

FRANCHISE DISCLOSURE DOCUMENT

SHREDDER INTERNATIONAL, LLC

a Colorado limited liability company

4890 Ironton Street, Units F & G

Denver, Colorado 80239

(303) 619-0039

franchise@shredderski.com

www.shredderski.com



The franchise is for the establishment and operation of Shredder Indoor Ski and Snowboard School businesses that operate in accordance with our standards and specifications to offer a variety of indoor snow ski and snowboard lessons and related products and services to children and adults of all ages and all skill levels, with a primary focus on kids ages 0 to 10 (each, a “Shredder Business”).

The total investment necessary to begin operation of a Shredder Indoor Ski and Snowboard School franchise ranges from \$219,000 to \$395,000. This includes \$88,000 to \$103,000 that must be paid to us.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Rachel Brittenham at 4890 Ironton Street, Units F & G, Denver, Colorado 80239 or (303) 619-0039.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*,” which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Date of Issuance: July 10, 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 Exhibits D and E.
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 A 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 Shredder 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 Shredder franchisee?	Item 20 or Exhibits D and E lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

- 1. Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation and/or litigation only in Colorado. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in Colorado than in your own state.
- 2. Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
- 3. Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
- 4. Financial Condition.** The Franchisor's financial condition, as reflected in its financial statements (See Item 21), calls into question the Franchisor's financial ability to provide services and support to you.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

**NOTICE REQUIRED BY
STATE OF MICHIGAN**

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

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

limited to:

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

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

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

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

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

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

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Department of Attorney General, Consumer Protection Division (Attention Franchise), P.O. Box 30212 Lansing, Michigan 48909, telephone (517) 373-7117.

**SHREDDER
FRANCHISE DISCLOSURE DOCUMENT**

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor, its Parents, Predecessors and Affiliates

The Franchisor is Shredder International, LLC, referred to in this Disclosure Document as “we,” “us” or “our.” We refer to the person interested in buying a franchise as “you” or “your.” If you are a corporation, partnership, limited liability company, or other entity, certain provisions of the Franchise Agreement will apply to your owners. These will be addressed in this Disclosure Document where appropriate.

We were formed in Colorado in July of 2020. We maintain our principal place of business at 4890 Ironton Street, Units F & G, Denver, Colorado 80239. We do business under our corporate name and the name “SHREDDER”. Our agent for service of process in Colorado is Rachel Brittenham, and our registered agent address is 4890 Ironton Street, Units F & G, Denver, Colorado 80239, and our agents for service of process in the states that require franchise registration are listed in Exhibit G.

We have no predecessors or parent entities, and except as described below in this Item 1, none of our affiliates offer franchises in any line of business or provide products or services to our franchisees. We reserve the right to designate our affiliates as approved or required vendors in the future.

We sell franchises for the establishment and operation of Shredder Indoor Ski and Snowboard School businesses that operate in accordance with our standards and specifications to offer a variety of indoor snow ski and snowboard lessons and related products and services to children and adults of all ages and all skill levels, with a primary focus on kids ages 0 to 10 (the “Shredder Businesses”). The Shredder Businesses do business under the mark “SHREDDER”.

We have never operated a Shredder Business, but our affiliate, Shredder Franchise Holdings Company, LLC, a Colorado limited liability company (and its subsidiaries) operates multiple Shredder Businesses in Colorado (with the first location opening in 2012). Shredder Franchise Holdings Company, LLC maintains its principal place of business at 4890 Ironton Street, Units F & G, Denver, Colorado 80239.

We first began to offer franchises in August of 2022. We are not engaged in any other businesses and have never offered franchises in any other lines of business.

The Franchise

We offer qualified applicants franchises for Shredder Businesses. The Franchise Agreement (Exhibit B to this Disclosure Document) gives you the right to establish and operate one Shredder Business at a specified location within a Protected Area.

Shredder Businesses must operate in compliance with our business system, which consists of distinguishing characteristics utilized in each Shredder Business, including, without limitation, teaching techniques, lesson plans and curriculum, distinctive interior and exterior sign design and arrangement, décor, fixtures and furnishings; quality and uniformity of products and services offered; standards, specifications, methods, techniques, procedures for operations, inventory and management; training and assistance; record keeping and reporting; and marketing and promotions; all of which may be changed, improved and further developed by us and/or our affiliates from time to time (collectively, the “System”).

Shredder Businesses must operate under the trade name and service mark “SHREDDER” and the other trade names, service marks, trademarks, logos, emblems and other indicia of origin that we designate in writing for use by Shredder Businesses operating under the System (collectively, the “Marks”).

The System includes our methods and procedures for the establishment, management and operation of Shredder Businesses, including our confidential information, our manuals, the Marks, and other business standards and policies.

The Franchise Agreement requires you to designate a “Principal Owner.” Your Principal Owner will be the main individual responsible for your business, will be required to hold an equity interest in the franchisee entity, and must devote his or her full-time best efforts to operating the Shredder Business. Your Principal Owner must meet our qualifications and must be approved by us. Your current and future Owners, including your Principal Owner, must sign a Guaranty and Assumption Agreement (“Guaranty”), guaranteeing your performance and binding themselves individually to the provisions of the Franchise Agreement, including the covenants against competition and disclosure of confidential information, restrictions on transfer and dispute resolution procedures.

Competition

The market for snow ski/snowboard instructional services is well established and highly competitive. There is active price competition among such businesses, as well as competition for instructors and management personnel and for attractive commercial real estate sites suitable for these businesses. You must expect to compete with ski/snowboard lesson offerings conducted at the various mountains in your area as well as all independent snow ski/snowboard schools in your market. Competitors may be locally owned businesses or large regional or national chains.

The snow ski/snowboard school industry (including Shredder Businesses) is impacted by the seasonal nature of snow skiing and snowboard activity, with activity typically picking up in late Summer and early Fall, increasing and peaking throughout the late Fall and Winter months and slowing down in late Spring and early Summer months. As a result, we recommend, but do not require, that franchisees start their initial operations in July or August in order to assist in a quicker ramp-up of the business to take advantage of the opportunities available during the Fall and Winter ski/snowboard season.

These businesses are also impacted by many other factors, including changes in consumer taste, demographics, weather, traffic patterns and economic conditions.

Industry Specific Regulation

The indoor snow ski/snowboard school industry is not regulated in Colorado, but other states may impose regulations regarding indoor snow ski/snowboard schools that you must comply with.. Many of the laws, rules and regulations that apply to business generally, like the Americans With Disabilities Act, Federal Wage and Hour Laws, and the Occupation, Health and Safety Act, also apply to snow ski/snowboard schools.

You must, at your expense, comply with all payment card industry (“PCI”) and government security standards and requirements designed to protect cardholder data in connection with payments made via credit and debit cards. From time to time upon written notice to you, we may require you to implement certain procedures and protocols in order to comply with PCI standards and requirements. PCI standards apply to both technical and operational aspects of credit card and other payment card transactions and apply to all organizations which store, process or transmit cardholder data.

You should consider these laws and regulations when evaluating your purchase of a franchise.

ITEM 2

BUSINESS EXPERIENCE

Rachel Brittenham: Chief Executive Officer

Rachel Brittenham currently serves as our Chief Executive Officer, a position she has held since September 2023. Rachel served as our Chief Training Officer from July 2020 through September 2023. She also serves as Director of Operations for our affiliate, Shredder Franchise Holdings Company, LLC, a position she has held since July 2017. Ms. Brittenham currently offices in Denver, Colorado.

Robert Griswold: Director of Franchise Sales

Robert Griswold has served as our Director of Franchise Sales since August of 2022, and he has been involved in developing the Shredder Ski School concept since 2017 as an informal advisor/investor to the company. Mr. Griswold served as a Regional Vice President (based in Colorado) with Primerica, a financial services company based in Atlanta, Georgia, from October 2002 to August 2022. Mr. Griswold currently offices in Broomfield, Colorado.

S. Brooks Crosby: Founder

S. Brooks Crosby founded the first Shredder Ski School business in 2012, originally under the name “Shredder Kids”, and he served as our Chief Executive Officer from July 2020 to June 2023. He also served as Chief Executive Officer of our affiliate, Shredder Franchise Holdings Company, LLC from 2012 to June 2023. Since August 2023, Mr. Crosby has served in in a strategic role for us, providing operational suggestions using data and insights that positively affect key business indicators and drive business growth. Mr. Crosby currently offices in Denver, Colorado.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Initial Franchise Fee

You must pay us an initial franchise fee of \$28,000 when you sign the Franchise Agreement.

If you have previously signed a Shredder franchise agreement(s) with us and you have remained in compliance with all terms of such agreement(s), then your initial franchise fee for your second and subsequent franchise agreements will be reduced to an amount equal to 75% of our then-current initial franchise fee.

Initial Equipment Package

Within 60 days after signing the Franchise Agreement, you must purchase an initial equipment and inventory package from us at a cost ranging from \$60,000 to \$75,000.

The initial franchise fee and initial equipment package fee are not refundable under any circumstances and are imposed uniformly on all franchisees.

ITEM 6

OTHER FEES

Fees⁽¹⁾	Amount	Due Date	Remarks
Royalty Fee	6% of your Gross Sales	Payable monthly (with payments due on the 5 th day of each month for royalties accrued during the prior month), provided that if the scheduled due date is not a business day, then the next business day after the due date. We reserve the right to change the payment schedule upon 30 days' notice to you.	See Note 2 for the definition of "Gross Sales." We require you to pay the royalty fees by electronic funds transfer/EFT (automatically deducted from your designated account) or any other means we reasonably specify.

Fees⁽¹⁾	Amount	Due Date	Remarks
Local Advertising and Cooperatives	Currently \$500 per month	Payments for local advertising expenses will be paid to local advertisers, except that if we establish and administer an advertising Cooperative in your area then the contributions to the Cooperative may be paid to us. Typically, local advertising payments are due when billed by the local advertiser.	See Note 2 for the definition of Gross Sales. We may require details of your local advertising expenditures, and we have the right to request receipts and conduct audits up to once per month to confirm your compliance with the local advertising requirements. We may increase the amount you must spend on local marketing on not less than 30 days' written notice to you (up to a maximum of 10% increase per year). We have the right to designate any geographic area in which two or more company-owned or franchised Shredder Businesses are located as a region for purposes of establishing an advertising cooperative ("Cooperative"). If a Cooperative is established for your area you will be required to contribute at least \$250 each month to the Cooperative (provided that such amount may be increased by majority vote of the Cooperative members to as high as \$500 per month, with each franchised unit in the Cooperative being entitled to one vote), and you must execute the applicable Cooperative documents promptly upon our request and participate as a member of the Cooperative. Any amounts you contribute to your Cooperative will be credited against your local advertising requirement. If we have any company-owned Shredder Businesses that are located in your Cooperative territory, those company-owned locations will not have the power to unilaterally increase your required Cooperative contributions.

Fees⁽¹⁾	Amount	Due Date	Remarks
National Brand Marketing Fund	Currently 1% of your Gross Sales	Payable monthly at the same time royalties are due. We reserve the right to change the payment schedule upon 30 days' notice to you.	See Note 2 for the definition of Gross Sales. The National Brand Marketing Fund contribution is in addition to your local advertising requirements. We require you to pay the National Brand Marketing Fund contribution by electronic funds transfer/EFT. We may increase the required contribution amount on not less than 30 days' written notice to you (up to a maximum of 2% of Gross Sales).
Initial Launch Expense	\$5,000	This amount must be spent during the period beginning 14 days before the opening of your Shredder Business and ending 60 days after such opening date.	You must carry out an initial launch promotion for your Shredder Business in accordance with our standards.
Taxes	An amount levied by applicable tax authorities	As incurred and upon demand	This includes all sales taxes, personal property taxes, excise taxes, value added taxes and other taxes on account of services or goods provided by us. Among other things, you must pay to us when due any federal, state or local sales, gross receipts, use, value added, excise or other taxes levied or assessed against us on any initial franchise fees, periodic fees and other payments paid to us under your Franchise Agreement, including any income tax, franchise or other tax levied or assessed against us for the privilege of doing business in your state or on account of services or goods provided by us.
Technology Fees	Currently \$300 per month	Payable monthly at the same time royalties are due. We reserve the right to change the payment schedule upon 30 days' notice to you.	We require you to pay these fees by electronic funds transfer/EFT. We reserve the right to increase this fee (up to a maximum of 10% increase per year) upon 30 days' prior notice to you.
Business Listings	Cost	On demand	You will place and pay the cost of business listings in the directories and categories as we specify.

Fees⁽¹⁾	Amount	Due Date	Remarks
Merchandise and Equipment for Resale and Rental	Our costs, plus a mark-up determined by us.	On demand	We may provide to you certain collateral merchandise and equipment for resale and rental that identifies the System (e.g. clothing or other memorabilia); ski equipment; and other products.
Interest	The lesser of 18% per year or the maximum lawful rate	On demand	We may charge interest on all overdue amounts.
Late Fees	\$100 for each delinquent amount owed to us	On demand	In addition to interest payable to us on any late payments, we may charge you a late fee for any delinquent amounts due under the Franchise Agreement.
Management Fee	If applicable, this fee will be equal to 10% of your Shredder Business's Gross Sales plus our related costs, including any travel, lodging and meal expenses for our personnel engaged in operating your business	Monthly	If we have given you notice that you are in default, then we may (but are not obligated to) assume interim management of your Shredder Business during the pendency of any cure period. If we elect to assume interim management of your Shredder Business we will have the right to charge a reasonable monthly fee for our management services.
Relocation Fee	An amount equal to 50% of our then-current initial franchise fee	Prior to relocation	If we grant you the right to relocate your Shredder Business, you must pay us a relocation fee, and you must comply with such reasonable site selection and construction procedures outlined in the Franchise Agreement

Fees⁽¹⁾	Amount	Due Date	Remarks
Additional or Remedial Training	Our then-current per diem fee for additional training, plus our related costs for travel, lodging and meals. Our current per diem rate is \$400 per trainer	When billed.	If you request or if we believe it is appropriate or necessary, you may be required to complete additional or remedial training, and we will (subject to availability) provide one or more trained representatives to conduct such training either on-site at your location or at another location designated by us, in our sole discretion. If you request additional training (beyond that provided in our initial training program) or we require you to complete additional training after you begin operation, then you will have to pay this fee, which covers training at our headquarters or other location designated by us. You must also pay the expenses of you and your personnel attending training (e.g. travel, lodging and meals). See Item 11.
Transfer Fee	75% of our then-current initial franchise fee (or 50% of our then-current initial franchise fee if the transfer is to an existing Shredder franchisee in good standing with us)	Prior to transfer	If you are an individual transferring your rights and obligations under the Franchise Agreement to an entity owned solely by you, the transfer fee shall be reduced to a flat fee of \$1,500.
Successor/ Renewal Fee	\$2,000	Upon renewal	In order to renew your franchise agreement you must, among other things, sign a successor franchise agreement and pay us a successor/renewal fee.
Securities Offering Fee	Our actual costs and expenses associated with the proposed offering	When billed	We limit our review to the manner in which the offering materials treat your and our relationship.

Fees⁽¹⁾	Amount	Due Date	Remarks
Supplier Review Fee	An amount equal to the greater of: (a) \$1,000, or (b) the actual costs and expenses we incur in connection with evaluating your proposed supplier or product	When billed	If you request approval of a new supplier or product, you will be required to pay us this fee.
Mystery Shopper Fees	Currently \$0, but could be up to \$150 per month	If implemented, these fees will be due on the first day of each month for services to be provided in the upcoming month	While we have not done so as of the date of this Disclosure Document, we reserve the right to implement a mystery shopper program upon written notice to you. If we implement such a program, either directly or through a third-party vendor, you will be required to pay us (or, at our instruction, our designated third-party vendor) mystery shopper program fees in an amount up to \$150 per month, as determined by us from time to time.
Indemnification	Varies according to loss	On demand	You must indemnify us if your actions result in loss to us.
Audit Fee	An amount equal to all costs and expenses in connection with the audit (in addition to any unpaid amounts owed to us with interest on those unpaid amounts at a rate of 18% per year or the maximum lawful rate)	When billed	In addition to paying us any unpaid amounts uncovered in the audit (plus interest), you will be required to reimburse us for all costs related to the audit (including, without limitation, legal and accounting fees and costs) if an examination or audit shows you have understated any amount owed to us by 2% or more.
Intranet Fee	An amount based on your usage if/when we establish an Intranet	When billed	We may charge you a monthly fee per Shredder Business for using our Intranet if/when it is established.

Fees⁽¹⁾	Amount	Due Date	Remarks
Insurance Reimbursement	An amount equal to our actual expenses, plus \$1,000.	On demand	If you fail to maintain the required insurance, we may, at our option (but are not required to), obtain it for you. If we do, we will charge you an amount equal to our actual expenses, plus \$1,000.
Conference Fee	\$1,000 per person	Prior to attending conference	You must pay us our then-current registration fees for our franchise conferences (up to a maximum of \$1,000 per person as determined by us), which we may host at a location selected by us. If we schedule a franchise conference, you must attend. If you fail to attend a franchise conference without our prior written consent, you will be required to pay us the applicable registration fees for one person within 10 days following the date of the applicable conference.
Enforcement Costs	Will vary	As incurred	You must pay our costs of enforcement (including attorney's fees and costs) if you do not comply with the Franchise Agreement.
Additional and/or Replacement Equipment (e.g. skis, snowboards, helmets, boots, and related equipment)	Our costs, plus a mark-up determined by us.	As incurred	You must maintain your equipment used for providing ski and snowboard lessons in good working order and replace such equipment from time to time, and such replacement equipment must be purchased from us.

Notes:

(1) All fees and expenses described above are non-refundable and, unless otherwise indicated, are imposed uniformly by, and are payable to, us. Unless we have noted differently, we may increase these amounts based on changes in market conditions, our cost of providing services and future policy changes, but we have no present plans to increase any fees.

(2) "Gross Sales" means the total selling price of all services and products and all income of every other kind and nature related to the Shredder Business, whether for cash or credit and regardless of collection in the case of credit. "Gross Sales" includes: (a) All proceeds from the sale of goods purchased with coupons, gift cards/certificates or vouchers; provided that funds received by you upon selling a gift card/certificate or voucher are not deemed to be part of your Gross Sales until the gift card/certificate or voucher is redeemed for goods at your Shredder Business, at which time you must count the retail value of the products sold in determining Gross Sales for royalty purposes and for other fees calculated in respect of Gross Sales (i.e. because you are not required to record and report sales proceeds for royalty

purposes when the coupon, gift card/certificate or voucher is sold, you are required to pay royalties based on the retail value of the products provided in exchange for the coupon, gift card/certificate or voucher unless the gift card/certificate or voucher is redeemed at a different Shredder Business); and (b) Your share of revenues from any vending machines or other equipment, machines or devices installed in the Shredder Business. “Gross Sales” does not include (i) sales taxes you collect from customers of the Shredder Business, if the taxes are actually transmitted in a timely manner to the appropriate taxing authority; (ii) tips or gratuities paid directly to your employees by customers of the Shredder Business or paid to you and turned over by you to your employees in lieu of direct tips or gratuities; (iii) returns to shippers or manufacturers; and (iv) proceeds from isolated sales of trade fixtures not constituting any part of the products and services offered for sale at the Shredder Business or having any material effect upon the ongoing operation of the Shredder Business.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount Low - High	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (1)	\$28,000	Lump Sum	On execution of Franchise Agreement	Us
Lease, Utility and Security Deposits	\$1,500 - \$3,000	As Arranged	As Arranged	Lessor or utility companies, as applicable
Business Licenses and Permits (2)	\$1,500 - \$3,000	As Arranged	As Arranged	
Construction/Leasehold Improvements (3)	\$81,000 - \$220,000	As Arranged	As Arranged	Contractor
Rent (first 3 months)	\$10,000 - \$20,000	As Arranged	As Arranged	Landlord
Architect and Design Fees (4)	\$2,500 - 4,500	As Arranged	As Invoiced	Suppliers
Signage (5)	\$8,000 - \$13,000	As Arranged	As Invoiced	Suppliers
Furniture and Fixtures (6)	\$2,500 - \$3,000	As Arranged	As Invoiced	Suppliers
POS and Back-Office System (7)	\$500 - \$1,000	As Arranged	As Invoiced	Suppliers
Office Equipment and Supplies (8)	\$1,500 - \$2,500	As Arranged	As Invoiced	Suppliers

Professional Services (9)	\$1,000 - \$2,000	As Arranged	As Invoiced	Accountants, Us, Lawyers, Architect, etc.
Equipment and Initial Inventory (10)	\$60,000 - \$75,000	As Arranged	As Invoiced	Franchisor
Insurance (11)	\$7,000 - \$13,000	As Arranged	As Arranged	Insurance broker
Training Expenses (12)	\$4,500 - \$6,000	As Arranged	As Invoiced	Your employees and suppliers of travel, lodging and meals
Curriculum Equipment	\$2,500 - \$4,000	As Arranged	As Arranged	Suppliers
Initial Launch Marketing (13)	\$5,000 - \$10,000	As Arranged	As Arranged	Ad agency and advertisers
Additional Funds – Initial 3 months (14)	\$35,000 - \$65,000			
TOTAL	\$219,000 - \$395,000			

Notes:

(1) Our standard initial franchise fee is \$28,000, but if you have previously signed a Shredder franchise agreement(s) with us and you have remained in compliance with all terms of such agreement(s), then your initial franchise fee for your second and subsequent franchise agreements will be reduced to \$21,000 per agreement.

(2) This amount represents the estimated cost of various operating licenses and permits required at the local, regional, or state level.

(3) These estimates includes building two practice ski slopes and other renovations as needed for ski/snowboard lessons and are based on our affiliate's prior experience in establishing Shredder Businesses. Shredder Businesses will typically be located in commercially zoned retail shopping, entertainment areas or industrial/warehouse spaces. Due to the cost of land acquisition and new construction, we anticipate that the premises for Shredder Businesses will be leased unless the franchisee already owns the applicable premises before purchasing a Shredder Business franchise. These estimates assume that you will lease the premises or already own the premises before purchasing a Shredder Business franchise and do not include costs of land acquisition. The leasehold improvements estimate is based on the cost of adapting our prototypical architectural and design plans to a facility containing approximately 3,500 to 5,500 square feet. The leasehold improvement ranges will be affected by various factors, like the location of the Shredder Business and local market conditions. The estimates assume that the landlord will provide connections to adequate electrical, gas, water and sewage service. Your actual costs may or may not include site preparation and finish-out costs, depending on the arrangements you negotiate with your landlord. These estimates assume that your landlord will not contribute to the costs of finish-out, but if your landlord does contribute those costs, in the form of a tenant improvement allowance or otherwise, your costs could be decreased. There is no guarantee that your landlord will agree to grant a tenant improvement allowance (or the amount of the allowance, if granted). These costs are our best estimate based on commercial leasing and remodeling/finish-out costs that our affiliate has experienced with other Shredder Businesses. These estimates may vary substantially based on your ability to negotiate with your landlord and your financial strength, as well as on local commercial leasing and labor rates and other local conditions.

