfer, or convey any such claim hereafter.

5. **Covenants Not to Sue.** Releasing Parties hereby irrevocably covenant to refrain from, directly or indirectly, asserting any claim or demand, or commencing, initiating or causing to be commenced, any proceeding of any kind against any of the Franchisor Released Parties based upon any matter released hereby.

6. **Indemnity.** Without in any way limiting any of the rights and remedies otherwise available to the Franchisor Released Parties, Releasing Parties shall defend, indemnify and hold harmless each Franchisor Released Party from and against all Claims whether or not involving third-party Claims, arising directly or indirectly from or in connection with (i) the assertion by or on behalf of Releasing Parties or their Constituents of any Claim or other matter released pursuant to this Release Agreement, (ii) the assertion by any third party of any Claim or demand against any Franchisor Released Party which Claim or demand arises directly or indirectly from, or in connection with, any Claims or other matters released pursuant to this Release Agreement; and (iii) any breach of representations, warranties or covenants hereunder by Releasing Parties or its Constituents.

7. **Miscellaneous.**

7.1 This Release Agreement cannot be modified, altered or otherwise amended except by an agreement in writing signed by all of the parties hereto.

7.2 This Release Agreement, together with the agreements referenced herein, constitute the entire understanding between and among the parties hereto with respect to the subject matter hereof.

7.3 This Release Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Signatures transmitted electronically or by facsimile will be deemed original signatures. Electronic copies of this Release Agreement shall constitute and be deemed an original copy of this Release Agreement for all purposes, provided that such electronic copies are fully executed, dated and identical in form to the original hard copy version of this Release Agreement.

7.4 This Release Agreement shall be binding upon and inure to the benefit of the parties to this Release Agreement and their respective successors and permitted assigns.

7.5 The rule that an agreement is to be construed against the party drafting the agreement is hereby waived by the parties hereto, and shall have no applicability in construing this Release Agreement or the terms of this Release Agreement.

7.6 Any provision of this Release Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

7.7 Each of the parties acknowledges that it had the right and opportunity to seek independent legal counsel of its own choosing in connection with the execution of this Release Agreement, and each of the parties represents that it has either done so or that it has voluntarily declined to do so, free from coercion, duress or fraud.

7.8 This Release Agreement supersedes any prior negotiations and agreements, oral or written, with respect to its subject matter. The Release Agreement may not be amended except in a writing signed by all of the parties. No representations, warranties, agreements or covenants have been made with respect to this Release Agreement, and in executing this Release Agreement, none of the parties are relying upon any representation, warranty, agreement or covenant not set forth herein.

7.9 This Agreement shall be interpreted and construed under the laws of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Release Agreement would not be enforceable under the laws of California, and if the FM2050 Store is located outside of California and such provision would be enforceable under the laws of the state in which the Store is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 7.9 is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought in Orange County, California, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

IN WITNESS WHEREOF, the parties hereto have executed this Release Agreement as of the Effective Date.

FRANCHISOR:

BIGGIE WORKS INC,
a California corporation

FRANCHISEE:

[LEGAL ENTITY]

By:
Title:

By:
Title:

OWNER:

EXHIBIT K
RECEIPT
(RETURN THIS COPY TO THE BIGGIE WORKS INC)

THIS DISCLOSURE DOCUMENT SUMMARIZES PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF BIGGIE WORKS 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, NEW YORK AND RHODE ISLAND REQUIRE THAT WE GIVE YOU THIS DISCLOSURE DOCUMENT AT THE EARLIER OF 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 BIGGIE WORKS INC DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON D.C. 20580 AND THE APPROPRIATE STATE REGULATORY AGENCY LISTED IN EXHIBIT F.

BIGGIE WORKS INC authorizes the state agencies listed in Exhibit F to receive service of process for BIGGIE WORKS INC.

I have received a Uniform Franchise Disclosure Document dated with an effective date of [_____] [____], 2025. This Disclosure Document included the following Exhibits:

Exhibit A: Franchise Agreement
Exhibit B: List of Franchisees
Exhibit C: Financial Statements
Exhibit D: Personal Guaranty
Exhibit E: Rider to Lease
Exhibit F: List of State Administrators and Agents for Service of Process
Exhibit G: Operations Manual (Table of Contents)
Exhibit H: California Appendix
Exhibit I: Confidentiality Agreement
Exhibit J: General Release
Exhibit K: Receipt

Dated: _____

Franchisee

Print Name

EXHIBIT K
RECEIPT
(YOUR COPY)

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Dated: _____

Franchisee

Print Name