(4) This estimate includes projected costs for obtaining design plans for your space and all related architecture fees. Your costs may vary significantly based on the site you choose for your Shredder Business.

(5) This amount includes the cost of decor items as well as all interior and exterior signage meeting our standards and specifications, as required for your Shredder Business.

(6) This estimate includes the estimated cost for required furniture and fixtures, which must meet our standards and specifications but may vary based on the size and shape of your facility.

(7) This amount includes the estimated purchase costs of point-of-sale system and related software (including, without limitation, back-office software meeting our specifications and manufactured by a manufacturer approved in writing by us) that you must use at all times in the operation of your Shredder Business. (See Item 11).

(8) You must purchase all office equipment, paper products and assorted supplies necessary for the operation of your Shredder Business prior to opening. Such items must meet our standards and specifications, and all equipment must be purchased through a supplier approved by us.

(9) This estimate is for the cost to establish an entity to hold the franchise and review the franchise documentation with an attorney. You may also wish to consult with an accountant or other business advisor regarding the establishment and operation of your Shredder Business. The cost of professional services can vary widely.

(10) We estimate that this range will cover the cost of your initial inventory and equipment package, which includes, among other things, ski and snowboard equipment and related items, which will be replenished as needed by the approved vendors.

(11) This amount represents an estimate of the down payment on your annual insurance premiums. You must obtain the insurance coverage described in the Franchise Agreement. We and our affiliates, officers, directors, members and agents must be named as an additional insured on these policies. Your cost of insurance may vary depending on the insurer, the location of your Shredder Business, your claims history, and other factors.

(12) We provide initial training to your initial Operating Partner, initial General Manager (if different), and up to one other person at no additional charge, but such training will be conducted in Denver, Colorado. Therefore, these estimates include only your out-of-pocket costs related to the training. You must pay all expenses that you and your employees incur in connection with attending the initial training program, like travel, lodging, meals and wages. These costs will vary depending upon your selection of salary levels, lodging and dining facilities, and mode and distance of transportation. If you elect to send more than three people to the initial training program we may, at our option, charge you a fee of \$400 per day for each additional person attending the initial training program. (See Item 11)

(13) You must carry out an initial launch campaign for the Shredder Business in compliance with our written specifications during the period beginning 14 days before the business' initial opening date and ending 60 days after the opening date. We must approve all advertising items, methods and media. We provide limited on-site opening assistance at no additional charge.

(14) You will need additional funds during the start-up phase of your business to pay employees, purchase supplies and pay other expenses, including owners' draws or salaries if you choose to make such payments to the owners. We estimate the start-up phase to be 3 months from the date you open for business. These amounts do not include any estimates for debt service. You must also pay the royalty and other related fees described in Item 6 of this Disclosure Document. These figures are estimates, and we cannot assure you that you will not have additional expenses. Your actual costs will depend on factors like your management skills, experience and business acumen, and whether you pay yourself or other owners a salary or draw. You should base your estimated start-up expenses on the anticipated costs in your market and consider whether you will need additional cash reserves. We relied on the experience of our affiliates in establishing Shredder Businesses to compile these estimates. You should review these figures carefully with your business advisor.

Unless otherwise stated above, these estimates are subject to increases based on changes in market conditions, our cost of providing services and future policy changes. At the present time, we have no plans to increase payments we control.

We do not offer any financing for your initial franchise fee or any portion of your initial investment. Unless otherwise stated, the amounts described above are not refundable.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure a uniform image and uniform quality of services and products at the Shredder Businesses in conjunction with the System, you must maintain and comply with our quality standards and specifications. You must equip and decorate each of your Shredder Businesses in accordance with our then-current approved specifications and standards pertaining to equipment, furniture, fixtures and trade dress, and you must purchase certain items from suppliers that we approve or designate (which may include us or our affiliates). In addition to meeting our specifications and standards, it is solely your responsibility to ensure that your Shredder Business complies with all local, state and federal laws, building code requirements, the Occupational Safety and Health Act, and the Americans with Disabilities Act (ADA).

Required Purchases From Us and our Affiliates

You currently have no obligation to purchase or lease from us or our affiliates the real estate or construction services used in establishing the Shredder Business, but we will provide you with copies of our prototypical designs manual and specifications package for a Shredder Business (collectively, the “Design Manual and Prototypes”), and you must, at your expense, hire, and coordinate with, an architectural services vendor and construction contractor selected by you and approved by us to adapt the Design Manual and Prototypes as needed to prepare tailored architectural plans and drawings specific to your Shredder Business space and construct your Shredder Business facility.

Initial Equipment and Inventory Package

Before opening your Shredder Business, you must purchase from us an initial equipment and inventory package that includes, among other things, certain skis, snow boards, helmets, boots, signs, curriculum related equipment, slope material, etc. as designated by us.

Additional and Replacement Ski and/or Other Equipment

You must also purchase from us all additional and replacement equipment used in the operation of your Shredder Business from time to time, including among other things, certain skis, snow boards, helmets, boots, signs, curriculum related equipment, slope material, etc. as designated by us.

Branded Items

We require you to purchase certain “SHREDDER” branded items, including clothing and paper products, only from us or our affiliates.

External Ski Rental Equipment

While we do not currently have an external ski rental equipment program (in which your customers would rent equipment by the week or season for external use at ski resorts), we anticipate that we may implement such a program in the future, in which case you will be required to purchase all external ski rental equipment from us or our affiliate.

In addition to the items specified above, we also impose sourcing/supplier requirements for certain items, including, but not limited to, equipment and artificial ski slopes, that must be used in the

operation of your Shredder Business, and we reserve the right to require you to purchase some or all of such items from us, our affiliates or other third-party designated suppliers.

Designated Suppliers

We reserve the right to designate specific suppliers for the products and services used in the Shredder Businesses. We also reserve the right to change or add designated suppliers from time to time at our option upon written notice to you. Each designated supplier shall have a list of specific approved products that only they are permitted to supply to our franchisees. The approved products lists may be modified by us from time to time, at our option, upon written notice to you.

As of the date of this Disclosure Document, we have identified the following designated sources for certain products and services that you must purchase and use in connection with the establishment and operation of your Shredder Business.

Artificial Ski Slopes and General Contractor Services

You must use our designated architecture and construction vendor, Urban Mountain Construction LLC (“Urban Mountain”), based in Colorado, for the design and construction of your artificial ski slopes, and you must use Urban Mountain as the general contractor for construction of your facility (provided that you may use a local construction vendor with Urban Mountain serving as a consultant for the project if Urban Mountain determines that it is not able to perform the physical construction services in your case).

Ski and Snowboard Equipment

Your initial ski and snowboard equipment will be included in the initial equipment and inventory package that you purchase from us. Following that initial purchase, you must continue to use only approved brands of ski and snowboard equipment at your Shredder Business, and we may require you to purchase such items from a sole designated vendor or vendors.

Shredder Intranet

You must use our designated online system to access and utilize our Shredder intranet portal, which provides you with a platform including various services necessary for operation of the Shredder Business, such as staff onboarding procedures, staff training and testing, etc.

Back-Office Software System and Equipment

You must use the required third-party software system designated by us for all back-office operations at your Shredder Business. This system must be used to enroll and register new clients, schedule classes, bill clients, execute financial transactions, etc.

Changes to Designated Suppliers

We reserve the right to add, remove or otherwise change designated sources for any products or services in our sole discretion at any time. For example, we may elect to designate required vendors for various items, such as light fixtures, tables, chairs, interior artwork, interior or exterior signage or other products or services in the future. Therefore, the lists of designated suppliers and approved products and services may be modified by us from time to time, at our option, upon written notice to you.

Approved Suppliers

If we have approved suppliers (including manufacturers, distributors and other sources) for any supplies, materials, fixtures, furnishings, equipment, computer systems and other products used or offered for sale at the Shredder Business, you must obtain these items from those suppliers. Approved suppliers are those who demonstrate on a continuing basis the ability to meet our then-current standards and specifications, who have adequate quality controls and the capacity to supply the needs of the Shredder franchise network promptly and reliably, whom we have approved in writing and whom we have not later disapproved. We may designate ourselves or our affiliates as approved or designated suppliers of any item. Before opening your Shredder Business (and from time to time as needed during operation of your Shredder Business), you must purchase from approved suppliers certain items required for the operation of a Shredder Business.

We have the right to make available to you for resale in the Shredder Business certain merchandise identifying the System. This may include Shredder memorabilia, like T-shirts, hats, ski equipment, etc. If we make this type of merchandise available, we may require you to purchase it from us, our affiliate or a supplier we designate in amounts necessary to meet your customer demand.

If we require that an item be purchased from an approved supplier and you wish to purchase it from a supplier we have not approved, you must submit to us a written request for approval. You must not purchase or lease the item from the supplier until and unless we have approved the supplier in writing. We have the right to require you to submit information, specifications and samples to us to enable us to determine whether the item complies with our standards and specifications and that the supplier meets our criteria. We also have the right to inspect the supplier's facilities, and to have samples from the supplier delivered to us or to an independent laboratory we designate for testing. We may condition our approval of a supplier on requirements relating to product quality, prices, consistency, reliability, financial compatibility, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) or other criteria. We may re-inspect the facilities and products of any approved supplier, and we may revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. If we revoke our approval of any supplier, you must promptly discontinue use of that supplier. You must pay for the cost of any inspections and tests (including our administrative expenses), and you must also pay us an amount equal to the greater of \$1,000 or the actual costs and expenses we incur in connection with the evaluation of your proposed supplier or product. Nothing requires us to approve any particular supplier, and we are not required to notify you of our approval or disapproval within any specified period of time. Our specifications for products and criteria for supplier approval are generally issued through written communications and are available to franchisees and approved suppliers.

Purchases According to Specifications

You must comply with all of our standards and specifications relating to the purchase of signage, décor items, supplies, materials, fixtures, furnishings, equipment, computer systems and other items and services used or offered for sale at the Shredder Business. Among other things, the following must comply with our specifications:

Site Selection and Construction

You must locate and obtain a site for the Shredder Business that satisfies our site selection requirements within four (4) months after signing the Franchise Agreement. If you fail to meet such deadline but you are, in our reasonable discretion, making a diligent good faith effort to obtain an approved location then we will grant you a 30-day cure period to find, and obtain possession of, an approved location. If you have not obtained an approved location within five (5) months after signing the Franchise Agreement, such failure will constitute a material default under the Franchise Agreement. You must submit your proposed site to us, and we will notify you of our approval or rejection of the proposed site within 15 days of receiving all applicable site submittal information. You must adapt our prototypical architectural and design plans as needed for the construction or remodeling of your Shredder Business and provide them to us for review. We have the right to review your plans and must notify you of our objections within 15 days after we receive your plans. If we do not notify you of any objections within that time, you may use the plans. If we do object within the 15-day period, you may not use the plans. Any objections we make will also include a reasonably detailed list of changes that you must make for the plans to be acceptable. We will notify you within 15 days after we receive your revised plans if they are acceptable. If we do not object to your revised plans within the 15-day period, you may use the revised plans.

Advertising and Promotional Materials

You agree that any advertising, promotion and marketing you conduct will be completely clear and factual (i.e. not misleading) and will conform to the highest standards of ethical marketing and the promotion policies that we prescribe periodically. Samples of all advertising, promotional and marketing materials that we have not prepared or previously approved must be submitted to us for approval at least 15 days before you use them, or deliver them to a third party for use, in any advertisement. If you do not receive written approval within 10 days after our receipt of such materials, we will be deemed to have disapproved such materials. You may not use any advertising or promotional materials that we have disapproved. Our approval of any advertising material may be withdrawn in our sole discretion at any time.

Insurance

You must obtain and maintain insurance policies protecting you and us and various related parties against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense related to or connected with the operation of the Shredder Business. All policies must be written by a responsible insurance carrier or carriers rated "A" or better by the A.M. Best Company, Inc., and all policies must name us and our affiliates, officers, directors, members and agents as additional insureds on the policies. Copies of your certificates of insurance must be promptly sent to us upon our request. At a minimum (except as additional coverages and higher policy limits may reasonably be specified by us from time to time in writing), you must carry: (1) comprehensive general liability insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage, in the amount of \$2,000,000 combined single limit per occurrence, \$2,000,000 general aggregate; (2) employment related practices liability insurance, including third party coverage, in an amount not less than \$1,000,000 per occurrence and \$1,000,000 aggregate, with a deductible of less than \$10,000 unless we approve a higher deductible in writing; (3) property insurance coverage to include coverage for replacement costs of all franchisee-owned contents and tenant improvements at each location, and business interruption insurance for a period adequate to re-establish normal business operations, not to be less than six months; (4) automobile liability coverage, including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than \$1,000,000 per accident; (5) an "umbrella" policy providing excess coverage

with limits of not less than \$1,000,000 per occurrence and \$1,000,000 aggregate, which must be excess to the general liability and automobile liability coverage required herein; (6) workers' compensation (Coverage A) with statutory limits complying with the laws of the applicable state, and employer's liability (Coverage B) with limits not less than \$1,000,000 per accident, \$1,000,000 disease policy limit, and \$1,000,000 disease per employee (such insurance policies shall include a waiver of subrogation endorsement in favor of us); and (7) such other insurance as may be required by us from time to time or by the landlord of the Shredder Business premises at, and by the state or locality in, which the Shredder Business is located.

Purchasing Arrangements

Neither we nor our affiliates had any revenues from the sale of products or services to franchisees in the fiscal year ended December 31, 2024, nor did we or our affiliates receive any rebates, refunds or other payments from any designated sources because of transactions with our franchisees during such time period.

We may negotiate certain purchase arrangements (including price terms) for the purchase of certain items, such as logoed memorabilia and paper products, with suppliers for the benefit of franchisees. In doing so, we seek to promote the overall interests of our franchise system and our interests as the franchisor.

We or our affiliates may receive rebates or other material consideration from approved or designated sources, but we do not currently receive any rebates or other material consideration based on purchases or leases by franchisees. We will not provide material benefits to franchisees based upon their use of designated or approved suppliers. There are currently no purchasing or distribution cooperatives for the System.

Your obligations to purchase or lease goods, services, supplies, fixtures, equipment, inventory, and computer hardware and software and other items from us or our designee, from suppliers we approve, or under our specifications are all considered "required purchases." The magnitude of required purchases in relation to all purchases you make to establish and operate the Shredder Business is difficult to determine due to the highly variable nature of expenditures necessary to establish and operate the Shredder Business as described in Item 7. We estimate that your total initial required purchases will range between 50% and 60% of the cost of your initial purchases or leases. We estimate your required purchases for the operation of the Shredder Business will range between 50% and 60% of your annual purchases or leases.

Except for ownership in us and our affiliate, Shredder Franchise Holdings Company, LLC, none of our officers own an interest in any of our privately-held suppliers or any material interest in any publicly-held suppliers of the Shredder franchise system. From time to time, our officers may own non-material interests in publicly-held companies that may be suppliers to our franchise system.

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	Section III.A. of Franchise Agreement	Items 8 and 11
b. Pre-opening purchases/leases	Sections III., VIII., IX. and XIII. of Franchise Agreement	Items 5, 6, 7, 8 and 11
c. Site development and other pre-opening requirements	Sections III., VII. and VIII. of Franchise Agreement	Items 1, 7, 8 and 11
d. Initial and ongoing training	Sections VI.B. and VIII.A. of Franchise Agreement	Items 6, 7 and 11
e. Opening	Sections III., IX.F. and Exhibit C of Franchise Agreement	Items 7 and 11
f. Fees	Sections V. and IX. of Franchise Agreement	Items 5, 6 and 11
g. Compliance with standards and policies/Manuals	Sections III., IV., VII., VIII., IX., X., XI., XII., XIII. of Franchise Agreement	Items 8, 11, 14 and 16

Obligation	Section in Agreement	Item in Disclosure Document
h. Trademarks and proprietary information	Sections X. and XI. and Exhibit B of Franchise Agreement	Items 11, 13 and 14
i. Restrictions on products/services offered	Section VIII. of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Section VIII.H. of Franchise Agreement	Item 16
k. Territorial development and sales quotas	Not applicable	Item 12
l. Ongoing product/service purchases	Sections VIII. and IX. of Franchise Agreement	Items 8, 11 and 16
m. Maintenance, appearance and remodeling requirements	Sections IV. and VIII. of Franchise Agreement	Item 8
n. Insurance	Section XIII. of Franchise Agreement	Items 7 and 8
o. Advertising	Section IX. of Franchise Agreement	Items 6, 8 and 11
p. Indemnification	Section XVI. of Franchise Agreement	Item 6
q. Owner's participation/management/staffing	Sections VII. and VIII. of Franchise Agreement	Items 1, 11 and 15
r. Records and reports	Sections III., V., IX. and XII. of Franchise Agreement	Item 11

Obligation	Section in Agreement	Item in Disclosure Document
s. Inspections and audits	Sections III., VI., VIII. and XII. of Franchise Agreement	Items 6, 8 and 11
t. Transfer	Section XV. of Franchise Agreement	Items 6, 12 and 17
u. Renewal	Section IV. of Franchise Agreement	Items 6, 12 and 17
v. Post-termination obligations	Section XIX. of Franchise Agreement	Item 17
w. Noncompetition covenants	Section XI. and Exhibit B of Franchise Agreement	Item 17
x. Dispute resolution	Section XX.F. of Franchise Agreement	Item 17

ITEM 10

FINANCING

We do not offer direct or indirect financing, and we do not guarantee your notes, leases or other obligations.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Pre-Opening Obligations: Before you open your Shredder Business, we or our designee will:

1. Share our site selection guidelines and give you the site selection assistance we believe to be necessary. (Section III.A. of Franchise Agreement);
2. Review your proposed site for compliance with our site selection guidelines and accept or not accept the site and your proposed lease or contract of sale within 15 days after receiving your complete site information. (Section III.A. of Franchise Agreement);
3. Provide access to our Manuals (to be provided in electronic format only, using a system determined by us in our sole discretion), which we may amend from time to time at our sole discretion upon written notice to you. (Franchise Agreement, Section VI.A.);
4. Provide you a list of any approved suppliers. (Franchise Agreement, Section VI.I.);
5. Conduct an initial training program. (Franchise Agreement, Sections VI.B. and VIII.A.);
and
6. Provide you on-site opening assistance (up to 3 days). (Franchise Agreement, Section VI.C.).

Post-Opening Obligations: During the operation of your Shredder Business, we will:

1. Conduct periodic evaluations of your operations. (Franchise Agreement, Section VI.E.)
2. We will administer a National Brand Marketing Fund and provide any advertising and promotional materials that we develop for local advertising. (Franchise Agreement, Sections VI.F. and IX.)
3. Give you any advice and written materials we may develop on the techniques of managing and operating Shredder Businesses. (Franchise Agreement, Section VI.G.)
4. At our discretion, make available to you at a reasonable cost any merchandise we develop or approve for resale. (Franchise Agreement, Section VI.H.)
5. Give you updated lists of approved suppliers as we deem appropriate. (Franchise Agreement, Section VI.I.)
6. Provide additional training programs and seminars at our option. (Franchise Agreement, Sections VI.B. and VIII.A.)
7. Provide to you, on loan, proprietary software programs (if any) as may be developed by us or on our behalf for use in the System. We reserve the right to charge reasonable license fees. (Franchise Agreement, Section VI.D.)

Site Selection and Construction

You must identify and secure a site for your Shredder Business within a non-exclusive Designated Area. In reviewing your proposed site, we consider various factors, including the condition of the site, the location of the site, population, and other demographic factors. We must accept the site as meeting our standards before you may begin any construction or renovations or use such site for your Shredder Business. You cannot place a Shredder Business at a site we have not first accepted in writing. We share our site selection guidelines to assist you in selecting a site that meets our guidelines. We do not generally purchase sites and lease them to our franchisees, but we reserve the right to do so.

Your failure to obtain a site that we accept and open your Shredder Business within 8 months after signing the Franchise Agreement is a default under such agreement for which we may terminate your franchise rights. (Section III.A. of Franchise Agreement)

When you identify a proposed site, you must submit to us a site submission package, which will include, among other things, a description of the site, a completed Site Evaluation Form and evidence that the site satisfies our site selection guidelines, and all other specific information required by us. You will also be required to submit a copy of the proposed lease (which incorporates a rider in substantially the form of Exhibit I to the Franchise Agreement) or contract of sale for the site, and any other information we may require. We will have 15 days after we receive all required information to review and accept or not accept the proposed site and lease or contract of sale. (Section III.A. of Franchise Agreement)

Promptly following our acceptance of the site, you must enter into a lease or contract of sale for the site. You must provide us with a copy of the signed lease or contract of sale within 10 days of signing it. (Section III.A. of Franchise Agreement)

You are responsible for obtaining all zoning classifications and clearances which may be required by any laws, ordinances, regulations, or restrictive covenants relating to the construction and operation of the Shredder Business, and you must conform the premises as needed to comply with any local ordinances and building codes at your expense. (Franchise Agreement, Section III.C.) Before beginning construction of the Shredder Business, you must (i) obtain all approvals, clearances, permits, licenses and certifications required for the lawful construction or remodeling and operation of the Shredder Business, and (ii) certify in writing to us that they have been obtained and that the insurance coverage required under the Franchise Agreement is in full force and effect. At our request, you must provide to us copies of all such approvals, clearances, permits, licenses and certifications. (Franchise Agreement, Section III.C.)

After you obtain an approved site for your Shredder Business, we will schedule a design/construction meeting with you to review our recommended layout for your location. We will provide you with copies of our prototypical design manual and specifications package for a Shredder Business (collectively, the “Design Manual and Prototypes”), and you must, at your expense, hire, and coordinate with, an architectural services vendor selected by you and approved by us to adapt the Design Manual and Prototypes as needed to prepare tailored architectural plans and drawings specific to your location. In addition to hiring an architectural services vendor to design your Shredder Business, you must obtain, at your sole expense, all other appropriate engineering, design, construction and other services necessary for the construction of the Shredder Business. Any architect(s), engineer(s) or other construction professionals that you may select to assist with the construction of your Shredder Business must be approved by us before beginning their work on the Shredder Business. We may, but are not obligated to, provide you a list of other approved architect(s), engineer(s) and construction professionals that you may use in the development of your Shredder Business.

You must submit the proposed site-specific architecture and design plans and specifications to us for review within 5 days after you receive them. We will notify you of any objections to the plans within 15 days of receiving them. If we fail to notify you of an objection to the plans within the 15-day period, you may use the plans. If we object to the plans, we will provide you with a reasonably detailed list of the changes needed to make the plans consistent with System standards. We will notify you within 15 days of receiving revised plans incorporating such changes, whether the revised plans are acceptable. If we fail to notify you of any objection within such 15-day period, you may use the revised plans. Our review of the plans is only for the purpose of determining compliance with System standards, and our acceptance of the plans does not constitute a representation, warranty, or guarantee, express or implied, that the plans are accurate or free of error concerning their structural application. We are not responsible for architecture or engineering, or for code, zoning, or other requirements of the laws, ordinances or regulations of any federal, state, local, or municipal governmental body, including, without limitation, any requirement relating to accessibility by disabled persons or others, nor are we responsible for any errors, omissions, or discrepancies of any nature in the plans (Franchise Agreement, Section III.D.)

We estimate that it will be approximately 4 to 6 months from the time you sign the Franchise Agreement to the time you begin operations. This time period may be shorter or longer depending on the modifications that must be made to the site to accommodate your Shredder Business and other factors, such as delays or difficulties in obtaining financing, building permits, zoning and local ordinances, weather conditions, shortages of materials or delayed installation of equipment, fixtures or signs. You must obtain an approved site and begin construction of your Shredder Business within 4 months after signing the Franchise Agreement and begin operating the business within 8 months after signing the Franchise Agreement, unless we give you a written extension. Failure to meet these deadlines may result in termination of your Franchise Agreement (Franchise Agreement, Section III.E and F.)

Advertising

You must participate in an initial launch promotion campaign and all advertising and promotional programs that we may authorize or develop from time to time. During the period beginning 14 days prior to your business' initial opening and ending 60 days after the opening date (the "Initial Launch Period"), you must carry out an Initial Launch promotion in accordance with our standards. You must spend at least \$5,000 on advertising and promoting your Shredder Business during the Initial Launch Period. We will assist you in organizing your Initial Launch Period promotions, and we must approve all advertising items, methods and media you use in connection with such Initial Launch Period promotions. Your Initial Launch promotion costs are in addition to the required local advertising expenditures described below (Franchise Agreement, Section IX.D., F.)

Local Advertising

You must spend at least \$500 each month on local advertising and promotion of the Shredder Business in the Protected Area (See Item 12 for a description of the Protected Area). In our sole discretion, on not less than 30 days' written notice, we may increase the amount you must spend on local marketing in the Protected Area; however, in no event will the required amount increase by more than 10% in any one-year period. You must submit to us any reports (including substantiating receipts) detailing your local advertising expenditures that we may require. (Franchise Agreement, Section IX.)

You must place and pay the cost of a business listing acceptable to us, which may, at our option, be an Internet business listing(s), in such directories and categories as we may specify from time to time in the Manuals or otherwise in writing. This cost, if required by us, may be credited against your required local advertising expenditures. (Franchise Agreement, Section IX.G.)

All advertising and promotions you place in any medium must be conducted professionally, must conform to our standards and requirements (including restrictions on making political/religious statements in connection with promoting your Shredder Business) and must be approved by us before use, as described in Item 8.

You may not advertise, promote, post or list information relating to the Shredder Business on the Internet (through the creation of a Website or otherwise) without our consent, but we may, at our option, decide to include information about your Shredder Business on our Website.

We can designate any geographic area in which 2 or more company-owned or franchised Shredder Businesses are located as a region for an advertising cooperative (“Cooperative”). We may require Cooperatives to be formed, changed, dissolved or merged from time to time. If we do form a Cooperative, the Cooperative must be organized and governed as we determine. Any Cooperatives we authorize will be for the exclusive purpose of administering advertising programs and developing promotional materials for members in local advertising. If a Cooperative is established for a geographic area that includes all or part of your Protected Area, you will be required to contribute at least \$250 each month to the Cooperative (provided that such amount may be increased by majority vote of the Cooperative members to as high as \$500 per month, with each franchised unit in the Cooperative being entitled to one vote), and you must execute the applicable Cooperative documents promptly upon our request and participate as a member of the Cooperative. Your Cooperative contributions will be applied toward satisfaction of your individual local advertising requirements, and in no event will your required contributions to a Cooperative exceed your individual local advertising requirements. You must also submit to the Cooperative and to us all statements and reports that we, or the Cooperative, may require. Cooperative contributions will be maintained and administered under the Cooperative’s governing documents and the Cooperative will be operated solely as a conduit for the collection and expenditure of advertising contributions. (Franchise Agreement, Section IX.B.)

National Brand Marketing Fund and Regional Advertising

In addition to local advertising (individually or through a Cooperative), we will establish a National Brand Marketing Fund (“Fund”) upon written notice to our franchisees. You must make monthly contributions to the Fund of up to a maximum of two percent (2%) of the Shredder Business’s Gross Sales; provided that when the Fund is first implemented, your monthly contributions will be an amount equal to one percent (1%) of your Shredder Business’ Gross Sales. In our sole discretion on not less than 30 days’ written notice, we may increase the amount you must contribute to the Fund; provided, however, that in no event will you be required to contribute more than two percent (2%) of the Shredder Business’ monthly Gross Sales to the Fund. Your required contributions to the Fund are in addition to amounts you are required to spend for local advertising.

We or someone we designate will administer the Fund. The Fund is not a trust or escrow account, and we do not have any fiduciary obligations with respect to the Fund. We will direct all programs financed by the Fund, including the creative concepts, materials, endorsements, and the geographic market and media placement and allocation thereof. The Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials; developing and implementing various brand development and brand building programs, strategies and campaigns; administering national, regional and multi-regional advertising programs, including, without limitation, promotional texts, e-mails, and other electronic communications, conducting customer and franchisee surveys, contributions to conventions, purchasing direct mail and other media advertising and employing advertising, promotion and marketing agencies; the cost of developing and maintaining an internet website and enhancing search engine optimization; developing and maintaining gift card, membership

and other customer loyalty programs; and supporting public relations, market research and other advertising, promotion and marketing activities.

We are not required to make expenditures for you that are equivalent or proportionate to your Fund contributions or to ensure that any particular franchisee benefits directly or in proportion to its contributions to the Fund. Except for a portion of the Fund spent on our Website development and maintenance (a portion of which may include promotion of the franchise system and soliciting the sale of franchises using the Website), the Fund is not used to solicit the sale of franchises. Shredder Businesses owned by us and our affiliates may, but are not required to, contribute to the Fund on the same basis as a franchisee under the terms of a standard franchise agreement for a Shredder Business.

Presently, we anticipate that Fund advertising will be conducted primarily through electronic media or print media on a regional basis, and that the majority of our advertising will initially be developed in-house or by our designated vendors. We may use the Fund to directly place advertising in your local or regional market; however, we may also use the Fund to create and prepare marketing materials or advertising programs that will be provided to you so that you may directly place or implement such materials or programs in your local or regional market. Any amounts that you spend to place or implement advertising materials created by the Fund in your local or regional market will be credited towards your local advertising obligations.

The Fund contributions will be accounted for separately from our other funds and will not be used to defray our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Fund and its programs, including, without limitation, conducting market research; preparing advertising, promotion and marketing materials; and collecting and accounting for contributions to the Fund. We will prepare an annual statement of the Fund's operations and will make it available to you if you request it. Any amounts in the Fund that are not spent in the fiscal year in which they accrue will be applied toward advertising activities or our expenses incurred in administering the Fund and its programs in the following fiscal year. We are not required to have the Fund statements audited.

We may terminate the Fund at any time on 30 days prior written notice to you. If we terminate the Fund, all unspent monies will be distributed to the contributors in proportion to their respective contributions during the preceding 12-month period. (Franchise Agreement, Section IX.C.)

As of the date of this Disclosure Document, no Fund monies have been collected or spent.

We presently do not have an advertising council.

Computer and POS Systems

You must purchase, install and at all times use our designated point-of-sale computer system at your Shredder Business. If the point-of-sale computer system is updated or modified by the manufacturer from time to time you may be required to purchase the modified or upgraded version. You must also install and maintain at least one point-of-sale terminal that is capable of running the required point-of-sale software. The point-of-sale software is used to generate, compile, store and manage Shredder Business sales information. You must purchase this software and the related point of sale hardware from a supplier approved by us. The point-of-sale system and related technology costs approximately \$1,000 to \$2,000, depending on the number of terminals needed for your Shredder Business. We reserve the right to require you to pay a periodic helpdesk/maintenance services fee to an approved maintenance and support vendor in connection with maintaining and updating your point-of-sale system, but we currently do not require you to spend any minimum amount on helpdesk/maintenance services.

You must also install and maintain a computer at the Shredder Business that has Internet access via high-speed Internet connection, is capable of running the software we require from time to time, and is able to transmit and receive e-mails. We may also require you to license from us, or others we designate, any computer software we develop or acquire for use by Shredder Businesses.

Except as stated above, neither we, our affiliates, nor any third parties are required to provide ongoing maintenance, repairs, upgrades or updates to your hardware or software. Except as stated above, there are currently no optional or required maintenance/upgrade contracts for the point-of-sale or computer system. The software programs, point-of-sale systems and computer hardware used at Shredder Businesses are designed to enable us to have independent access to the information generated and stored by the system at all times, and there is no contractual limitation on our access to, or use of, the information we obtain from your point-of-sale and computer systems.

We may revise our specifications for the hardware and any software used in the Shredder Business as we deem necessary, including the designation of specific brands or models of accounting software or other software used for word processing, spreadsheets and other office functions, that you must use in the operation of your Shredder Business. In addition, you must update and upgrade the hardware and software from time to time as we require, and you must install any other hardware or software for the operation of the Shredder Business that we may require in the future, including any enhancements, additions, substitutions, modifications, and upgrades. The licensors of the required software may develop enhancements and upgrades for their programs that you may be required to obtain. We cannot estimate how often those licensors may develop updates, upgrades or enhancements, or whether we will require you to obtain them, or their cost to you. There are, however, no limitations on the frequency and cost of the updates, upgrades or enhancements.

Confidential Operations Manuals

After you sign the Franchise Agreement, we will give you access to our Manuals (to be provided in electronic format only?, using a system determined by us in our sole discretion), which we may amend from time to time at our sole discretion upon written notice to you. A copy of the table of contents of the Manuals is attached as Exhibit F to this Disclosure Document. Our current Manual, including all appendices, contains approximately 369 pages. We consider the contents of the Manuals to be proprietary, and you must treat them as confidential. You may not make any copies of the Manuals.

Training

At least two weeks before the Opening Date of your Shredder Business, your Principal Owner and General Manager (if different from the Principal Owner), must have attended and completed our initial training program to our satisfaction. At our option, we can require up to three people to attend and successfully complete our initial management training program to our satisfaction before you open for business. (Franchise Agreement, Section VIII.A.)

Currently, our initial training program is conducted in Denver, Colorado, and lasts for approximately seven (7) days. We provide instructors and training materials for your initial training program at no charge, but you must pay all expenses you and your personnel incur in connection with initial training, including costs of travel, lodging, meals and wages. We may charge a reasonable training fee for training all successor or replacement personnel. (Franchise Agreement, Section VIII.A.)

The materials used in training include the Manuals as well as other presentation materials. Our

training will be directed by Rachel Brittenham, our Chief Training Officer, who has been operating Shredder Businesses since August 2017 and has approximately 8 years of total experience in the snow ski and snowboard industry. Ms. Brittenham's experience is further described in Item 2 of this Disclosure Document. The training program will be conducted by qualified members of our staff, including management personnel and employees. We may also draw upon the experience of other training professionals.

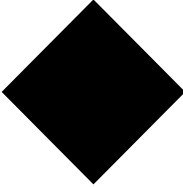
In addition to the initial training program, we will provide such on-site pre-opening and opening assistance as we reasonably deem necessary. In connection with the opening of your Shredder Business, one of our representatives will provide on-site assistance to you at your location for up to 3 days. However, if you have previously opened a Shredder Business, we may, at our option, provide you with less than 3 days of on-site opening assistance as we deem appropriate.

Our initial training program is offered as needed during the year depending on the number of new franchisees entering the System, the number of other personnel needing training, and the scheduled opening of new Shredder Businesses. The subjects covered and other information relevant to our initial training program are described below.

TRAINING PROGRAM⁽¹⁾

	Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
	Green Circle Training:			
	Welcome!	1	-	Online/Call
	Territory Analysis & Site Selection	1	-	Online/Call
	Build Out Overview 1: Facility Layout	1	-	Online/Call
	Business Organization	1	-	Online/Call
	Business Plan	1	-	Online/Call
	Intro to Marketing	1	-	Online/Call
	Build Out Overview 2: Design Standards	1	-	Online/Call

	Build Out Overview 3: Equipment Package	1	-	Online/Call
	Intro to Technology + Software	1	-	Online/Call
	HR + Customer Service	1	-	Online/Call
	Staffing	1	-	Online/Call
	Preparing for Phase 2: Blue Square	1	-	Online/Call
	Blue Square Training:			One of our company- owned units in Colorado
	Sunday- Class Observations + Facility Tours	8	-	One of our company- owned units in Colorado
	Monday- Program + Curriculum Overview; Financial Considerations + Staffing; Franchisor Reporting	8	-	One of our company- owned units in Colorado
	Tuesday- PSIA Technical Knowledge (SKI); Early Childhood Development; AASI Technical Knowledge (SB); On- Hill Simulation	8	-	One of our company- owned units in Colorado
	Wednesday- Schedule + Session Planning; Daily Operations + Management; Customer Service; Roll Playing	8	-	One of our company- owned units in Colorado
	Thursday- Teach- Back (Classes); Technology + Software Overview	8	-	One of our company- owned units in Colorado
	Preparation and Homework for Black Diamond Training	10	-	Online/Home

	Black Diamond Training			One of our company-owned units in Colorado
Go Live!	Monday - Teach classes	-	6	One of our company-owned units in Colorado
	Q2 review/Other	-	2	One of our company-owned units in Colorado
	Tuesday- Teach classes	-	6	One of our company-owned units in Colorado
	Q2 review/Other	-	2	One of our company-owned units in Colorado
	Wednesday Teach classes	-	6	One of our company-owned units in Colorado
	Attend Manager meeting	-	2	One of our company-owned units in Colorado
	Thursday- Teach classes	-	6	One of our company-owned units in Colorado
	Q2 review/Other	-	2	One of our company-owned units in Colorado
	Friday - Teach classes	-	3	One of our company-owned units in Colorado
	Review/Questions	-	3	One of our company-owned units in Colorado
	Saturday - Teach classes	-	6	One of our company-owned units in Colorado
	Wrap up	-	2	One of our company-owned units in Colorado
TOTAL		62	46	

- (1) Our initial training program is subject to change without notice to reflect updates in the materials, methods and manuals and changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the trainees.

We may require your Principal Owner, General Manager and assistant managers to attend additional training programs and seminars from time to time (up to 5 days per year). We have the right to charge a reasonable fee for these additional training programs and seminars (currently a per diem rate of up to \$400 per person). You must pay all expenses that you or your personnel incur in connection with

any training program or seminar, including the cost of travel, lodging, meals and wages. (Franchise Agreement, Section VIII.A.)

We have no obligation to assist you with determining the prices you will charge your customers for your products or services, but we do reserve the right, to the fullest extent allowed by applicable law, to establish, at our option, maximum, minimum or other pricing requirements with respect to the prices you may charge for products or services.

ITEM 12

TERRITORY

The Franchise Agreement gives you the right to operate a Shredder Business at a site we accept as meeting our site selection guidelines (the "Location"). You must select the site for your Shredder Business from within the non-exclusive "Designated Area" identified in Exhibit C to your Franchise Agreement. The Designated Area will be agreed upon by you and us before your execution of the Franchise Agreement and may range from a portion of a city or an unincorporated area to a single or multi-county area.

Franchise Agreement

If you remain in compliance with the Franchise Agreement and any other agreement you have with us or our affiliates, we and our affiliates will not establish, or authorize anyone except you to establish, a Shredder Business in the geographic area identified as the "Protected Area" in Exhibit C of the Franchise Agreement (the "Protected Area") during the term of the Franchise Agreement. Your Protected Area will be defined by zip codes, geographic boundaries, roads, highways, city/county limits, etc., as determined by us, and will include a population of at least 18,000 children aged 10 or under (based on information available at the time we execute the applicable Franchise Agreement). We determine the boundaries of each Protected Area on a case-by-case basis using zip code borders, but we reserve the right to consider various factors, including (i) the population in the surrounding area; (ii) traffic volume and traffic patterns; (iii) proximity to retail centers, residential areas, businesses and other potential customer sources; and (iv) other site-specific data as applicable.

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

You cannot relocate the Shredder Business without our consent. If you lose possession of the Location through no fault of your own, you may apply to us for our approval to relocate your Shredder Business to another site in the Protected Area. Such request must be submitted to us as soon as possible (but in no event longer than 10 days) after the date you discover you will be unable to continue the operation of the Shredder Business at the Location. If we grant you the right to relocate your Shredder Business, you must pay us a relocation fee in an amount equal to Fifty Percent (50%) of our then-current initial franchise fee, and you must comply with such reasonable site selection and construction procedures as outlined in this Agreement.

We may reduce your rights in the Protected Area if you breach the Franchise Agreement or other agreement you have with us or our affiliates.

Your marketing activities must be focused primarily within your Protected Area, provided that you may solicit business and market your services outside of your Protected Area to the extent that you receive our prior written consent and such marketing efforts are not directed into another Shredder franchisee's protected area. If we grant franchise rights to a third party for an area in which you have previously directed marketing efforts (or we revoke our consent for any other reason, at our discretion), then your marketing efforts in the applicable area must immediately cease.

You must operate the Shredder Business only at the Location approved by us. You may not solicit business or provide any products or services outside of your Protected Area through any alternative channels of distribution (including the Internet, catalog sales, telemarketing and other direct marketing sales).

We retain all rights not expressly granted to you in the Franchise Agreement. Among other things, this means we can:

- (i) operate, and license others to operate, Shredder Businesses at any location outside the Protected Area.
- (ii) develop and establish other business systems (including systems that offer products or services similar to those offered at Shredder Businesses) using other names or marks, and grant licenses to use those systems, both within and outside the Protected Area;
- (iii) advertise and promote the System both within and outside the Protected Area;
- (iv) acquire, or be acquired by, any competing system or other third party, including a competing system that has one or more units located within your Protected Area; and
- (v) except for the restriction against the establishment of another Shredder Business in the Protected Area, engage, directly or indirectly, at wholesale, retail or otherwise, in the production, solicitation, offer, license and sale of Shredder products and services and any and all similar or dissimilar services and products, whether under the Shredder marks or under other names or marks, both within and outside the Protected Area (and we are not required to compensate you for soliciting or providing Shredder services or products even if those services or products are solicited or provided in your Protected Area) through any other method of distribution, including, but not limited to, sales at retail outlets, mail order catalogs, Internet sales, and any other systems, programs or alternative channels of distribution at our discretion, regardless of the competitive impact on your Shredder Business.

Rights of First Refusal

We do not grant any options, rights of first refusal or similar rights to obtain additional franchises. If you wish to obtain an additional franchise, you must enter into a separate Franchise Agreement for that franchise.

Neither we nor our affiliates have established or have present plans to establish franchises, company-owned outlets or other channels of distribution offering and selling products and services similar to those to be offered by you under different trademarks. There are, however, no restrictions in the Franchise Agreement that would prohibit us from doing so.

You may use the Internet to advertise only on our website and only to the extent expressly permitted under, and in compliance with, the Franchise Agreement.

ITEM 13

TRADEMARKS

The Franchise Agreement gives you a license to operate a Shredder Business under the mark “SHREDDER” and to use any future Marks we authorize.

Our affiliate, Shredder Kids, LLC, owns the Marks and has registered the following Marks with the U. S. Patent and Trademark Office on the Principal Register. At the appropriate times, Shredder Kids, LLC intends to renew the registrations and to file all appropriate affidavits.

Mark	Register	Registration Number	Registration Date	Serial Number	Application Date
SHREDDER	Principal	5144957	Feb. 21, 2017	86980677	Feb. 11, 2016

There is no presently effective determination of the U.S. Patent and Trademark Office, the trademark trial and appeal board, the trademark administrator of any state or any court, nor any pending infringement, opposition, or cancellation proceeding, nor any pending material litigation involving the Marks which is relevant to their ownership, use or licensing.

We know of no superior prior rights or infringing use that could materially affect your use of the Marks, and we know of no agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

Our rights to the Marks and the proprietary System know-how are derived from a nonexclusive perpetual license (the “Intercompany License”) between us and our affiliate, Shredder Kids, LLC. The Intercompany License grants us the right to use the Marks and the proprietary information related to the System, such as the know-how and the Manuals, for the purpose of licensing them to our franchisees and fulfilling our obligations under the Franchise Agreement. The Intercompany License is terminable only for material breach of the Intercompany License agreement and only if we do not cure or begin to cure the breach within 90 days after notice. We know of no other agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to you.

We are not obligated to protect your rights to use the Marks or to protect you against claims of infringement or unfair competition. We are not obligated to participate in your defense and/or indemnify you for expenses or damages if you are party to an administrative or judicial proceeding involving the Marks if the proceeding is resolved unfavorable to you.

You must promptly notify us of any infringement of the Marks or of any challenge to the use of any of the Marks or claim by any person of any rights in any of the Marks. You and your Owners must agree not to communicate with any person other than us, our designated affiliate, and our or their counsel about any infringement, challenge or claim. We or our affiliates have sole discretion to take any action we deem appropriate and the right to exclusively control any litigation, or Patent and Trademark Office (or other) proceeding, from any infringement, challenge or claim concerning any of the Marks. You must sign all instruments and documents and give us any assistance that, in our counsel’s opinion, may be necessary or advisable to protect and maintain our interests or those of our affiliates in any litigation or proceeding or to otherwise protect and maintain our or their interest in the Marks.

You may not use any of the Marks as part of your corporate or other name. You must also follow our instructions for identifying yourself as a franchisee and for filing and maintaining the requisite trade name or fictitious name registrations. You must sign any documents we or our counsel determine are necessary to obtain protection for the Marks or to maintain their continued validity and enforceability. Neither you nor your Owners may take any action that would prejudice or interfere with the validity of our rights with respect to the Marks and may not contest the validity of our interest in the Marks or assist others to do so.

We have the right to substitute different trade names, service marks, trademarks and indicia of origin for the Marks at any time for any reason, including if the Marks can no longer be used, or if we determine, in our sole discretion, that the substitution will be beneficial to the System. If we do, we may require you to promptly discontinue or modify your use of any Mark or use one or more additional or substitute Marks at your sole expense.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents, and do not have any pending patent applications, that are material to the franchise. We have not obtained formal copyright protections for any of our materials, but we do claim common law copyright protection and proprietary rights in the original materials used in the System, including our Manuals, curriculum, bulletins, correspondence and communications with our franchisees, training, advertising and promotional materials, and other written materials relating to the operation of Shredder Businesses and the System. We treat all of this information as trade secrets and you must treat any of this information we communicate to you confidentially.

There is no presently effective determination of the U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We are not obligated by the Franchise Agreement, or otherwise, to protect any rights you have to use the copyrights. We have no actual knowledge of any infringements that could materially affect the ownership, use or licensing of the copyrights.

You and your Owners must agree not to communicate or use our confidential information for the benefit of anyone else during and after the term of the Franchise Agreement. You and your Owners must also agree not to use our confidential information at all after the Franchise Agreement terminates or expires. You and your Owners can give this confidential information only to your employees who need it to operate your Shredder Business. You must have your General Manager and Assistant Managers and any of your other personnel who have received or will have access to our confidential information, sign similar covenants.

If you or your Owners develop any new concept, process or improvement in the operation or promotion of your Shredder Business, you must promptly notify us and give us all necessary information about the new process or improvement, without compensation. You and your Owners agree that any of these concepts, processes or improvements will become our sole property, and we may use or disclose them to other franchisees, as we determine appropriate.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

When you sign the Franchise Agreement, you must designate an individual to serve as your “Principal Owner.” The Principal Owner must be an individual holding an equity ownership interest in you, or, if you are an individual you will be the Principal Owner. The Principal Owner must devote his or her full-time best efforts to operating the Shredder Business(es), must meet our qualifications and must be approved by us in advance. The same person must act as the Principal Owner under each of your Franchise Agreements for all Shredder Businesses operated by you and, if applicable, your affiliates.

Your Principal Owner must devote his or her full time and best efforts to the supervision of your operations under the Franchise Agreement. Without our written consent, your Principal Owner may not engage in any business other than the development and operation of your Shredder Business(es). Your Principal Owner must satisfy our training requirements and our other standards and must personally guaranty your performance under the Franchise Agreement. Furthermore, each of your current and future owners must personally guaranty your performance under the Franchise Agreement (including your Principal Owner) by signing a Guaranty and Assumption Agreement (“Guaranty”) substantially in the form attached as Exhibit A to the Shredder Franchise Agreement (which is included as Exhibit B to this Disclosure Document), and your owners will be individually, jointly and severally bound by all of your obligations and the obligations of the Principal Owner and an Owner under the Franchise Agreement. Owners’ spouses must also personally guaranty your performance under the Franchise Agreement, if applicable.

At least 90 days before the Shredder Business opens for business, you must designate an individual who meets our qualifications to serve as your General Manager and supervise the operation of your Shredder Business. Your Principal Owner may serve as the General Manager of your Shredder Business, but he or she may not serve as the General Manager for more than one Shredder Business at the same time. With our written consent, you may elect to designate an individual other than your Principal Owner as General Manager. Even if we permit you to designate a General Manager to supervise your operations under the Franchise Agreement, your Principal Owner must actively oversee your operations on a full-time basis and remains ultimately responsible for the General Manager’s performance and the performance of your Shredder Business. The General Manager must devote his or her full time and best efforts to the supervision of your operations under the Franchise Agreement and may not engage in any other business. Each Shredder Business must have a different General Manager.

At least 30 days before the Shredder Business opens for business, you must designate at least the number of Assistant Managers we require, but in no event less than two Assistant Managers. Your Assistant Managers must satisfy our educational and business criteria and must be acceptable to us. The Assistant Managers are responsible for assisting the General Manager with the daily operation and management of the Shredder Business, and must devote their full time and best efforts to the business and may not engage in any other business. They must also satisfy the training requirements in the Franchise Agreement.

You must notify us promptly if your Principal Owner or any General Manager or Assistant Manager cannot continue or no longer qualifies to serve as a Principal Owner, General Manager or Assistant Manager, as applicable. You will have 30 days from the date of the notice (or from any date that we independently determine the Principal Owner or General Manager or Assistant Manager no longer meets our standards) to take corrective action acceptable to us. During that 30-day period, you must provide for interim management of your operations in compliance with the Franchise Agreement.

At our request, you must have your General Manager, Assistant Managers and any other personnel who will have access to our training, sign covenants not to compete, and such persons must maintain the confidentiality of information they have access to through their relationship with you. These covenants will be in substantially the form of Exhibit B to the Franchise Agreement (which is Exhibit B to this Disclosure Document). We have the right, in our sole discretion, to decrease the period of time or geographic scope of the noncompetition covenants or eliminate the noncompetition covenant altogether for any person who must sign an agreement described in this paragraph.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

All items you use or sell at the Shredder Business and all services you provide must conform to our standards and specifications. (See Item 8) These are described in our Manuals and other writings. You must not deviate from our standards and specifications unless we first give you our written consent. You must also comply with all applicable laws and regulations and secure all appropriate governmental approvals for the Shredder Business.

You must offer and sell only the products and services that we have expressly approved in writing, and you must offer and sell each of the products and services we authorize for sale at Shredder Businesses. You must stop selling any products or services that we disapprove in writing. There is no limit on our right to add or remove products or services from our list of approved products and services, and you must promptly comply with any changes that we make. You must perform all services in accordance with our Manuals or other written instructions provided by us. You must not use or offer nonconforming products or services unless we first give you our written consent. You must open and operate the Shredder Business during the hours we specify in the Manual or otherwise in writing.

We may make available to you and may require you to purchase from us or our designated supplier for resale to your customers certain merchandise, like Shredder memorabilia and clothing, in amounts necessary to meet your customer demand.

You are only granted the right to operate a Shredder Business at the approved Location, and you must use only the method, manner and style of distribution that we prescribe (or may in the future prescribe) in writing, in the Manuals or otherwise. You must comply with the terms of any distribution program and sign any documents or instruments that we require. You are not authorized to offer any products and services at wholesale.

You may only install and offer at your Shredder Business such equipment, machines, games and activities (such as vending machines, video games or other devices) as we have expressly approved in the Manuals or otherwise in writing.

We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products or services.

We do not impose any other restrictions in the Franchise Agreement or otherwise on the goods or services that you may offer or sell or the customers to whom you may offer or sell.

ITEM 17

**RENEWAL, TERMINATION, TRANSFER
AND DISPUTE RESOLUTION**

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section IV.A	10-year initial term
b. Renewal or extension of the term	Section IV.B	Two additional 5-year terms
c. Requirements for franchisee to renew or extend	Section IV.B	Your renewal right permits you to remain as a franchisee after the initial term of your franchise agreement expires. However, to remain a franchisee, you must meet all required conditions to renewal, including signing our then-current form of franchise agreement, which may include materially different terms and conditions than those contained in your original franchise agreement, except that the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees executing successor agreements. Other requirements are: Give written notice; update the Shredder Business and required items; not be in default; pay all money owed; retain right to Location; pay us a renewal fee; sign general release; comply with our then-current standards, and remodel as required to meet our then-current standards for building design, image and décor, qualifications and training requirements.

Provision	Section in Franchise Agreement	Summary
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Section XVIII.	We may terminate on your default.
g. "Cause" defined – curable defaults	Section XVIII.C.	For any default except those specified as non-curable you have up to 30 days to cure depending on the default (you will have 5 days for failure to submit a required report or pay monies; 24 hours for misuse of the Marks; 7 days if you fail to obtain the required insurance coverages; 10 days if you fail to comply with the noncompetition covenants; 10 days if you fail to secure any required license(s) by the date the Shredder Business is ready and/or required to open for business or you fail to maintain such licenses, and fail to cure such default within 10 days following notice from us).
h. "Cause" defined – non-curable defaults	Sections XVIII.A. and XVIII.B.	Insolvency; general assignment for benefit of creditors; bankruptcy; receivership; final judgment remains unsatisfied for 30 days or more; dissolution; execution of levy or sale after levy; foreclosure proceedings not dismissed within 30 days; operation of Shredder Business at location that we have not accepted; failure to construct the Shredder Business in accordance with requirements; failure to begin business within the required time period; abandonment or forfeiture of right to do business; conviction (or no contest plea) of certain crimes; threat to public health or safety; unauthorized transfer; failure to comply with certain confidentiality covenants; false records or submission of false reports; breach of any covenants or false

Provision	Section in Franchise Agreement	Summary
		representations; failure to comply with quality assurance program or any failure or refusal to allow inspection by Franchisor; default under any other franchise agreement and failure to cure; repeated defaults whether or not cured; assets, property or interests “blocked” under any terrorism laws or regulations or other violation of such laws or regulations.
i. Franchisee’s obligations on termination/nonrenewal	Section XIX.	Stop operating your Shredder Business and using the System’s confidential information, methods, procedures, techniques and marks; cancel any registration containing the Marks; not use any imitation of the Marks; pay amounts due and our damages and enforcement costs; comply with confidentiality and non-competition covenants; return all Manuals and other proprietary materials; furnish list of advertising/sales promotion materials bearing the Marks; at our option, sell or assign us your rights in business telephone numbers, advertising and promotional materials, furnishings equipment, and the premises; modify the appearance of the Shredder Business.
j. Assignment of contract by franchisor	Section XV.A.	We may transfer our rights without restriction.
k. “Transfer” by franchisee – defined	Sections XV.B. and XV.C.	You must not transfer any direct or indirect interest in you, the Franchise Agreement or the assets of the franchised business without our consent.
l. Franchisor’s approval of transfer by franchisee	Section XV.B.	We must consent and you must meet conditions before transferring.

Provision	Section in Franchise Agreement	Summary
m. Conditions for franchisor approval of transfer	Section XV.B.	Pay all amounts due; not be in default; sign a general release; pay transfer fee; remain liable for pre-transfer obligations. Transferee must meet our criteria, complete required training, guarantee obligations; enter into then-current franchise agreement and upgrade the Shredder Business.
n. Franchisor's right of first refusal to acquire franchisee's business	Section XV.D.	On 30 days' written notice, we have the option to purchase an interest being transferred on the same terms and conditions offered by a third party.
o. Franchisor's option to purchase franchisee's business	Sections XIX.A(8) and (9) and XIX.B.	Upon termination or expiration we have the option to purchase your advertising materials bearing the Marks at your cost. We have the option to acquire the Location and the assets of the Shredder Business from you (subject to any rights of approval retained by the owner of the leasehold) at fair market value. If you own the land where the Shredder Business is located, we have the option to lease the land (and any building on the land used for the operation of the Shredder Business), at a reasonable commercial rent. We have the option to have the lease for the premises of the Shredder Business assigned to us.
p. Death or disability of franchisee	Section XV.E.	On death or permanent disability of you or an Owner the person's interest must be transferred to someone we approve within 6 months.
q. Non-competition covenants during the term of the franchise	Section XI.C.(1)	You may not divert any of your business or customers to a competitor or operate, or have an interest in, a business which is the same as, or similar to, a Shredder Business.

Provision	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Sections XI.C.(2)	For 2 years after termination or expiration you may not divert any of your business or customers to a competitor or have an interest in any business that is similar to the franchised business at the Location, within the Protected Area, within a 50-mile radius of the Location, or within a 50-mile radius of any Shredder Business then in existence or under construction.
s. Modification of the agreement	Sections XI.A. and XX.P.	Except for changes we can make unilaterally, changes require mutual agreement. You must comply with the Manuals as amended.
t. Integration/merger clause	Sections XX.O and XX.AA.	Only the terms of the Franchise Agreement, this disclosure document and other related written agreements signed by the parties are binding. No other representations or promises are binding. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	Section XX.F.	Claims, controversies or disputes from or relating to the Franchise Agreement must be mediated, except for actions we bring for monies owed, injunctive or other equitable relief, or relief relating to real property.
v. Choice of forum	Sections XX.F., XX.G. and XX.M	Unless contrary to applicable state law: Mediation at the American Arbitration Association offices nearest to our principal place of business, except actions for monies owed, injunctive relief, or relief related to real property, the Marks or confidentiality information.

Provision	Section in Franchise Agreement	Summary
		Venue for any litigation is the state courts in Denver County, Colorado, and Federal Courts in the District of Colorado. Any dispute or action between you and us will be of our and your individual claims. None of your claims will be litigated on a class-wide basis or otherwise consolidated with any claims of any third parties.
w. Choice of law	Section XX.H.	Unless contrary to applicable state law, Colorado law governs (except for Colorado's conflict of law rules).

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

Please refer to the disclosure addenda and contractual amendments appended to this Disclosure Document for additional terms that may be required under applicable state law.

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

The following tables present historic gross revenue information for each of the 8 Shredder Businesses that were open and operating at the end of calendar year 2024. Specifically, we had 5 Shredder Businesses (4 company-owned locations and one franchised location) open and operating throughout the full twelve months of 2024 (the "Reporting Period") and three franchised Shredder Businesses that first began operations during 2024 and were therefore only open for a portion of the

Reporting Period. We have included all 8 Shredder Businesses (4 company-owned locations and 4 franchised locations) in the tables shown below in this Item 19.

All of the company-owned Shredder Businesses are located in the State of Colorado, while the franchised locations are spread throughout several states. The information shown for each of the Shredder Businesses listed below is limited to gross revenues generated during the Reporting Period.

The financial information below is taken from the unaudited books and records of our affiliates and our franchisees. This information has not been independently audited. The notes that follow the table are an integral part of the information presented in this item and provide information to help you better understand the financial information.

The figures shown in the table below represent Gross Revenues only. We anticipate that franchised locations will generally operate in the same manner as our company-owned locations except that franchisees will not be permitted to offer equipment rentals or retail sales until their second year of operation, whereas all company-owned locations currently offer equipment rentals and retail sales. In addition, franchised locations will be subject to some costs and expenses that our company-owned locations do not pay. For example, franchisees will be required to pay us periodic royalties, marketing fund contributions and other fees under the Franchise Agreement. In addition, franchisees may have higher costs for wages, goods, insurance, local marketing, rent, utilities and various other expenses based on the location of their franchised business and the vendors chosen by the franchisee. You should conduct an independent investigation of the costs and expenses you will incur in operating your Shredder business.

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

GROSS REVENUE FROM CORE SERVICES ONLY^{1 and 3} FOR ALL LOCATIONS DURING CALENDAR YEAR 2024				
Average Gross Revenue^{2 and 4}	Number (and %) of Units Which Met or Exceeded the Average	Median Gross Revenue	Highest Gross Revenue by any Unit	Lowest Gross Revenue by any Unit
\$243,691.05	4 of 8 (50%)	\$256,372.81	\$408,093.17	\$20,949.74³

Notes:

1. Core Services. "Core Services", as used in this Item 19, means our classes, camps, birthday parties, parents' night out programs, and private lessons.
2. Gross Revenue. "Gross Revenue", as used in this Item 19, means the total selling price of all services and products and all income of every other kind and nature related to the Shredder Business, whether for cash or credit and regardless of collection in the case of credit.

3. Operating History. 5 of the Shredder Businesses (4 company-owned locations and one franchised location) used to calculate the figures in the table above were open and operating for the full 12 months of the Reporting Period, whereas 3 of the franchised locations used in the tables above first began operating at some point during the Reporting Period (May of 2024 for the Chicago, Illinois franchise, which had Gross Revenue of \$225,684.83 during the Reporting Period; May of 2024 for the Livonia, Michigan franchise, which had Gross Revenue of \$86,565.92 during the Reporting Period; and December of 2024 for the Dallas/Richardson, Texas franchise, which had Gross Revenue of \$20,949.74 during the Reporting Period). The one franchised location that was open and operating throughout the full 12 months of the Reporting Period (located in Lafayette, Colorado) achieved Gross Revenue of \$287,060.78. You may achieve lower revenues during your first year of operation and in your following years of operations.

4. Operating expenses. The figures shown in the tables above represent Gross Revenues without deduction for any operating expenses. You will have many expenses, such as rent, wages, costs of goods sold, insurance, local marketing, royalty fees, marketing fees, utilities and various other expenses. You should conduct an independent investigation of the costs and expenses you will incur in operating your Shredder Business.

GROSS REVENUE FROM CORE SERVICES PLUS SUPPLEMENTAL INCOME^{1 and 3} FOR ALL LOCATIONS DURING CALENDAR YEAR 2024				
Average Gross Revenue^{2 and 4}	Number (and %) of Units Which Met or Exceeded the Average	Median Gross Revenue	Highest Gross Revenue by any Unit	Lowest Gross Revenue by any Unit
\$259,569.74	4 of 8 (50%)	\$261,047.51	\$435,704.57	\$20,949.74³

Notes:

1. Core Services Plus Supplemental Income. “Core Services Plus Supplemental Income”, as used in this Item 19, means our classes, camps, birthday parties, parents’ night out programs, and private lessons, plus income received from equipment rental and retail sales as well as strategic third-party arrangements/relationships that generate additional income for some locations. During the Reporting Period, 5 locations generated income (ranging from a low of \$9,349 to a high of \$43,777) from equipment rentals and retail sales, whereas our newest 3 franchised locations were not allowed to offer equipment rental and retail sales because they were still in their first 12 months of operation. Those 3 franchised locations will be permitted to begin offering equipment rental and retail sales in their second 12 months of operation, but some franchisees may not benefit from such opportunity due to a lack of skiable sites in their area. In addition, 3 of our 8 locations entered into strategic third-party arrangements/relationships that generated income (ranging from a low of \$4,340 to a high of \$16,447) during the Reporting Period, but such arrangements may not be available to all franchisees.

2. Gross Revenue. “Gross Revenue”, as used in this Item 19, means the total selling price of all services and products and all income of every other kind and nature related to the Shredder Business, whether for cash or credit and regardless of collection in the case of credit.

3. Operating History. 5 of the Shredder Businesses (4 company-owned locations and one franchised location) used to calculate the figures in the table above were open and operating for the full 12 months of the Reporting Period, whereas 3 of the franchised locations used in the tables above first began operating at some point during the Reporting Period (May of 2024 for the Chicago, Illinois franchise, which had Gross Revenue of \$225,684.83 during the Reporting Period; May of 2024 for the Livonia, Michigan franchise, which had Gross Revenue of \$86,565.92 during the Reporting Period; and December of 2024 for the Dallas/Richardson, Texas franchise, which had Gross Revenue of \$20,949.74 during the Reporting Period). The one franchised location that was open and operating throughout the full 12 months of the Reporting Period (located in Lafayette, Colorado) achieved Gross Revenue of \$287,060.78. You may achieve lower revenues during your first year of operation and in your following years of operations.

4. Operating expenses. The figures shown in the tables above represent Gross Revenues without deduction for any operating expenses. You will have many expenses, such as rent, wages, costs of goods sold, insurance, local marketing, royalty fees, marketing fees, utilities and various other expenses. You should conduct an independent investigation of the costs and expenses you will incur in operating your Shredder Business.

Written substantiation of the data used in preparing this financial performance representation will be made available to you upon your reasonable request.

Except as described above in this Item 19, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Rachel Brittenham at 4890 Ironton Street, Units F & G, Denver, Colorado 80239 or (303) 619-0039, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2022 to 2024⁽¹⁾

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2022	0	0	0
	2023	0	1	+1
	2024	1	4	+3
Company-Owned	2022	6	6	0
	2023	6	4	-2
	2024	4	4	0
Total Outlets	2022	6	6	0
	2023	6	5	-1
	2024	5	8	+3

Notes:

1. All numbers are as of our fiscal year end, which ends on December 31st.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2022 to 2024

Column 1 State	Column 2 Year	Column 3 Number of Transfers
All States	2022	0
	2023	0
	2024	0
Total	2022	0
	2023	0
	2024	0

Table No. 3
Status of Franchised Outlets
For years 2022 to 2024

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations - Other Reasons	Col. 9 Outlets at End of the Year
Colorado	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Illinois	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Michigan	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Texas	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Totals	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	3	0	0	0	0	4

Table No. 4
Status of Company-Owned Outlets
For years 2022 to 2024⁽¹⁾

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of Year
Colorado	2022	6	0	0	0	0	6
	2023	6	0	0	1	1	4
	2024	4	0	0	0	0	4
Totals	2022	6	0	0	0	0	6
	2023	6	0	0	1	1	4
	2024	4	0	0	0	0	4

Notes:

1. All numbers are as of our fiscal year end, which ends on December 31st.

Table No. 5
Projected Openings As Of December 31, 2024

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets In The Next Fiscal Year	Column 4 Projected New Company-Owned Outlets In the Current Fiscal Year
Nebraska	0	1	0
Oregon	0	2	0
Texas	0	1	0
Utah	0	1	0
Total	0	5	0

The name and business address and telephone number of each of our current franchisees is attached to this Disclosure Document as Exhibit D.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document is listed on Exhibit E to this Disclosure Document.

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

As of the date of this Disclosure Document, we are not offering any existing franchised outlets to prospective franchisees, including those that either have been reacquired by us or are still being operated by current franchisees pending a transfer. If we begin to offer any such outlet, specific information about the outlet will be provided to you in a separate supplement to this Disclosure Document.

During the past three fiscal years, no current or former franchisees have signed confidentiality provisions restricting their ability to speak openly to you about their experience with the Shredder franchise system.

As of the date of this Disclosure Document, there are no trademark-specific franchisee organizations associated with the Shredder franchise system.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit A are our audited financial statements for the fiscal years ended December 31, 2022, December 31, 2023, and December 31, 2024, respectively. Our fiscal year ends on December 31.

ITEM 22

CONTRACTS

Attached to this Disclosure Document as Exhibit B is a copy of the current form of Shredder Franchise Agreement (with attachments).

ITEM 23

RECEIPTS

Attached as the last 2 pages of this Disclosure Document are duplicate Receipt pages to be signed by you. Keep one for your records and return the other one to us.

EXHIBIT A TO THE FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

SHREDDER INTERNATIONAL, LLC

FINANCIAL STATEMENTS

SEE FOLLOWING PAGE



SHREDDER INTERNATIONAL, LLC

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2024, 2023, AND 2022



SHREDDER INTERNATIONAL, LLC

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Independent Auditor's Report

To the Members
Shredder International, LLC
Denver, CO 80239

Opinion

We have audited the accompanying financial statements of Shredder International, LLC, which comprise the balance sheets as of December 31, 2024, 2023, and 2022, and the related statements of operations, members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shredder International, LLC as of December 31, 2024, 2023, and 2022 and the related statements of operations, members' equity (deficit) and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Restrictions on Use

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.

Kezar & Dunlavy

St. George, Utah
June 27, 2025

Shredder International, LLC
BALANCE SHEETS
As of December 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 152	\$ 20,485	\$ 9
Accounts receivable	7,948	44,333	-
Inventory asset	151,126	89,760	-
Deferred contract costs	-	20,750	-
Total current assets	<u>159,226</u>	<u>175,328</u>	<u>9</u>
 Total assets	 <u><u>\$ 159,226</u></u>	 <u><u>\$ 175,328</u></u>	 <u><u>\$ 9</u></u>
Liabilities and Members' Equity (Deficit)			
Current liabilities			
Accrued expenses	\$ -	\$ 4,998	\$ 7,223
Deferred revenue	-	176,149	-
Total current liabilities	<u>-</u>	<u>181,147</u>	<u>7,223</u>
Non-current liabilities			
Related party loans payable	<u>45,104</u>	<u>84,528</u>	<u>47,114</u>
Total non-current liabilities	<u>45,104</u>	<u>84,528</u>	<u>47,114</u>
Total liabilities	<u>45,104</u>	<u>265,675</u>	<u>54,337</u>
Members' equity (deficit)	<u>114,122</u>	<u>(90,347)</u>	<u>(54,328)</u>
Total liabilities and members' equity (deficit)	<u><u>\$ 159,226</u></u>	<u><u>\$ 175,328</u></u>	<u><u>\$ 9</u></u>

The accompanying notes to the financial statements are integral part of these financial statements

Shredder International, LLC
STATEMENTS OF OPERATIONS
For the years ended December 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues			
Equipment and material fees	\$ 149,224	\$ -	\$ -
Initial franchise fees	84,000	28,000	-
Royalties	39,335	11,231	-
Brand and technology fees	16,056	3,922	-
Other fees	1,451	-	-
Total operating revenues	<u>290,066</u>	<u>43,153</u>	<u>-</u>
Cost of goods sold	<u>(36,225)</u>	<u>-</u>	<u>-</u>
Gross profit	<u>253,841</u>	<u>43,153</u>	<u>-</u>
Operating expenses			
General and administrative	29,855	34,742	5,169
Marketing and advertising	1,614	20,000	31,832
Professional fees	17,903	24,430	17,327
Total operating expenses	<u>49,372</u>	<u>79,172</u>	<u>54,328</u>
Net income (loss)	<u>\$ 204,469</u>	<u>\$ (36,019)</u>	<u>\$ (54,328)</u>

The accompanying notes to the financial statements are integral part of these financial statements

Shredder International, LLC
STATEMENTS OF MEMBERS' EQUITY (DEFICIT)
For the years ended December 31, 2024, 2023 and 2022

Balance at January 1, 2022	\$ -
Net loss	(54,328)
Balance at December 31, 2022	<u>(54,328)</u>
Net loss	(36,019)
Balance at December 31, 2023	<u>(90,347)</u>
Net income	204,469
Balance at December 31, 2024	<u><u>\$ 114,122</u></u>

The accompanying notes to the financial statements are integral part of these financial statements

Shredder International, LLC
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net income (loss)	\$ 204,469	\$ (36,019)	\$ (54,328)
Changes in operating assets and liabilities			
Accounts receivable	36,385	(44,333)	-
Inventory	(61,366)	(89,760)	-
Deferred contract costs	20,750	(20,750)	-
Accrued expenses	(4,998)	(2,225)	7,223
Deferred revenue	(176,149)	176,149	-
Net cash provided by operating activities	<u>19,091</u>	<u>(16,938)</u>	<u>(47,105)</u>
Cash flows from financing activities:			
Proceeds from (payments on) loan from related parties	<u>(39,424)</u>	<u>37,415</u>	<u>47,114</u>
Net cash provided (used) by financing activities	<u>(39,424)</u>	<u>37,415</u>	<u>47,114</u>
Net change in cash and cash equivalents	(20,333)	20,476	9
Cash and cash equivalents at beginning of period	<u>20,485</u>	<u>9</u>	<u>-</u>
Cash and cash equivalents at end of period	<u><u>\$ 152</u></u>	<u><u>\$ 20,485</u></u>	<u><u>\$ 9</u></u>
Supplemental disclosures of cash flow			
Noncash contributions	\$ -	\$ -	\$ -

The accompanying notes to the financial statements are integral part of these financial statements

SHREDDER INTERNATIONAL, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024, 2023, and 2022

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

Shredder International, LLC (the “Company”) is a Colorado limited liability company. The Company was formed in July of 2020 to franchise Shredder locations across the United States. Shredder franchises offer indoor ski and snowboarding lessons.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year. The members’ liability is limited to their equity.

(b) Accounting Standards Codification

The Financial Accounting Standards Board (“FASB”) has issued the FASB Accounting Standards Codification (“ASC”) that became the single official source of authoritative U.S. generally accepted accounting principles (“GAAP”), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of December 31, 2024, 2023, and 2022, the Company had cash and cash equivalents of \$152, \$20,485 and \$9, respectively.

(e) Accounts Receivable

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalties, brand contribution fees, technology and other fees, and other sales transactions. These accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of outstanding amounts.

When determining the allowance for doubtful receivables, the Company has adopted ASC 326, Financial Instruments—Credit Losses. This standard requires that management utilize the Current Expected Credit Losses (“CECL”) model to recognize the appropriate allowance for doubtful receivables. This model requires entities to estimate and recognize expected credit losses over the life of the financial instrument. For trade receivables, management has elected to apply a simplified approach, based on historical loss experience and adjustments for current and forecasted economic conditions. Management regularly evaluates individual customer receivables, considering their financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. As of December 31, 2024, 2023, and 2022, the Company had no allowance for uncollectible accounts. As of December 31, 2024, 2023, and 2022, the Company had accounts receivable of \$7,948, \$44,333, and \$0, respectively.

SHREDDER INTERNATIONAL, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024, 2023, and 2022

(f) Revenue Recognition

Upon inception, the Company adopted ASC 606, Revenue from Contracts with Customers. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue. For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the various components of the transaction price and the Company's performance obligations.

The Company's revenues consist of franchise fees (consisting of a franchise fee and equipment), royalties and marketing fund fees, which are based on a percentage of franchisee gross revenues, and technology fees.

Royalties, marketing fund fees, and technology fees

Upon evaluation of the five-step process, the Company has determined that royalties, marketing fund fees, and technology fees are to be recognized in the same period as the underlying sales.

Initial franchise fees

The Company is required to allocate the transaction price associated with initial franchise fees between the franchise license and associated performance obligations. In identifying the associated performance obligations, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, Franchisors—Revenue from Contracts with Customers. In addition, the practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation, which the Company has elected to adopt.

These pre-opening services include the following services (which the Company may or may not provide all of):

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes or about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

In determining the allocation of transaction price (the initial franchise fee) to either the license or to the pre-opening services, the Company has determined that the standalone selling price of its pre-opening services exceeds the initial franchise fee received; as such, the Company allocates the entire initial franchise fees to those pre-opening services. The franchise fees are then recognized as revenue when those pre-opening services have been completed (which generally occurs upon commencement of the associated franchised location's operations).

(g) Income Taxes

The Company is structured as a limited liability company under the laws of the state of Colorado. Accordingly, the income or loss of the Company will be included in the income tax returns of the member. Therefore, there is no provision for federal and state income taxes.

SHREDDER INTERNATIONAL, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024, 2023, and 2022

The Company follows the guidance under Accounting Standards Codification ("ASC") Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the member rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2024, the 2023, 2022, and 2021 tax years were subject to examination.

(h) Advertising Cost

The Company expenses advertising costs as incurred. Advertising expenses for the years ended December 31, 2024, 2023, and 2022 were \$1,614, \$20,000, and \$31,832, respectively.

(i) Leasing

In February 2016, the FASB issued ASU 2016-02, Leases, which creates ASC 842, Leases, and supersedes ASC 840, Leases. ASC 842 requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement, and presentation of expenses will depend on classification as a finance or operating lease. The new guidance was effective for private companies with annual reporting periods beginning after December 15, 2021.

The Company has evaluated its lease arrangements in accordance with ASC 842, "Leases." As of December 31, 2024, 2023, and 2022, the Company did not have any lease agreements that meet the criteria for recognition under ASC 842. Accordingly, no right-of-use assets or lease liabilities are recorded in the accompanying financial statements. Furthermore, the Company did not incur any lease expenses during the years ended December 31, 2024, 2023, and 2022.

(j) Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

(k) Concentration of Risk

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(2) Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. As of December 31, 2024, 2023, and 2022, the Company's inventory consists of finished goods available for sale.

(3) Deferred Contract Costs and Deferred Revenue

The Company's franchise agreements generally provide for the payment of initial fees as well as continuing royalties to the Company based on a percentage of sales. Under the franchise agreement, franchisees are granted the right to operate a location using the Shredder International, LLC system for a period of ten years. Under the Company's revenue recognition policy, franchise fees and any corresponding commissions are recognized when the franchisee begins operations. For any franchisees that have not yet begun operations as of year-end, the Company defers both the revenues and commissions. All locations that are expected to begin operations within the following year are categorized as current, while all others are classified as non-current.

SHREDDER INTERNATIONAL, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024, 2023, and 2022

The Company has estimated the following current and non-current portions of deferred revenue as of December 31:

	2024	2023	2022
Deferred revenue – current	\$ -	\$ 20,750	\$ -
Deferred revenue – non-current	-	-	-
	<u>\$ -</u>	<u>\$ 20,750</u>	<u>\$ -</u>

The Company has estimated the following current and non-current portions of deferred contract assets as of December 31, 2023:

	2024	2023	2022
Deferred commissions – current	\$ -	\$ 176,149	\$ -
Deferred commissions – non-current	-	-	-
	<u>\$ -</u>	<u>\$ 176,149</u>	<u>\$ -</u>

(4) Related Party Loan Payable

During the years ended December 31, 2024, 2023, and 2022, related parties and a majority member of the Company incurred various operating costs on behalf of the Company. The amounts were due upon call and do not bear interest. As of December 31, 2024, 2023, and 2022, the Company had balances due to the related parties of \$45,104, \$84,528, and \$47,114, respectively.

(5) Commitments and Contingencies

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(6) Subsequent Events

Management has reviewed and evaluated subsequent events through June 27, 2025, the date on which the financial statements were issued.

EXHIBIT B TO THE FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

SHREDDER INDOOR SKI AND SNOWBOARD SCHOOL FRANCHISE AGREEMENT

Ex. A to the Franchise Disclosure Document issued as of: 7/10/2025

**SHREDDER INDOOR SKI AND SNOWBOARD SCHOOL
FRANCHISE AGREEMENT**

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EXHIBITS

Exhibit A	Owners' Guaranty and Assumption Agreement
Exhibit B	Confidentiality and Noncompetition Agreement
Exhibit C	Designated Search Area, Franchise Location, Protected Area, and Opening Date
Exhibit D	Ownership and Management Information
Exhibit E	Electronic Funds Transfer Authorization
Exhibit F	Lease Addendum Terms
Exhibit G	Assignment of Telephone Numbers
Exhibit H	State Specific Addenda

**SHREDDER INDOOR SKI AND SNOWBOARD SCHOOL
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (this “**Agreement**”) is made and entered into this ____ day of _____, 20__ (the “**Effective Date**”), by and between Shredder International, LLC, a Colorado limited liability company having its principal business address at 4890 Ironton Street, Units F & G, Denver, Colorado 80239 (“**Franchisor**,” “**we**,” “**us**,” or “**our**”), and _____, a _____ having its principal business address at _____ (“**Franchisee**,” “**you**,” or “**your**”).

RECITALS:

WHEREAS, Franchisor and its affiliates, as the result of the expenditure of significant time, skill, effort and money, have established and developed a distinctive System (as defined below) for the operation of Shredder Indoor Ski and Snowboard School businesses which offer a variety of indoor snow ski and snowboard lessons and related products and services to children and adults of all ages and all skill levels (with a primary focus on kids ages 0 to 10) and which operate under Franchisor’s System and Marks (as defined below), all of which Franchisor may periodically change, improve, and/or further develop from time to time (collectively, the “**Shredder Businesses**” and individually a “**Shredder Business**”);

WHEREAS, the distinguishing characteristics utilized by Franchisor in each Shredder Business include, without limitation, teaching techniques, lesson plans and curriculum, distinctive interior and exterior sign design and arrangement, décor, fixtures and furnishings; quality and uniformity of products and services offered; standards, specifications, methods, techniques, procedures for operations, inventory and management; training and assistance; record keeping and reporting; and marketing and promotions; all of which may be changed, improved and further developed by Franchisor and/or its affiliates from time to time (collectively, the “**System**”);

WHEREAS, Shredder Businesses operate under the System and are identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin (the “**Marks**,” as further defined below);

WHEREAS, you wish to obtain a franchise to establish and operate a Shredder Business using the Marks and the System at the Franchise Location (defined below) specified in Exhibit C to this Agreement and receive the training and other assistance provided by Franchisor in connection therewith;

WHEREAS, you understand and acknowledge the importance of Franchisor’s high standards of ski and snowboard instruction and teaching, cleanliness, appearance and customer service and the necessity of operating the Shredder Business franchised hereunder in conformity with Franchisor’s standards and specifications; and

WHEREAS, Franchisor is willing to grant you a franchise to do so upon the terms and conditions set forth in this Agreement in reliance on your application and your representations made in the application and in this Agreement.

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

I. DEFINITIONS

“**Affiliate**” or “**Affiliates**” of a named person means any person or entity that is controlled by, controlling or under common control with the named person.

“**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.

“**Business Day**” means each day other than a Saturday, Sunday, U.S. holidays or any other day on which the Federal Reserve is not open for business in the United States.

“**Computer System**” means the computer hardware and software (including, without limitation, back office software and point of sale software meeting our specifications and manufactured by a manufacturer designated in writing by us) and point-of-sale terminals that we may designate from time to time for use in the operation of Shredder Businesses.

“**Confidential Information**” means all proprietary information relating to the establishment and operation of Shredder Businesses, including, without limitation: (i) our standards and specifications, including equipment, product, and supplier standards and specifications; (ii) site selection criteria; (iii) curriculum and teaching techniques, lesson plans, instruction methods, and any other trade secrets, processes, procedures and techniques used in operating Shredder Businesses; (iv) advertising and marketing plans, programs and strategies; (v) research, development and test programs for products, services and operations; (vi) the contents of our Manuals and training programs; (vii) information regarding the operating and financial results of Shredder Businesses, other than your Shredder Business; (viii) computer programs and systems, including electronic data files and passwords; (ix) all customer information and vendor information; (x) Improvements (as defined in Section XI.D.); and (xi) all other knowledge or know-how concerning the operation of a Shredder Business which may be communicated to you by virtue of operating under the terms of this Agreement, and all related information that we designate as confidential.

“**Control**” or “**Controlling Interest**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise.

“**Cooperative**” means an advertising cooperative, as described in Section IX.B. of this Agreement.

“**Designated Search Area**” means the non-exclusive geographic area described in Exhibit C to this Agreement within which you will locate a site for your Shredder Business.

“Force Majeure” means acts of God, strikes, lockouts or other industrial disturbances, war, acts of terrorism, riot, epidemic, fire or other catastrophe or other forces beyond a party’s control.

“Franchise Location” means the address of the premises, located by you and accepted by us, at which the Shredder Business is located, as listed in Exhibit C to this Agreement.

“General Manager” means any person designated pursuant to Section VII.E.(2) of this Agreement to manage the day-to-day on-site operations of the Shredder Business to be operated under this Agreement.

“Gross Sales” is the total selling price of all services and products and all income of every other kind and nature related to the Shredder Business, whether for cash or credit and regardless of collection in the case of credit. “Gross Sales” includes: (a) All proceeds from the sale of goods purchased with coupons, gift cards/certificates or vouchers; provided that funds received by you upon selling a gift card/certificate or voucher are not deemed to be part of your Gross Sales until the gift card/certificate or voucher is redeemed for goods at your Shredder Business, at which time you must count the retail value of the products sold in determining Gross Sales for royalty purposes and for other fees calculated in respect of Gross Sales (i.e. because you are not required to record and report sales proceeds for royalty purposes when the coupon, gift card/certificate or voucher is sold, you are required to pay royalties based on the retail value of the products provided in exchange for the coupon, gift card/certificate or voucher unless the gift card/certificate or voucher is redeemed at a different Shredder Business); and (b) Your share of revenues from any vending machines or other equipment, machines or devices installed in the Shredder Business. “Gross Sales” does not include (i) sales taxes you collect from customers of the Shredder Business, if the taxes are actually transmitted in a timely manner to the appropriate taxing authority; (ii) tips or gratuities paid directly to your employees by customers of the Shredder Business or paid to you and turned over by you to your employees in lieu of direct tips or gratuities; (iii) returns to shippers or manufacturers; and (iv) proceeds from isolated sales of trade fixtures not constituting any part of the products and services offered for sale at the Shredder Business or having any material effect upon the ongoing operation of the Shredder Business.

“Gross Sales Report” means the monthly report, in the form we require, due on the same day as the corresponding royalty payments during the term of this Agreement, itemizing the Gross Sales of the Shredder Business for the applicable royalty period.

“Manual” or **“Manuals”** means our confidential operations manual, which may consist of one or more manuals, containing our mandatory and suggested standards, specifications and operating procedures relating to the development and operation of Shredder Businesses and your obligations under this Agreement. The term also includes alternative or supplemental means of communicating information to you, including bulletins, videotapes, audio tapes, compact discs, computer diskettes, flash drives, CD-ROMs and electronic communications.

“Marks” means the trade names, trademarks, service marks, logos, emblems and other indicia of origin that we have designated, and may hereafter designate, in writing for use in connection with the System, including, but not limited to, the mark “SHREDDER”.

“National Brand Marketing Fund” or **“Fund”** means the brand marketing fund described in Section IX.C. of this Agreement.

“Opening Date” means the date that your Shredder Business is scheduled to open to the public as specified in Exhibit C to this Agreement.

“Owners” mean those persons and entities which, collectively and individually, hold an ownership interest in you and in any entity directly or indirectly controlling you.

“Principal Owner” means the Owner designated by you and approved by us as meeting our qualifications who is responsible for overseeing the day-to-day operation of the Shredder Business.

“Protected Area” means the geographic area assigned to you upon your acquisition of the Franchise Location and described in Exhibit C to this Agreement, within which you will be afforded the protections described in Section II.B. of this Agreement.

“Shredder Business” means the Shredder Business operated by you at the Franchise Location pursuant to this Agreement, including all assets used in connection with its operation.

“Software Programs” means the proprietary or other software programs we develop or acquire for use by Shredder Businesses.

“System” means our comprehensive methods and procedures for the establishment, management and operation of Shredder Businesses, including the Confidential Information, our Manuals, proprietary software systems (if any), the Marks and other business standards and policies, the distinguishing characteristics of which include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings; special processes or techniques we have developed; uniform standards, specifications, policies and procedures for operations; quality and uniformity of the products and services offered; our teaching techniques, lesson plans, instruction methods, and curriculum; any proprietary software systems we may develop, procedures for inventory, management and financial control; training and assistance; and advertising and promotional programs, all of which we may change, improve, further develop or otherwise modify from time to time.

“Taxes” means any present or future taxes, levies, imposts, duties or other charges of whatsoever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the franchised business, the payment of monies, or the exercise of rights granted pursuant to this Agreement, except taxes imposed by federal tax authorities on our net income.

II. GRANT

A. **Grant of Rights.** We hereby grant you the right, and you accept the obligation, to establish and operate a Shredder Business under the Marks and the System in accordance with this Agreement at the Franchise Location. This Agreement only grants you the right to operate the Shredder Business from the Franchise Location approved by us in accordance with this Agreement and our standards. You are not authorized to offer any products or services at wholesale.

B. Protected Area. Your Protected Area will be described in Exhibit C. Except as provided in Section II.C. and subject to your full compliance with this Agreement and any other agreement between you or your Affiliates and us or our Affiliates, neither we nor any of our Affiliates will establish, or authorize any person or entity other than you to establish, a Shredder Business in the Protected Area during the term of this Agreement.

C. Reserved Rights. The rights granted to you under this Agreement are nonexclusive, and we and our Affiliates have and retain all rights within and outside the Protected Area except those expressly granted to you. Accordingly, we, our Affiliates, and any other authorized person or entity will have the right, among others, (i) to operate, and license others to operate, Shredder Businesses at any location outside the Protected Area, including locations that are adjacent to or surrounded by the Protected Area; (ii) within and outside the Protected Area to develop and establish other business systems (including systems that distribute products or services similar to those offered at Shredder Businesses) using other names or marks and to grant licenses to others to use those systems; (iii) to advertise and promote the System both within and outside the Protected Area; (iv) to acquire, or be acquired by, any competing system or other third party, including a competing system that has one or more units located within your Protected Area; and (v) except for the restriction in Section II.B. against the establishment of another Shredder Business in the Protected Area, to engage, directly or indirectly, at wholesale, retail or otherwise, in the production, distribution, license and sale of Shredder products and services and any and all similar or dissimilar services and products, whether under the Marks or under other names or marks, both within and outside the Protected Area, through any other method of distribution, including, but not limited to, sales at retail outlets, mail order catalogs, Internet sales, and any other systems, programs or alternative channels of distribution at our discretion, regardless of the competitive impact on your Shredder Business.

III. SITE SELECTION, CONSTRUCTION AND OPENING DATE

A. Site Selection and Acquisition. You must obtain possession of a Franchisor-approved location for your Shredder Business within four (4) months of the Effective Date of this Agreement, provided that if you fail to meet such deadline but you are, in our reasonable discretion, making a diligent good faith effort to obtain a Franchisor-approved location then we will grant you a 30-day cure period to find, and obtain possession of, a Franchisor-approved location. If you have not obtained a Franchisor-approved location within five (5) months of the Effective Date, such failure will constitute a material default under this Agreement. You assume all cost, liability, expense and responsibility for locating, obtaining and developing a site for your Shredder Business and for constructing and equipping the business at such site within the Designated Search Area. You acknowledge and agree that you acquire no rights in and to the Designated Search Area, other than the right to search for, and select, a site for your Shredder Business from within its boundaries. Following your selection, and our acceptance, of a site for your Shredder Business, the Franchise Location will be identified in Exhibit C to this Agreement, and the Designated Search Area will be of no further force or effect.

(1) To assist you in your selection of a site for your Shredder Business, we will provide to you: (i) our written site selection guidelines and such other site selection assistance as we deem advisable; and (ii) such on-site evaluation as we may deem necessary; provided, that we will not provide an on-site evaluation for any proposed site before receiving all relevant information and materials required pursuant to Section III.A(2) below.

(2) Before acquiring a site for your Shredder Business, you shall submit to us, in the form specified by us, a description of the site, evidence satisfactory to us demonstrating that the site satisfies our site selection guidelines, and such other information and materials as we may reasonably require, including, but not

limited to, a copy of the proposed lease (which must incorporate a lease addendum/rider in substantially the form attached hereto as Exhibit F) or a contract of sale for the site if you plan to purchase the site.

(3) We shall have fifteen (15) days after receiving all required site information to accept or reject, in our sole discretion, the proposed site as the location for your Shredder Business. No site may be used for a Shredder Business unless it is first accepted in writing by us, and you shall not make any binding commitment with respect to a site for your Shredder Business unless the site is first accepted in writing by us. You acknowledge and agree that you are solely responsible for locating and investigating a prospective site and negotiating a lease (or purchase agreement, if applicable) for such site, and our acceptance of a prospective site and the rendering of assistance in the selection of a site does not constitute a representation, promise, warranty or guarantee, express or implied, by us that the Shredder Business operated at that site will be profitable or otherwise successful.

(4) Promptly following our acceptance of the site for your Shredder Business, you shall acquire the site by purchase or lease, at your expense. You must deliver to us a copy of the fully executed lease (or contract of sale, if applicable) within ten (10) days after its execution.

(5) After we accept the site and you acquire the site as required hereunder, the address of the site shall be entered on Exhibit C to this Agreement as the "Franchise Location", and the "Protected Area" around the Franchise Location will be determined and described on Exhibit C.

B. Franchise Location; Relocation. You have been granted the right to operate a Shredder Business only from the Franchise Location listed in Exhibit C to this Agreement. This Agreement does not grant you the right or license to operate the Shredder Business (or to offer or sell any products or services) at or from any location other than the Franchise Location approved by us. You must not relocate your Shredder Business without our express prior written consent. If you are unable to continue the operation of your Shredder Business at the Franchise Location because of the occurrence of an event of Force Majeure or for other reasons not constituting an event of default under this Agreement, you may request our consent to relocate the Shredder Business to another location in the Protected Area. Such request must be submitted to us as soon as possible (but in no event longer than 10 days) after the date you discover you will be unable to continue the operation of the Shredder Business at the Franchise Location. If we grant you the right to relocate your Shredder Business, you must pay us a relocation fee in an amount equal to Fifty Percent (50%) of our then-current initial franchise fee, and you must comply with such reasonable site selection and construction procedures as outlined in this Agreement.

C. Licenses; Permits. You are solely responsible for obtaining all zoning classifications and clearances which may be required by any laws, ordinances, regulations, or restrictive covenants relating to the construction and operation of the Shredder Business at the Franchise Location, and you must conform the premises as needed to comply with any local ordinances and building codes at your expense. Before beginning any construction or remodeling of the Shredder Business, you must (i) obtain all approvals, clearances, permits, licenses and certifications required for the lawful construction or remodeling and operation of the Shredder Business, and (ii) certify in writing to us that such items have been obtained and that the insurance coverages specified in Section XIII. of this Agreement are in full force and effect. At our request, you agree to provide to us copies of all such approvals, clearances, permits, licenses and certifications.

D. Construction and Finish Out. After you obtain an approved site for your Shredder Business, we will schedule a design/construction meeting with you to review our recommended layout for your location. We will

provide you with copies of our prototypical design manual and specifications package for a Shredder Business (collectively, the "Design Manual and Prototypes"), and you must, at your expense, hire, and coordinate with, our designated architectural services vendor to adapt the Design Manual and Prototypes as needed to prepare tailored architectural plans and drawings specific to your Franchise Location space. In addition to hiring our designated architectural services vendor to design your Shredder Business, you must obtain, at your sole expense, all other appropriate engineering, design, construction and other services necessary for the construction of the Shredder Business in accordance with our standards and specifications, and you must, at your expense, use the construction services vendor designated by us for the construction of your artificial ski slopes. Any architect(s), engineer(s) or other construction professionals that you may select to assist with the construction of your Shredder Business must be approved by us before beginning their work on the Shredder Business. We will provide you with complete contact information for our required architectural services vendor, and we may, but are not obligated to, provide you a list of other approved architect(s), engineer(s) and construction professionals that you may use in the development of your Shredder Business.

(1) You must submit the proposed site-specific architecture and design plans and specifications to us for review within five (5) days after you receive them. We will notify you of any objections to the plans within fifteen (15) days of receiving them. If we fail to notify you of an objection to the plans within the fifteen (15) day period, you may use the plans. If we object to the plans, we will provide you with a reasonably detailed list of the changes needed to make the plans consistent with our System standards. We will notify you within fifteen (15) days of receiving any revised plans incorporating such changes, whether the revised plans are acceptable. If we fail to notify you of any objection within such fifteen (15) day period, you may use the revised plans. You acknowledge that our review of the plans is only for the purpose of determining compliance with our System standards, and that our acceptance of the plans does not constitute a representation, warranty, or guarantee, express or implied, that the plans are accurate or free of error concerning their structural application. We are not responsible for architecture or engineering, or for code, zoning, or other requirements of the laws, ordinances or regulations of any federal, state, local, or municipal governmental body, including, without limitation, any requirement relating to accessibility by disabled persons or others, nor are we responsible for any errors, omissions, or discrepancies of any nature in the plans.

(2) You must promptly commence, and diligently pursue, construction of the Shredder Business once we have approved your construction plans. During construction, you agree to provide us with such periodic progress reports as we may reasonably request, and we reserve the right to conduct one or more on-site inspections of the construction progress as we deem appropriate. You agree to notify us of the scheduled date for completion of construction no later than sixty (60) days prior to such date. Within a reasonable time after the date construction is completed, we will, at our option, conduct an inspection of the completed Shredder Business. You must not open the Shredder Business for business without our written authorization, which will be conditioned upon your strict compliance with this Agreement and our standards and specifications.

E. Opening Date. You must open the Shredder Business and commence business within eight (8) months of the Effective Date of this Agreement, unless you obtain a written extension of such time period from us. You acknowledge that time is of the essence. Before the Opening Date, you must complete all exterior and interior preparations for the Shredder Business, including installation of all equipment, fixtures, furnishings and signs, pursuant to the plans and specifications we have approved, and you must comply with all other pre-opening obligations established by us. If you fail to comply with any of these obligations, we have the right to prohibit you

from opening the Shredder Business. Your failure to timely open the Shredder Business in compliance with these provisions will constitute a material default under this Agreement.

IV. TERM AND RENEWAL

A. Term. Unless sooner terminated as provided in this Agreement, the term of this Agreement will begin on the Effective Date (as defined above) and will continue until ten (10) years from the Effective Date.

B. Successor Agreements. You may, at your option, renew your franchise rights by executing a successor franchise agreement with us based on our then-current form of franchise agreement, except that each successor franchise agreement shall have a term of 5 years. You shall have the right to execute up to two successor franchise agreements, subject to any or all of the following conditions which must, at our option, be met prior to and at the time of renewal:

(1) You must give us written notice of your election to execute a successor franchise agreement with us not less than seven (7) months nor more than twelve (12) months before the end of the initial term;

(2) You shall, at your sole cost and expense, renovate and modernize the Shredder Business as we may require, including, without limitation, the repair, replacement, and/or renovation, as determined by us, of any needed equipment (including, without limitation, ski and snowboard equipment, electronic point of sale systems, computer hardware, and software systems, collectively, the "Equipment"), signs, interior and exterior decor items, fixtures, furnishings, supplies and other products and materials required for the operation of the Shredder Business as we may require to reflect the then-current standards and image of the System, as described in our Manuals or otherwise as provided in writing by us (collectively, the "Remodeling Items"). In addition, you shall acquire, at your sole cost and expense, and install any new or additional Equipment and Remodeling Items reasonably required to offer and sell any new products or services designated by us from the Shredder Business and/or provide the Shredder products and services by alternative means required by us under our then-current standards;

(3) You must not be in default of this Agreement, neither you nor your Affiliates may be in default of any other agreement with us or any of our Affiliates; and you and your Affiliates shall have substantially and timely complied with the terms and conditions of such agreements during their respective terms;

(4) You must have timely satisfied all monetary obligations owed to us and our Affiliates under this Agreement and any other agreement between you or any of your Affiliates and us or any of our Affiliates;

(5) You must present evidence satisfactory to us that you have the right to remain in possession of the Franchise Location during the entire renewal term or obtain our consent to a new site for the Shredder Business;

(6) You must execute our then-current form of successor franchise agreement, which will supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, except that the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees executing successor agreements;

(7) You and your Owners must execute a general release of any and all claims against us, our Affiliates, and our and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement or under federal, state or local laws, rules, regulations or orders;

(8) You must pay us a successor fee of \$2,000; and

(9) You must comply with our then-current qualification and training requirements.

V. FEES

A. Initial Franchise Fee. You agree to pay us an initial franchise fee of Twenty-Eight Thousand Dollars (\$28,000) upon the execution of this Agreement (the "Initial Franchise Fee"). The Initial Franchise Fee shall be deemed fully earned and non-refundable in consideration of the administrative and other expenses incurred by us in granting the franchise hereunder and for our lost or deferred opportunity to grant such franchise to any other party.

B. Royalty Fee. During the term of this Agreement, you agree to pay us continuing monthly royalty fees in an amount equal to six percent (6%) of your monthly Gross Sales (with payments due on the 5th day of each month for royalties accrued during the prior month). You must pay the royalty fee via electronic funds transfer, or any other means we reasonably specify. The royalty fee will be due on the 5th day of each month during the term of this Agreement, provided that if the date on which a royalty payment would otherwise be due is not a Business Day, then payment shall be due on the next Business Day. On each royalty due date during the term of this Agreement, you must provide a Gross Sales Report to us for the applicable royalty period.

C. Technology Fees. Each month during the term of this Agreement you must pay us monthly Technology Fees in the amount of \$300 per month. Such fees shall be due at the same time, and payable in the same manner, as your monthly royalty payments throughout the term of this Agreement for technology services to be provided in the month in which the payment is received. We may, in our sole discretion, increase the amount of the monthly Technology Fees (up to a maximum of 10% increase per year), upon 30 days' prior written notice to you.

D. Mystery Shopper Fees. We may, at our option, implement a mystery shopper program upon written notice to you. If we implement such a program, either directly or through a third-party vendor, you will be required to pay us (or, at our instruction, our designated third party vendor) periodic mystery shopper program fees in an amount up to \$150 per month, as determined by us from time to time. Such fees shall be due on the first day of each month for services to be provided in the upcoming month.

E. Other Fees and Payments. In addition to the initial franchise fee and monthly payments owed to us, you must pay when due all other fees or amounts described in this Agreement and in any other agreement between you and us or our Affiliates.

F. Past Due Amounts; Acceptance and Application of Payments.

(1) Any payment not actually received by us on or before the applicable due date will be deemed past due. All past due obligations under this Agreement will bear interest from the date due until paid at the lesser of eighteen percent (18%) per annum, or the maximum rate allowed by applicable law. No provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment to reduce any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder, then such excess shall be repaid to the party making the payment. You also agree to pay us a late payment fee equal to \$100 for each delinquent payment under this Agreement.

(2) Our acceptance of any payments delivered subsequent to the applicable due date shall not be deemed to be a waiver by us of any preceding breach by you or your Owners of any terms, provisions, covenants or conditions of this Agreement.

(3) We have the right to apply any payment we receive from you to any amounts you owe us or our Affiliates under this Agreement or any other agreement, even if you have designated the payment for another purpose or account. We may accept any check or payment in any amount from you without prejudice to our right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere shall constitute or be considered as an accord or satisfaction.

(4) You have no right to withhold any payments due to us on account of our breach or alleged breach of this Agreement, and no right to offset any amount due to us against any obligation that we may owe to you.

(5) Each payment to be made to us shall be made free and clear and without deduction for any Taxes.

G. Electronic Funds Transfer. You agree to execute Exhibit E to this Agreement and all other documents necessary to permit us to withdraw funds from your designated bank account by electronic funds transfer ("EFT") in the amount of the royalty fee, the National Brand Marketing Fund contribution (described in Section IX.C.), technology fee and any other amounts due under this Agreement at the time such amounts become due and payable under the terms of this Agreement. Any fee calculated by reference to Gross Sales will be based on the information we obtain pursuant to Section XII.C. of this Agreement or the Gross Sales Report. If we have not received a Gross Sales Report within the time period required by this Agreement, then we may process an EFT for the applicable royalty period based on the most recent Gross Sales Report provided to us by you; provided, that if a Gross Sales Report for the applicable royalty period is subsequently received and reflects (i) that the actual amount of the fee due was more than the amount of the EFT, then we will be entitled to withdraw additional funds through EFT from your designated bank account for the difference; or (ii) that the actual amount of the fee due was less than the amount of the EFT, then we will credit the excess amount to the payment of your future obligations. Should your bank fail to honor any EFT for any reason, you agree that you will be responsible for promptly delivering such payment directly to us and reimbursing us for any service charge or other costs or expenses we incur. If any payments are not received when due, interest may be charged in accordance with Section V.F. Upon written notice to you, we may designate another method of payment.

H. Initial Inventory Package. Within 60 days after executing this Agreement, you must purchase an initial equipment and inventory package from us at a cost ranging from \$60,000 to \$75,000.

I. Conference Fees. You must pay us our then-current registration fees for our franchise conferences (up to a maximum of \$1,000 per person as determined by us), which we may host at a location selected by us. If we schedule a franchise conference, you must attend. If you fail to attend a franchise conference without our prior written consent, you will be required to pay us the applicable registration fees for one person within 10 days following the date of the applicable conference.

VI. OUR OBLIGATIONS

We agree to provide the following services or cause them to be provided to you:

A. Manuals. Access to one (1) set of the Manuals (to be provided in electronic format only, using a system determined by us in our sole discretion), which we may amend from time to time at our sole discretion upon written notice to you.

B. Training. An initial training program for your Principal Owner (and General Manager if applicable), and additional training programs in accordance with Section VIII.A. Upon your reasonable request or if we determine it to be necessary from time to time during the term of this Agreement, you will attend remedial training on-site at your location or at another location designated by us, in our sole discretion; provided, that remedial training will be conducted subject to the availability of our personnel, and provided further, that we may require you to pay the per diem fee we are then charging for remedial training (currently \$400 per trainer per day), and pay or reimburse us for all expenses incurred by our representatives, including the costs of travel, lodging, and meals.

C. Opening Assistance. Such on-site pre-opening and opening assistance as we reasonably deem necessary. In connection with the opening of your Shredder Business, one of our representatives shall provide on-site assistance to you at your Shredder Business for up to 3 days. However, if you have previously opened a Shredder Business, we may, at our option, provide you with less than 3 days of on-site opening assistance as we deem appropriate.

D. Software Programs. For a reasonable fee, any Software Programs that we acquire or develop for use in the System; provided, that we are under no obligation to develop or acquire such Software Programs.

E. Inspections. Inspections of the Shredder Business and evaluations of the products sold and services offered at and from the Shredder Business from time to time as reasonably determined by us.

F. Advertising. Administration of a National Brand Marketing Fund in accordance with Article IX. We may also provide to you, at a reasonable cost, any advertising and promotional materials we may develop from time to time for use in marketing and promoting Shredder Businesses.

G. Operational Advice. Advice and written materials concerning techniques for managing and operating Shredder Businesses, including new developments and improvements in the System.

H. Collateral Merchandise; Equipment; Décor Items. From time to time in our discretion and at a reasonable cost, certain merchandise identifying the System, such as clothing other memorabilia, in sufficient amounts to meet customer demand, and/or certain equipment, décor items or other products and services.

I. Approved Suppliers. From time to time as we deem appropriate, a list of approved suppliers.

VII. YOUR REPRESENTATIONS, WARRANTIES AND COVENANTS

A. Your Investigation of this Franchise.

(1) You acknowledge having received our franchise disclosure document (a) at least fourteen (14) days before signing a binding agreement or making any payment to us, or (b) if applicable, by the time required by your state's law. You acknowledge that this Agreement contains no changes from the form of franchise agreement attached to our franchise disclosure document other than changes made with your knowledge and pursuant to negotiations between you and us. You further acknowledge that you have read this Agreement and our franchise disclosure document and that you understand the terms of this Agreement and accept them as being reasonably necessary for us to maintain the uniformity of Shredder Businesses and to protect the goodwill of the Marks and the integrity of the System.

(2) You have conducted an independent investigation of the business contemplated by this Agreement and recognize that an investment in a Shredder Business involves business risks; that your success is largely dependent on your own abilities and efforts; and that the nature of Shredder Businesses may change over time. You have not received or relied on any guaranty or assurance, express or implied, as to the revenues, profits or success of the business contemplated by this Agreement.

(3) You understand and agree that we may operate and change the System and our business in any manner that is not expressly and specifically prohibited by this Agreement.

(4) Whenever we have expressly reserved in this Agreement, or are deemed to have, a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, then except as otherwise expressly and specifically provided in this Agreement, we may make our decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests, including, without limitation, our judgment of what is in the best interests of our franchise network, at the time our decision is made or our right or discretion is exercised, without regard to whether: (i) other reasonable alternative decisions or actions could have been made by us; (ii) our decision or the action we take promotes our financial or other individual interest; (iii) our decision or the action we take applies differently to you and one or more other franchisees or our company-owned operations; or (iv) our decision or the exercise of our right or discretion is adverse to your interests. In the absence of an applicable statute, we will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations hereunder.

B. Your Organization. If you are a corporation, partnership, limited liability company or other legal entity:

- (1) You are duly organized and validly existing under the law of the state of your formation;
- (2) You are duly qualified and authorized to do business in each jurisdiction in which your business activities or the nature of the properties you own require such qualification;
- (3) Your corporate charter or written partnership or limited liability company agreement, as applicable, will at all times provide that your activities are confined exclusively to the operation of Shredder Businesses. You warrant and represent that neither you nor any of your Affiliates or Owners own, operate or have any financial or beneficial interest in any business (other than a Shredder Business or other business licensed by us or our affiliate) that is the same as or similar to a Shredder Business (including any business that offers ski or snowboard lessons or any ski/snowboard products or services);
- (4) The execution of this Agreement and the performance of the transactions contemplated by this Agreement are within your corporate power, or if you are a partnership or a limited liability company, are permitted under your written partnership or limited liability company agreement and have been duly authorized; and
- (5) You have provided to us prior to the execution of this Agreement, and will from time to time during the term of this Agreement at our request provide to us, copies of your articles of incorporation and bylaws or, as applicable, your written partnership or limited liability company agreement, other governing documents, any amendments to them, resolutions authorizing your entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of your stock or other ownership interests and any other documents that we may reasonably request.

C. Your Owners.

- (1) If you are a corporation, partnership, limited liability company or other legal entity, the ownership interests in you are accurately and completely described in Exhibit D. You agree to maintain at all times a current list of all your Owners and to make your list of Owners available to us upon request.
- (2) If you are a corporation, you agree to maintain stop-transfer instructions against the transfer on your records of any of your equity securities and to conspicuously endorse each stock certificate with a statement, in a form satisfactory to us, that it is held subject to all restrictions imposed upon assignments by this Agreement. If you are a partnership or limited liability company, your written partnership or limited liability company agreement shall provide that ownership of an interest in the partnership or limited liability company is held subject to all restrictions imposed upon assignments by this Agreement.
- (3) Unless otherwise agreed in writing by us, you must cause each of your Owners to execute the Guaranty and Assumption Agreement attached as Exhibit A to this Agreement, jointly and severally guarantying your performance under this Agreement and otherwise binding themselves to the terms of this Agreement as stated therein.

D. Your Financial Covenants.

(1) You have provided to us your most recent financial statements. These financial statements present fairly your financial position at the dates indicated therein and the results of your operations and cash flow for the years then ended. Each of the financial statements are certified as true and correct and have been prepared in conformity with generally accepted accounting principles and, except as expressly described in the applicable notes, applied on a consistent basis. There are no material liabilities, adverse claims, commitments or obligations of any nature, whether accrued, unliquidated, absolute, contingent or otherwise, which are not reflected as liabilities on the financial statements.

(2) At our request, you agree to provide us with any and all loan or other documents regarding the financing of the Shredder Business.

(3) You agree to maintain at all times during the term of this Agreement sufficient working capital to fulfill your obligations under this Agreement.

E. Your Management.

(1) You agree to designate upon the execution of this Agreement, and to retain at all times during the term of this Agreement, an individual to serve as your Principal Owner. The Principal Owner must meet our qualifications and must be approved by us. Unless a separate General Manager is approved by us as described in Section VII.E(2), your Principal Owner must devote full time and best efforts to the direct supervision of the Shredder Business(s) operated by you and your Affiliates. Without our written consent, your Principal Owner shall not engage in any business other than the operation of your Shredder Business(s). Your Principal Owner and any General Manager whom we approve must be empowered with full authority to act for you.

(2) You agree to designate not later than ninety (90) days before the Opening Date, and to retain at all times during the term of this Agreement, a General Manager who meets our qualifications to supervise the operation of your Shredder Business. Your Principal Owner may serve as the General Manager of your Shredder Business, provided that he or she may not serve as the General Manager for more than one Shredder Business at the same time. Subject to our written consent, you may elect to designate an individual other than your Principal Owner for the position of General Manager. Your General Manager must devote full time and best efforts to the supervision of the Shredder Business operated by you and your Affiliates and, without our written consent, shall not engage in any other business. You acknowledge and agree that the appointment of a General Manager will not relieve your Principal Owner of his or her supervisory responsibilities for the operation of your Shredder Business. You and your Principal Owner shall remain fully responsible for your General Manager's performance. Each Shredder Business must have a different General Manager.

(3) If, during the term of this Agreement, your General Manager is not able to continue to serve in such capacity for any reason or no longer qualifies to serve in such role in accordance with this Agreement, you shall promptly notify us and designate a replacement within thirty (30) days after the General Manager ceases to serve, such replacement being subject to the same qualifications listed above (including the completion of all training and obtaining all certifications required by us). You shall provide for interim management of the Shredder Business until such replacement is so designated, and such interim management must be conducted in accordance

with the terms of this Agreement. Any failure to comply with the requirements of this Section VII.E shall be deemed a material event of default.

(4) At least thirty (30) days before the Shredder Business opens for business, you must designate at least the number of assistant managers we require, but in no event less than two assistant managers. Your assistant managers must satisfy our educational and business criteria, and each assistant manager must meet our training requirements and qualifications, shall devote full time and best efforts to the day-to-day operation and management of the Shredder Business and shall not engage in any other business activity without our prior written consent.

(5) The names of your Principal Owner and General Manager shall be listed in Exhibit D to this Agreement, and you agree to keep such information current at all times during the term of this Agreement. You must promptly notify us in writing if your Principal Owner or General Manager cannot continue or no longer qualifies to serve in that capacity, and you must take corrective action acceptable to us within thirty (30) days after any such notice. During such thirty (30) day period, you must provide for interim management of your operations in accordance with this Agreement. Any failure to comply with this Section VII.E. will be a material breach of this Agreement.

F. Legal Compliance. In addition to complying with your obligations under this Agreement, you agree to comply with all applicable federal, state and local laws, rules, regulations, ordinances and orders. Such laws, rules, regulations, ordinances and orders vary from jurisdiction to jurisdiction and may be amended or implemented or interpreted in a different manner from time to time. It is your sole responsibility to apprise yourself of the existence and requirements of all such laws, rules, regulations, ordinances and orders, and to adhere to them at all times during the term of this Agreement. Without limiting the foregoing, you certify that neither you nor any of your Owners, employees or anyone associated with you is listed in connection with any Anti-Terrorism Law, and you agree not to hire or have any dealings with a person so listed. You further certify that you have no knowledge or information that, if generally known, would result in you, your Owners, employees, or anyone associated with you being so listed. You agree to comply with and/or assist us to the fullest extent possible in our efforts to comply with the Anti-Terrorism Laws and, in connection with such compliance, you represent and warrant that none of your property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that you and your Owners are not otherwise in violation of any of the Anti-Terrorism Laws. You also agree to comply with all payment card infrastructure ("PCI") industry and government security standards and requirements designed to protect cardholder data. PCI standards apply to both technical and operational aspects of credit card and other payment card transactions and apply to all organizations which store, process or transmit cardholder data. You acknowledge and agree that you shall be solely responsible for any costs, expenses, damages or other liabilities incurred by you or us as a result of, or in connection with, your failure to comply with any PCI standards.

G. Powers of Attorney. You hereby appoint us as your true and lawful attorney-in-fact, with full power and authority (i) to assign to us upon the termination or expiration of this Agreement (a) all rights to the telephone numbers of the Shredder Business, any related business listings, and all rights to any website listings or services, search engines or systems, and any other business listings related to the Shredder Business and (b) at our option, your interest in any lease for the Franchise Location and any equipment used in the operation of the Shredder Business; and (ii) to obtain any and all returns and reports related to the Shredder Business that you file with any local, state or federal taxing authority. Such powers of attorney shall survive the expiration or termination of this Agreement, and you agree to execute such forms and documents as we deem necessary to appoint us your true and lawful attorney-in-fact with full power and authority for the foregoing purposes.

H. Continuing Obligations. You and you Owners make the foregoing representations, warranties and covenants understanding that such representations, warranties and covenants are continuing obligations. You agree to cooperate with us to verify your and your Owners' continuing compliance with such representations, warranties and covenants. Any failure to comply with these representations, warranties and covenants will constitute a material event of default under this Agreement.

VIII. OPERATIONS

A. Training. Your Principal Owner and General Manager must successfully complete our initial training program to our satisfaction at least 30 days prior to the opening of your Shredder Business. At our option, we can require up to three (3) people to attend and successfully complete our initial training program before you open for business. Any successor or replacement Principal Owner or General Manager must successfully complete our training program within a reasonable time after such persons are designated, provided that each successor or replacement must successfully complete training no more than thirty (30) days after the date on which his or her predecessor ceased to be employed by you (or ceased to serve as Principal Owner, as applicable). If the Shredder Business operated under this Agreement undergoes a transfer of ownership, the new Principal Owner (and the General Manager if different from the Principal Owner) must attend and complete our initial training program to our satisfaction no later than 30 days from the date of such transfer. These persons, and any of your other personnel whom we may designate, must attend and complete any additional training that we may require from time to time. In addition, we may, at our option, conduct periodic franchisee conventions at a location designated by us, and your Principal Owner and/or General Manager must attend such conventions. At our option, we may certify your Principal Owner or General Manager (following their completion of all applicable training as required by us) as a "Certified Trainer" authorized to provide and conduct one or more designated training programs (as determined by us) for new or replacement employees at your Shredder Business; provided, however, that we reserve the right to test any employees trained by a Certified Trainer and to require any Certified Trainer and any of your employees to successfully complete additional training programs conducted by us from time to time. Initial training for your Principal Owner and General Manager is provided at our offices in Denver, Colorado (or other location(s) we designate) at no charge; however, we reserve the right to charge a reasonable fee for training any additional persons (a per diem rate of up to \$400 per person), including any successor or replacement personnel, and for any additional training programs. Such additional training shall be conducted at locations we designate. You are responsible for any and all expenses incurred in connection with any initial or additional training and attendance at any franchisee conventions, including, without limitation, the costs of travel, lodging, meals and wages incurred by you and your personnel. If any Principal Owner or General Manager fails, in our sole judgment, to satisfactorily complete our training program, and you fail to cure such default within ninety (90) days following written notice from us, we may terminate this Agreement.

B. Standards Compliance. You acknowledge the importance of maintaining uniformity among all of the Shredder Businesses and the importance of complying with all of our standards and specifications relating to the operation of the Shredder Businesses. To protect the reputation and goodwill of the System and to maintain high standards of operation under the Marks, you agree to conduct your business in accordance with the Manuals, other written directives which we may issue to you from time to time, and any other manuals and materials created or approved for use in the operation of Shredder Businesses.

C. Maintenance of the Shredder Business. You agree to maintain the Shredder Business in a high degree of sanitation and repair, and to make such additions, alterations, repairs and replacements as may be required for that purpose, including, without limitation, such periodic repainting or replacement of signs, furnishings, décor, and equipment (including, but not limited to, Computer Systems) as we may reasonably direct. You also agree to obtain, at your expense, any new or additional equipment (including, but not limited to, point of sale or Computer Systems), fixtures, supplies and other products and materials which we may reasonably require for you to offer and sell new services or products from the Shredder Business or to provide such services or products by alternative means. No alterations, improvements or changes of any kind in design, equipment, signs, interior or exterior decor items, fixtures or furnishings shall be made in or about the Shredder Business without our prior written approval.

D. Upgrade of the Shredder Business. Promptly upon our request, you must make improvements, renovations, updates and upgrades to the Shredder Business to conform it to our then-current standards and specifications. Without limiting the foregoing, you agree that, if we request, you will make any capital improvements required by this Section VIII.D. on or after the fifth (5th) anniversary of the Opening Date, or at such other time during the term of this Agreement that a majority of the Shredder Businesses then operated by us or our Affiliates have made, or are utilizing best efforts to make, such improvements.

E. Sourcing.

(1) You agree to comply with all of our standards and specifications for the purchase of all inventory, supplies, materials, fixtures, furnishings, equipment, Computer Systems, and other products used or offered for sale at the Shredder Business. If we have approved or designated suppliers (which may include us or our Affiliates or third party manufacturers, distributors and other sources) for any such item or service, you agree to obtain these items or services from those suppliers, and you acknowledge and agree that we reserve the right to receive rebates, refunds or other compensation from such suppliers. Our approved or designated suppliers are those who demonstrate on a continuing basis the ability to meet our standards and specifications; who have adequate quality controls and the capacity to supply the needs of the Shredder franchise network promptly and reliably over an extended period of time; and who have been approved in writing by us and who have not thereafter been disapproved by us. We may designate ourselves, our Affiliates or a third party as an approved or designated supplier, or as the sole approved or designated supplier of any item. You agree that we and our Affiliates may derive revenue based on your purchases and leases (including, without limitation, from charging you for products and services we or our Affiliates provide to you and from payments made to us or our Affiliates by suppliers that we designate or approve for some or all of our franchisees), and that you may be required to purchase minimum quantities of products based on the number of products and services that your Shredder Business is providing.

(2) You acknowledge and agree that we and our affiliates have developed, and may continue to develop, for use in the System certain products, programs or services which are confidential and proprietary to us and

which constitute trade secrets of ours (collectively, “**Proprietary Products**”). Because of the importance of high quality and uniformity and the significance of such Proprietary Products to the System, it is to the mutual benefit of the parties that we closely control the production, delivery and distribution of such Proprietary Products. Accordingly, you agree that you shall purchase solely from us, or from a source designated by us, all such Proprietary Products. Furthermore, you agree to purchase from us or our affiliates for resale to your customers certain merchandise identifying the System as we shall require, including “Shredder” branded memorabilia and promotional products bearing the Marks, in amounts sufficient to satisfy your customer demand.

(3) You shall require all signs, decorations, paper goods, and other items which may be designated by us from time to time to bear the Marks in the form, color, size, location and manner prescribed by us.

(4) If you wish to use any item or service that we have not yet evaluated or (for items that we require you to purchase from designated or approved suppliers) if you wish to purchase or lease any such item from a supplier that we have not yet approved, you must submit a written request for approval to us. You cannot purchase or lease any such item unless the supplier has been approved in writing by us. We are not required to approve any particular supplier. We will have the right to require you to submit information, specifications and samples to us to enable us to determine whether the item complies with our standards and specifications and that the supplier meets our criteria. We also have the right to send our representatives to inspect the supplier’s facilities and to have samples from the supplier be delivered to us or to an independent laboratory designated by us for testing. You or the proposed supplier will be required to pay for the cost of the inspection and the test (including our administrative expenses), and you must also pay us an amount equal to the greater of \$1,000 or the actual costs and expenses we incur in connection with the evaluation of your proposed supplier or product. We may, at our option, waive or refund the fee paid to us if the new item or service is approved for use by all our franchisees. We may condition our approval of a supplier on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) or other criteria. We reserve the right to re-inspect from time to time the facilities and products of any approved supplier and to revoke our approval of the supplier if the supplier fails to continue to meet any of our criteria. If we revoke our approval of any supplier, you agree to promptly discontinue use of that supplier. Your failure to comply with the provisions of this Section VIII.E. shall be deemed a material breach under this Agreement.

F. Operational Requirements. You agree to operate the Shredder Business in full conformity with our methods, standards and specifications as set forth in the Manuals and as from time to time otherwise prescribed in writing. Without limitation of the foregoing, you agree:

(1) To sell or offer for sale all products and services we require using the method and manner of instruction and delivery that we prescribe. Instruction methods must be expressly authorized by us in writing in the Manuals or otherwise;

(2) To sell and offer for sale only the products and services that we have expressly approved for sale in writing; to discontinue selling and offering for sale any products or services and any method or manner distribution which we may disapprove in writing at any time;

(3) To maintain in sufficient supply and to use and sell at all times only those items, products, materials, and supplies that conform to our standards and specifications; to conduct all services in accordance with our standards, specifications and procedures; to use the brand and/or type of products we require; and to refrain from deviating from our standards and specifications by using or offering non-conforming items or services without our prior written consent;

(4) To permit us or our agents, at any reasonable time, to remove samples of any items from the Shredder Business, without payment, in amounts reasonably necessary for testing to determine whether such samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if the supplier of the item has not previously been approved by us or if the sample fails to conform to our specifications;

(5) To purchase or lease and install, at your expense, all fixtures, furnishings, equipment, Computer Systems, decor items (including holiday decorations), signs, music systems and audio/video equipment and technology, and related items that we may reasonably direct from time to time (and such items must be used in accordance with our standards and specifications for audio/video content and decibel levels); and to refrain from installing or permitting to be installed in or about the Shredder Business, without our prior written consent, any fixtures, furnishings, equipment, decor items, signs, vending machines or other items not previously approved as meeting our standards and specifications;

(6) To grant us and our agents the right to enter the Shredder Business at any reasonable time to conduct inspections; to cooperate with our representatives conducting the inspections by rendering such assistance as they may reasonably request; and, upon notice from us or our agents (and without limiting our other rights under this Agreement), to take any and all steps that may be necessary to correct promptly any deficiencies detected during an inspection. If you fail for any reason to correct such deficiencies within a reasonable time, as determined by us, we will have the right and authority (but no obligation) to correct the deficiencies and to charge you a reasonable fee, payable on demand, for our expenses in taking the corrective action (including, without limitation, any necessary re-inspection);

(7) To at all times operate your Shredder Business under the direct, on-site supervision of at least one person who has successfully completed our training program pursuant to Section VIII.A of this Agreement; to at all times maintain a competent, conscientious, trained staff and to take any and all steps necessary to ensure that your employees preserve good customer relations and comply with any dress code we may prescribe;

(8) To only install and offer at the Shredder Business such equipment, machines, games and activities (such as vending machines, video games or other devices) as we have expressly approved in the Manuals or otherwise in writing;

(9) To keep the Shredder Business open and in operation for the days and hours that we may prescribe from time to time;

(10) To maintain a competent, conscientious, properly trained staff in numbers sufficient to promptly service customers, and to take such steps as are necessary to ensure that such employees preserve good customer relations and comply with such uniform/dress code requirements as we may prescribe;

(11) To install and maintain the proper equipment and telecommunications line(s) necessary, and in accordance with our specifications, to permit us to access and retrieve by telecommunication any information stored on your electronic point of sale system and related systems (thereby permitting us to inspect and electronically monitor information concerning the Shredder Business' Gross Sales and such other information as may be contained or stored in such equipment and software). At all times during the term of this Agreement, you shall obtain and maintain continuous and reliable high-speed Internet access or other means of electronic communication, as specified by us from time to time. It shall be a material default under this Agreement if you fail to maintain such equipment, lines, and communication methods in operation and accessible to us at all times throughout the term of this Agreement. We shall have access as provided herein at such times and in such manner as we shall from time to time specify;

(12) To honor all credit, charge, courtesy or cash cards or other credit devices required or approved by us. You must obtain our written approval prior to honoring any previously unapproved credit, charge, courtesy or cash cards or other credit devices. You shall ensure that the Shredder Business adheres to the standards applicable to electronic payments including PCI (Payment Card Industry) standards or any equivalent thereof. If required by us or by one of the credit card companies, you shall provide us with evidence of compliance with the applicable standards and provide, or make available, to us copies of any audit, scanning results or related documentation relating to such compliance. Any costs associated with an audit or to gain compliance with these standards (including any penalties) shall be borne by you. You shall immediately (in any event within 24 hours) notify us if you suspect, or have been notified by any third party of, a possible security breach related to the cashless system (or related cashless data) used in the Shredder Business;

(13) To not issue gift certificates, coupons or other cash equivalent certificates or devices for use at the Shredder Business without our prior written approval. You must accept all Franchisor issued or approved gift cards and/or certificates presented by customers for purchase of goods or services. You shall sell, issue, and honor only those gift cards and/or certificates (together "Gift Cards") that have been prepared utilizing the standards provided by us in the Manuals or otherwise in writing. You shall fully honor all Gift Cards regardless of whether a Gift Card was issued by you or by another Shredder Business. You shall sell, issue, and redeem (without any offset against any royalty fees) Gift Cards in accordance with procedures and policies specified by us in the Manuals or otherwise in writing, including those relating to procedures by which you shall (i) request reimbursement for Gift Cards issued by other Shredder Businesses, and (ii) make timely payments to us, other operators of Shredder Businesses, and/or third-party service providers for Gift Cards issued from your Shredder Business that are later honored by a Shredder Business owned or otherwise controlled by our affiliate or another Shredder Business operator. In connection with the foregoing, the administration of all Gift Card proceeds and reimbursements shall be controlled by us or our affiliates; and

(14) To obtain, at your sole expense, and maintain at all times during the term of this Agreement, such twenty-four (24)-hour monitored security system equipment and services as may from time to time be required by us for the protection of the Shredder Business and your employees and customers. All security system equipment and services must meet the then-current standards and specifications established by us.

G. Computer Systems. You agree to use the Computer System (if any) that we specify from time to time for use in the operation of the Shredder Business. You acknowledge that we may modify the specifications and the components of any such Computer System from time to time. As part of the Computer System, we may require you to obtain specified computer hardware and/or software, including, without limitation, a license to use Software Programs developed by us or others. Changes to the Computer System specifications may require you to incur costs to purchase, lease and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System during the term of this Agreement. You acknowledge that we cannot estimate the future costs of the Computer System (or additions or modifications thereto) and that the cost to you of obtaining the Computer System (including software licenses) or additions or modification thereto may not be fully amortizable over the remaining term of this Agreement. Nonetheless, you agree to incur such costs. Within sixty (60) days after you receive notice from us, you agree to obtain the components of the Computer System that we require. You further acknowledge and agree that we have the right to charge a reasonable systems fee for any software or systems modifications and enhancements specifically made for us that are licensed to you and other maintenance and support services that we or our Affiliate may furnish to you.

H. Customer Complaints. You agree to process and handle all consumer complaints connected with or relating to the Shredder Business, and to promptly notify us of all safety or health violations or allegations of such violations, claims exceeding One Hundred Dollars (\$100), and any other material claims against or losses suffered by you. You also agree to maintain, and to promptly notify us of, any communications with governmental authorities affecting the Shredder Business during the term of this Agreement and for one (1) year after the expiration or earlier termination hereof.

I. Internet Website. You agree to install and maintain all hardware and software needed to access the Internet at the bit speed we require from time to time. You further agree that you will not establish any website or other account or listing on the Internet except as provided herein.

(1) Without our prior written approval, which we may give or withhold in our sole discretion, you may not develop, create, generate, own, or otherwise use any computer and/or electronic media (including but not limited to the Internet, including social media, bulletin boards and news groups) in connection with the Shredder Business. If we grant our approval for your use of an Internet website (including any social media pages), you must appoint us as a co-administrator of your account with ability to modify content, and you acknowledge that the form, content and appearance of any Internet website you use must comply with the System standards and must be approved by us in writing before being used. Accordingly, you agree that you have no authority to, and you will not, establish any website or content that creates any association with the Marks or the System, or post any advertisements, messages or materials on the Internet (including, but not limited to, social media websites such as Facebook, Instagram, Pinterest, Google, Yelp and Twitter) that depict or display the Marks or suggest an association with the System, without our express prior written consent. Without limitation of the foregoing, if we require, any Internet website created by or for you must contain a hypertext link to our Internet website in the form we require, and no other hypertext links to third party Internet websites unless previously approved in writing by us. Notwithstanding our approval of a website, we reserve the right to revoke our approval at any time that the website fails to continue to meet our standards, and you agree that upon such revocation, you will immediately discontinue use of the website.

(2) You agree that you have no authority to, and you will not, register any domain name in any class or category that uses or creates any association with the Marks (including any abbreviation, acronym, phonetic variation or visual variation of the Marks) or the System without our express prior written consent. You must obtain our written approval for your domain name prior to use. Your domain name must be registered in our name and licensed to you by us. On termination or expiration of this Agreement, the license of the domain name to you will automatically terminate and you agree to undertake all such actions that we require to disassociate yourself with the domain name.

(3) We may establish an Internet website that provides information about the System and the products and services offered by Shredder Businesses. If we establish an Internet website, we will have sole discretion and control over the website, including timing, design, content and continuation. We may include, as part of our website, interior pages containing information about our franchisees' Shredder Businesses, and we may require you to prepare all or a portion of the page for your Shredder Business, at your expense, using a template that we provide, with all such information subject to our approval prior to posting. We may use National Brand Marketing Fund monies to establish, develop and maintain our website(s).

(4) We also have the sole right (but no obligation) to develop an Intranet through which we and our franchisees can communicate by e-mail or similar electronic means. If we develop an Intranet, you agree to participate in strict compliance with our standards, protocols and restrictions, including, without limitation, standards, protocols and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements. We may, in our sole discretion, charge a reasonable fee for Intranet usage, which you agree to pay in accordance with our invoice.

J. Business Licenses. You must secure and maintain, at your sole cost, any and all state, county, and/or local business licenses required for the operation of the Shredder Business. Before opening your Shredder Business you must obtain (and you must at all times maintain) all applicable licenses, and you must obtain and maintain any applicable real estate permits (*e.g.*, zoning) and other operational licenses. You are solely responsible for obtaining and maintaining any applicable licenses and all expenses related thereto.

K. Prices of Products Sold at Your Shredder Business. We may from time to time establish maximum, minimum or other pricing requirements for the products and services to be sold at your Shredder Business to the fullest extent allowed by law.

IX. ADVERTISING

A. Local Advertising. Recognizing the value of advertising and marketing to the goodwill and public image of Shredder Businesses, you agree to spend at least \$500 each month on local advertising and promotion of your Shredder Business in the Protected Area. In our sole discretion, we may increase the amount you must spend on local marketing in the Protected Area upon not less than thirty (30) days' written notice to you (up to a maximum of 10% increase per year). At our request, you must submit to us a report (including substantiating receipts) detailing your local advertising expenditures during the time period specified in the request. In addition, we have the right to review your books and records from time to time to determine your expenditures for local advertising and promotion. If we determine that you have not spent the requisite amounts, we may require you to pay such unexpended amounts to us to apply to local advertising in the Protected Area.

B. Cooperatives. We have the right, but not the obligation, to designate any geographic area in which two (2) or more company-owned or franchised Shredder Businesses are located as a region for purposes of establishing an advertising cooperative ("Cooperative"). If we do establish one or more Cooperatives, each Cooperative will be organized and governed as, and will begin operations on a date, we determine in accordance with the Cooperative governing documents prepared or approved by us. Furthermore, we may modify or dissolve any Cooperative in our sole discretion from time to time upon written notice to the Cooperative members, and we may designate that specific vendors be used by any Cooperative. Cooperatives will be organized for the exclusive purpose of administering advertising programs and developing promotional materials for local advertising and will be operated solely as a conduit for the collection and expenditure of advertising contributions. No advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without our prior approval of such materials and plans. If a Cooperative is established for a geographic area that includes all or part of your Protected Area, you will be required to contribute at least \$250 each month to the Cooperative (provided that the contribution amount may be increased by majority vote of the Cooperative members to as high as \$500 per month, with each franchised unit in the Cooperative being entitled to one vote), and you must execute the applicable Cooperative documents promptly upon our request and participate as a member of the Cooperative. Among other things, this means that (i) you must submit to the Cooperative and to us all advertising receipts, statements and reports that we or the Cooperative may require, and (ii) you must contribute to the Cooperative the amounts required by the Cooperative's governing documents; provided, that your Cooperative contributions will be applied to satisfy a portion (or potentially all) of your individual local advertising requirements under Section IX.A. In no event will your required contributions to a Cooperative exceed your individual local advertising requirements set forth in Section IX.A.

C. National Brand Marketing Fund. We may, at our option, establish a brand marketing fund (the "National Brand Marketing Fund" or "Fund"). You agree to make monthly contributions to the Fund of one percent (1%) of your Shredder Business' Gross Sales. In our sole discretion, we may increase the amount you must contribute to the Fund upon not less than thirty (30) days' written notice to you; provided, however, that we shall not require you to contribute more than two percent (2%) of the Shredder Business' Gross Sales to the Fund. Your required contributions to the Fund are in addition to amounts you are required to spend for local advertising under Sections IX.A and IX.B. Fund contributions will be due and payable at the same time and in the same manner that royalty fee payments are due and payable.

(1) We will direct all programs financed by the Fund, with sole discretion over the creative concepts, materials and endorsements, and the geographic, market and media placement and allocation thereof. You agree that the Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials; developing and implementing various brand development and brand building programs, strategies and campaigns; administering national, regional and multi-regional advertising programs, including, without limitation, promotional texts, e-mails, and other electronic communications, conducting customer and franchisee surveys, contributions to conventions, purchasing direct mail and other media advertising and employing advertising, promotion and marketing agencies; the cost of developing and maintaining an internet website and enhancing search engine optimization; developing and maintaining gift card, membership and other customer loyalty programs; and supporting public relations, market research and other advertising, promotion and marketing activities.

(2) The Fund will be accounted for separately from our other funds and will not be used to defray our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Fund and its programs, including, without

limitation, conducting market research; preparing advertising, promotion and marketing materials; and collecting and accounting for contributions to the Fund. We may spend, on behalf of the Fund, in any fiscal year an amount greater or less than the aggregate contribution of all Shredder Businesses to the Fund in that year, and the Fund may borrow from us or others to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the Fund will be used to pay advertising costs before other assets of the Fund are expended. We will prepare an annual unaudited statement of monies collected and costs incurred by the Fund and furnish the statement to you upon written request. We have the right to cause the Fund to be incorporated or operated through a separate entity at such time as we deem appropriate, and such successor entity will have all of the rights and duties specified herein. Shredder Businesses owned by us and our Affiliates may, but are not required to, contribute to the Fund on the same basis as a franchisee under the terms of a standard franchise agreement for a Shredder Business.

(3) You acknowledge that the Fund is intended to maximize recognition of the Marks and patronage of Shredder Businesses. Although we will endeavor to utilize the Fund to develop advertising and marketing materials and programs that will benefit all Shredder Businesses, we have no obligation of any kind to ensure that expenditures by the Fund in, or affecting, any geographic area are proportionate or equivalent to the contributions to the Fund by Shredder Businesses operating in that geographic area or that any Shredder Business will benefit directly or in proportion to its contributions to the Fund from the development of advertising and marketing materials or the placement of advertising. We may use a portion of the monies contained in the Fund to establish regional marketing funds and/or to establish and maintain one or more Internet websites for Shredder Businesses, which may include one or more pages dedicated to promotion of the franchise program and franchise sales. Except as expressly provided in this Section, we assume no direct or indirect liability or obligation to you with respect to collecting amounts due to, or maintaining, directing or administering, the Fund.

(4) We reserve the right, upon thirty (30) days' prior written notice to you, to defer, reduce or suspend contributions to (and, if suspended, deferred or reduced, to reinstate such contributions) and to suspend operations of, the Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the Fund. If the Fund is terminated, all unspent monies on the date of termination will be distributed to the contributors to the Fund in proportion to their respective contributions to the Fund during the preceding twelve (12) month period.

(5) We may, in our sole discretion and business judgment, use the Fund to directly or indirectly place advertising in any areas, which may or may not include your local or regional market; however, we also intend to use the Fund to create and prepare marketing materials or advertising programs that will be provided to you so that you may directly place or implement such materials or programs in your local or regional market.

D. Promotional Programs. We may, from time to time in our sole discretion, develop and administer advertising and sales promotion programs designed to promote all Shredder Businesses. We will be responsible for the design and administration of such programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies. If we do establish these programs, you agree to participate in them in accordance with the terms and conditions we establish. The standards and specifications we establish for such programs shall be final and binding upon you.

E. Advertising Standards. You agree that any advertising, promotion and marketing you conduct, whether required by this Agreement or voluntarily undertaken by you, will be completely clear and factual and not misleading and will conform to the highest standards of ethical marketing and the promotion policies that we

prescribe from time to time (including restrictions on making political/religious statements in connection with promoting your Shredder Business). Samples of all advertising, promotional and marketing materials that we have not prepared or previously approved must be submitted to us for approval at least fifteen (15) days before you use them or deliver them to a third party for use in any advertisement. If you do not receive written approval within ten (10) days after our receipt of such materials, we will be deemed to have disapproved such materials. You may not use any advertising or promotional materials that we have disapproved. Our approval of any advertising material may be withdrawn in our sole discretion at any time.

F. Initial Launch. During the period beginning fourteen (14) days prior to the Opening Date and ending sixty (60) days after the Opening Date (the “Initial Launch Period”), you must carry out an Initial Launch promotion for your Shredder Business in accordance with our standards. You must spend at least Five Thousand Dollars (\$5,000) on advertising and promoting your Shredder Business during the Initial Launch Period, which may include a “soft opening” event in accordance with our standards and specifications. We will assist you in organizing your Initial Launch Period promotions, and we must approve all advertising items, methods and media you use in connection with such Initial Launch Period promotions. This \$5,000 Initial Launch marketing cost is in addition to your required local advertising expenditures. In order to ensure that the Initial Launch Period advertising is completed according to our standards and specifications, you must, upon our request, provide us with all receipts showing the amounts spent by you and how those amounts were spent in furtherance of your Initial Launch marketing campaign.

G. Business Listings. If required by us, you shall place and pay the cost of a business listing acceptable to us, which may, at our discretion, be an Internet business listing, in such directories and categories as we may specify from time to time in the Manuals or otherwise in writing. This cost, if required by us, may be credited against your required local advertising expenditures.

X. MARKS

A. Your Right to Use the Marks. We grant you the right to use the Marks during the term of this Agreement in accordance with this Agreement and our standards and specifications.

B. Your Agreements Regarding the Marks. You expressly acknowledge that:

(1) As between us and you, we are the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by them.

(2) Neither you nor any of your Owners will take any action that would prejudice or interfere with our rights or those of our Affiliates in and to the Marks. Nothing in this Agreement shall give you any right, title, or interest in or to any of the Marks, except the right to use the Marks in accordance with the terms and conditions of this Agreement.

(3) Any and all goodwill arising from your use of the Marks will inure solely and exclusively to our benefit and to the benefit of our Affiliates, and upon expiration or termination of this Agreement, no monetary amount shall be attributable to any goodwill associated with your use of the Marks.

(4) You agree not to contest, or assist others to contest, the validity of, our or our Affiliates' interest in the Marks.

(5) Any unauthorized use of the Marks will constitute an infringement of our or our Affiliates' rights in the Marks and a material event of default under this Agreement. You agree to provide us with all assignments, affidavits, documents, information and assistance related to the Marks that we or our Affiliates reasonably request, including all such instruments necessary to register, maintain, enforce and fully vest the rights of us or our Affiliates in the Marks.

(6) We have the right to substitute different trade names, trademarks, service marks, logos and commercial symbols for the current Marks to use in identifying the System and the Shredder Businesses operating under the System if the current Marks no longer can be used, or if we, in our sole discretion, determine that substitution of different marks will be beneficial to the System. If we do so, you agree, at your expense, to discontinue or modify your use of any of the Marks or to use one or more additional or substitute marks.

C. Your Use of the Marks. You further agree that you will:

(1) Operate and advertise the Shredder Business only under the name "SHREDDER", without prefix or suffix, unless otherwise authorized or required by us. You agree not to use the Marks as part of your corporate or other legal name.

(2) Identify yourself as the owner of a franchised Shredder Business in conjunction with any use of the Marks, including, but not limited to, uses on invoices, order forms, receipts and contracts, and display a notice in such content and form and at conspicuous locations at the Shredder Business and on any vehicle used in the operation of the Shredder Business.

(3) Not use the Marks to incur any obligation or indebtedness on our behalf.

(4) Comply with our instructions in filing and maintaining the requisite trade name or fictitious name registrations, and execute any documents deemed necessary by us or our counsel to obtain protection of the Marks or to maintain their continued validity and enforceability.

D. Infringement. You agree to notify us promptly of any apparent infringement of or challenge to your use of any Mark and of any claim by any person of any rights in any Mark. You and your Owners shall not communicate with any person other than us, our Affiliates, our and their counsel, and your counsel in connection with any such apparent infringement, challenge or claim. We will have complete discretion to take any action we deem appropriate in connection with any infringement of, or challenge or claim to, any Mark and the right to control exclusively, or to delegate control of, any settlement, litigation, Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. You agree to execute all such instruments and documents, render such assistance, and do such acts or things as may, in our opinion, be reasonably necessary or advisable to protect and maintain our or our Affiliates' interests in the Marks.

XI. CONFIDENTIALITY AND NONCOMPETITION COVENANTS

A. Manuals. The Manuals, which shall be provided to you in electronic format only, are our sole property, and you shall not copy or reproduce the Manuals or any portions thereof (whether electronic, paper or otherwise) at any time for any reason. If you become aware of any copies of the Manuals then you must notify us of their existence immediately and send such copies to us (or destroy such copies if requested by us). You and your Owners must at all times maintain the Manuals, and the information contained in them, as confidential in compliance with this Article XI. You may make the Manuals available only to those of your Owners and employees who must have access to them in order to operate the Shredder Business. You must ensure that your employees, agents and any others with access to the Manuals do not copy, duplicate, record or otherwise reproduce the Manuals, in whole or in part, or make them available to any unauthorized person for any reason. We have the right to add to or modify the Manuals from time to time in our sole discretion. You agree to comply with the terms of all additions and modifications to the Manuals and to keep your copy of the Manuals current. If there is a dispute about the contents of the Manuals, the terms of the master copy maintained by us shall control. The entire contents of the Manuals, and our mandatory specifications, procedures and rules prescribed from time to time, shall constitute provisions of this Agreement as if they were set forth herein.

B. Nondisclosure of Confidential Information. We will disclose to you those parts of our Confidential Information we deem necessary or advisable from time to time for the establishment and operation of the Shredder Business. You agree that you and your Owners will not acquire any interest in the Confidential Information, other than the right to use the Confidential Information disclosed to you in operating the Shredder Business during the term of this Agreement, and that the use or duplication of any Confidential Information in any other business would constitute an unfair method of competition. You agree to disclose the Confidential Information only to your Owners and employees and only to the extent reasonably necessary for them to operate the Shredder Business pursuant to this Agreement. Our Confidential Information is proprietary, includes trade secrets owned by us and our Affiliates, and is disclosed to you solely on the condition that you agree, and you do hereby agree, that you: (i) will not use the Confidential Information in any other business or capacity; (ii) will maintain the confidentiality of the Confidential Information during and after the term of this Agreement; (iii) will not make unauthorized copies of any portion of the Confidential Information; and (iv) will adopt and implement all reasonable procedures that we prescribe from time to time to prevent the unauthorized use or disclosure of the Confidential Information, including, without limitation, restrictions on disclosure of the Confidential Information to Shredder Business personnel and others. These covenants shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon you and each of the Owners.

C. Noncompetition Covenants. You and your Owners specifically acknowledge that, pursuant to this Agreement, you and they will receive access to valuable training and Confidential Information which are beyond your and their present skills and experience, including, without limitation, information regarding operational, sales, promotional and marketing methods and techniques of the System. You and your Owners further acknowledge that such specialized training and Confidential Information provide a competitive advantage, and that gaining access to them is a primary reason for entering into this Agreement. Accordingly, you and your Owners agree as follows:

(1) With respect to you, during the term of this Agreement (or with respect to each of the Owners, for so long as such person satisfies the definition of "Owner" under this Agreement), except as otherwise approved in writing by us, neither you nor any of your Owners shall, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, legal entity or association:

(a) Directly or indirectly divert, or attempt to divert, any business or customer of Shredder Businesses to any competitor, or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(b) own, maintain, operate, engage in, or have any financial or beneficial interest in, advise, assist or make loans to, any business (other than a Shredder Business or other business licensed by us or our affiliate) that is the same as or similar to a Shredder Business (including any business that offers ski or snowboard lessons or any ski/snowboard products or services) and which is located within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which we or our Affiliates have used, sought registration of or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks.

(2) With respect to you, for a continuous uninterrupted period commencing upon the expiration, termination, or transfer of all of your interest in, this Agreement (or, with respect to each of the Owners, commencing upon the earlier of (i) the expiration or termination of, or transfer of all of your interest in, this Agreement or (ii) the time such individual or entity ceases to satisfy the definition of "Owner" under this Agreement) and continuing for two (2) years thereafter, except as otherwise approved in writing by us, neither you, nor any of your Owners shall, directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person, legal entity or association:

(a) Directly or indirectly divert, or attempt to divert, any business or customer of Shredder Businesses to any competitor, or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(b) own, maintain, operate, engage in, or have any financial or beneficial interest in, advise, assist or make loans to, any business (other than a Shredder Business or other business licensed by us or our affiliate) that is the same as or similar to a Shredder Business (including any business that offers ski or snowboard lessons or any ski/snowboard products or services) and which is, or is intended to be, located (i) at the Franchise Location, (ii) within the Protected Area, (iii) within a fifty (50)-mile radius of the Franchise Location, or (iv) within a fifty (50)-mile radius of the location of any Shredder Business then in existence or under construction.

(3) You agree that each of the foregoing covenants contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill associated with the Marks and the System or our other business interests. Each covenant shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section XI.C. is held unreasonable or unenforceable by a court having valid jurisdiction in an unappealed final decision to which we are a party, you and your Owners expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section XI.C.

(a) You and your Owners acknowledge that we will have the right, in our sole discretion, to reduce the scope of any covenant set forth in this Section XI.C. without your or their consent, effective immediately upon notice to you; and you and your Owners agree to promptly comply with any covenant as modified.

(b) You and your Owners expressly agree that the existence of any claims you or they may have against us, whether arising under this Agreement or otherwise, shall not constitute a defense to the enforcement by us of the covenants in this Section XI.C, and that the 2-year non-competition period shall be tolled during any periods of non-compliance and shall be extended for a time period equal to the duration of the non-compliance.

D. Improvements. If you, your employees, or Owners develop any new concept, process or improvement in the operation or promotion of a Shredder Business (an "Improvement"), you agree to promptly notify us and provide us with all related information, without compensation. Any such Improvement shall become our sole property and we shall be the sole owner of all related patents, patent applications, and other intellectual property rights. You and your Owners hereby assign to us any rights you or they may have or acquire in the Improvements, including the right to modify the Improvement, and waive and/or release all rights of restraint and moral rights therein and thereto. You and your Owners agree to assist us in obtaining and enforcing the intellectual property rights to any such Improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You and your Owners hereby irrevocably designate and appoint us as your and their agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property right related to any such Improvement. In the event that the foregoing provisions of this Section XI.D. are found to be invalid or otherwise unenforceable, you and your Owners hereby grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the Improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe your or their rights therein.

E. Injunctive Relief. You and your Owners acknowledge that any failure to comply with the requirements of this Article XI. shall constitute a material event of default under this Agreement and further acknowledge that such a violation would result in irreparable injury to us for which no adequate remedy at law may be available. You and your Owners accordingly consent to the issuance of an injunction prohibiting any conduct by you or them in violation of the terms of this Article XI., without the requirement that we post a bond. You and your Owners agree to pay all court costs and reasonable attorneys' fees and costs that we incur in connection with the enforcement of this Article XI., including all costs and expenses for obtaining specific performance, or an injunction against the violation, of the requirements of this Article, or any part of it.

F. Execution of Covenants by Your Owners and Management. You agree to require and obtain the execution of covenants similar to those set forth in Sections XI.B. and C. from all General Managers, and, at our request, any assistant managers or other of your personnel. These covenants must be substantially in the form set forth in Exhibit B; however, we reserve the right, in our sole discretion, to decrease the scope of the noncompetition covenant set forth in Exhibit B or eliminate such noncompetition covenant altogether for any person that is required to execute such agreement.

XII. BOOKS AND RECORDS

A. Maintenance of Books and Records. You must maintain during the term of this Agreement, in accordance with generally accepted accounting principles and in the form and manner we prescribe from time to time in the Manuals, full, complete and accurate books, records and accounts of your Shredder Business, including, but not limited to, sales slips, coupons, purchase orders, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, journals and ledgers. You must, at your sole expense, use the services of an accounting/bookkeeping vendor selected by you, provided that such vendor must meet our minimum standards and specifications and must prepare all financial reports in a form approved by us containing all information requested by us. You agree to preserve all books and records for at least three (3) years from the date of preparation.

B. Reporting. In addition to other reports required by this Agreement, you agree to submit to us, in the form we prescribe from time to time and at your expense:

(1) At our request, a monthly income statement (which may be unaudited), signed by your treasurer, chief financial officer or comparable officer attesting that it is true, complete and correct.

(2) Not later than March 15th after the end of each calendar year during the term of this Agreement, your complete annual financial statements (which may be unaudited), including a balance sheet, profit and loss statement, and statement of cash flows, prepared in accordance with generally accepted accounting principles by an independent certified public accountant satisfactory to us (or, in the alternative, you may prepare internal annual financial statements signed by your treasurer, chief financial officer or comparable officer attesting that they are true, complete and correct) and showing the results of your operations during such calendar year. We may require you to prepare audited financial statements, at our discretion, if we determine or have reason to believe, that you are not accurately reporting your revenues or other financial information to us for any reason.

(3) Not later than five (5) days after filing, copies of your federal income tax returns (including any extension requests) and within five (5) days after the end of each calendar quarter, copies of your state sales tax returns. If your Shredder Business is in a state which does not impose a sales tax, you agree to submit a copy of your state income tax return (including any extension requests) not later than five (5) days after filing.

(4) At the times reasonably required by us, such other forms, reports, records, information and data as we may reasonably designate.

C. Audits. We or our designees will have the right at all reasonable times to review, audit, examine and copy your books and records relating to your Shredder Business. If any required payments to us are delinquent, or if an examination or audit should reveal that any payments have been understated in any report to us, then you must pay to us upon demand the amount overdue or understated with interest determined in accordance with Section V.F. If an examination or audit discloses an understatement in any report of two percent (2%) or more, you must, in addition, reimburse us for all costs and expenses connected with the audit (including, without limitation, legal and accounting fees and costs). These remedies shall be in addition to any other remedies we may have at law or in equity.

D. No Waiver. Our receipt or acceptance of any of the statements furnished or amounts paid to us (or the cashing of any check or processing of any electronic fund transfer) will not preclude us from questioning the correctness thereof at any time, and, in the event that any errors are discovered in such statements or payments, you must immediately correct the error and make the appropriate payment to us.

E. Authorization to Release Information. You hereby authorize (and agree to execute any other documents deemed necessary to effect such authorization) all banks, financial institutions, suppliers, manufacturers, contractors, vendors and other persons or entities with whom you do business to disclose to us any financial information in their possession relating to you or the Shredder Business which we may request. You further authorize us to disclose to prospective franchisees or other third parties data from your reports if we determine, in our sole discretion, that such disclosure is necessary or advisable.

F. Power of Attorney. You hereby appoint us as your true and lawful attorney-in-fact with full power and authority, for the sole purpose of obtaining any and all returns and reports filed by you with any state and/or federal taxing authority pertaining to your franchisee entity or the Shredder Business. This power of attorney shall survive the expiration or termination of this Agreement.

XIII. INSURANCE

A. Insurance Coverage Requirements. Not later than sixty (60) days before the Opening Date, you must procure, at your expense, an insurance policy or policies protecting you, us, our Affiliates, successors and assigns, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors and employees of each of them against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring at or in connection with the operation of the Shredder Business. You must maintain these policies in full force and effect at all times during the term of this Agreement. All required insurance policies must be purchased from an insurance provider approved by us (which must be A rated or better by AM Best), must include a one-year tail following the termination, expiration or transfer of this Agreement, must name us as a co-insured and a certificate holder, must provide us with 30 days' notice prior to any termination or expiration, and shall otherwise be reasonably acceptable to us and must include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified by us from time to time in writing), the following:

(1) Comprehensive general liability insurance written on an occurrence form, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage, in an amount not less than \$1,000,000 per occurrence, \$2,000,000 general aggregate, \$2,000,000 products/completed operations aggregate, \$1,000,000 personal and advertising injury, \$50,000 damage to premises rented to you, and \$5,000 medical expense (any one person). The general liability coverage shall include a waiver of subrogation endorsement in favor of us and shall not limit or exclude contractual liability;

(2) Employment related practices liability insurance, including third party coverage, in an amount not less than \$1,000,000 per occurrence and \$1,000,000 aggregate. Such insurance must include a deductible of less than \$10,000 unless we approve a higher deductible in writing. Prior acts retroactive date must be no later than the Effective Date of this Agreement;

(3) Commercial automobile insurance written on a combined single limit basis for bodily injury and property damage with a limit not less than \$1,000,000 per accident. Such insurance shall include coverage for owned, hired, and non-owned automobiles and shall include additional insured and waiver of subrogation endorsements in favor of us;

(4) Commercial umbrella or excess liability following form insurance in an amount not less than \$1,000,000 per occurrence and \$1,000,000 aggregate;

(5) Property insurance coverage to include coverage for replacement costs of all franchisee-owned contents and tenant improvements at each location, and business interruption insurance for a period adequate to re-establish normal business operations, not to be less than six months. All property related coverage shall be written on special causes of loss forms with deductibles not to be greater than \$10,000 per occurrence;

(6) Workers' compensation (Coverage A) with statutory limits complying with the laws of the applicable state, and employer's liability (Coverage B) with limits not less than \$1,000,000 per accident, \$1,000,000 disease policy limit, and \$1,000,000 disease per employee. Such insurance shall include a waiver of subrogation endorsement in favor of us; and

(7) such other insurance as may be required by us from time to time or by the landlord of your Shredder Business premises at, and by the state or locality in, which the Shredder Business is located.

All required insurance coverages may be obtained by separate primary policies, or in combination with umbrella or excess liability policies.

B. Deductibles; Waiver of Subrogation. You may elect to have reasonable deductibles in connection with the coverage required under Sections XIII.A(1)-(7) hereof. Such policies shall also include a waiver of subrogation in favor of us, our Affiliates and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them.

C. Builder's Risk Insurance. If you engage in any construction, renovation, refurbishment or remodeling of the Shredder Business, then you must maintain Builder's Risks/Installation insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to us.

D. No Limitation of Other Obligations. Your obligation to obtain and maintain the foregoing policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by us, nor shall your performance of that obligation relieve you of liability under the indemnity provisions set forth in Article XVI. of this Agreement.

E. Additional Insured Designation. All insurance policies required under this Agreement, with the exception of workers' compensation, shall name us and our Affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them, as additional insureds, and shall expressly provide that our and their interest shall not be affected by your breach of any policy provisions. All public liability and property damage policies shall contain a provision that we and our

Affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to them by reason of your negligence or that of your servants, agents or employees.

F. Certificates of Insurance. Upon the execution of this Agreement and thirty (30) days before the expiration of any policy required under this Agreement, you agree to deliver to us certificates of insurance evidencing the existence and continuation of proper coverage with limits not less than those required under this Article XIII. In addition, if we request, you agree to deliver to us a copy of the insurance policy or policies required. All required insurance policies must expressly provide that we are entitled to no less than thirty (30) days' prior written notice in the event of a material alteration to or cancellation of the policies.

G. Remedies. If you fail to procure or maintain the insurance required by this Agreement, we will have the right and authority (but no obligation) to procure such insurance and to charge to you the cost of such insurance, together with a reasonable fee for our expenses, which shall be payable by you upon demand. The foregoing remedies are in addition to any other remedies we may have at law or in equity.

XIV. DEBTS AND TAXES

A. Payment of Taxes and Other Obligations. You agree to promptly pay when due all Taxes levied or assessed and all accounts and other indebtedness of every kind incurred by you in connection with the Shredder Business. You are solely liable for the payment of all Taxes and agree to indemnify us for the full amount of all such Taxes and for any liability (including penalties, interest and expenses) arising from or concerning the payment of Taxes, whether or not correctly or legally assessed. You will pay to us when due any federal, state or local sales, gross receipts, use, value added, excise or other taxes levied or assessed against us on all fees and other payments paid to us under this Agreement, including any income tax, franchise or other tax levied or assessed against us for the privilege of doing business in your state.

B. Disputed Liability. If there is a bona fide dispute as to your liability for Taxes or other indebtedness, you may contest the validity or the amount of the Tax or indebtedness in accordance with the procedures of the taxing authority or applicable law. However, in no event shall you permit a tax sale or seizure by levy of execution or similar writ or warrant or attachment by a creditor, to occur against your Shredder Business.

C. Credit Standing. You acknowledge that the failure to make payments or repeated delays in making prompt payments to suppliers will result in a loss of credit rating or standing which will be detrimental to the goodwill associated with the Marks and the System. Except for payments which are disputed by you in good faith, you agree to promptly pay when due all amounts owed by you to us, our Affiliates, and other suppliers, lenders, landlords and other third parties. Any failure to comply with this section shall constitute a material default under this Agreement.

D. Notice of Adverse Orders. You agree to notify us in writing within five (5) days of the commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of your Shredder Business.

XV. TRANSFER

A. By Us. We will have the right to transfer or assign this Agreement and all or any part of our rights or obligations under this Agreement to any person or legal entity without your consent, and upon such transfer or assignment, the transferee or assignee shall be solely responsible for all our obligations arising subsequent to the transfer or assignment. Without limitation of the foregoing, we may sell our assets to a third party; may offer our securities privately or publicly; may merge with or, acquire other corporations, or may be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring.

B. By You and Your Owners. You acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted you rights under this Agreement in reliance on your business skill, financial capacity and personal character and that of your Owners. Accordingly, neither you nor any of your Owners, nor any of your or their permitted successors or assigns, shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise dispose of or encumber any direct or indirect interest in this Agreement, in the Shredder Business, or in you without our prior written consent. Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement shall be null and void and shall constitute a material breach of this Agreement. If you wish to transfer all or part of your interest in the Shredder Business or this Agreement, or if you or an Owner wishes to transfer any ownership interest in you, the transferor shall apply to us for our consent. We will not unreasonably withhold our consent but may require any or all of the following as conditions of our consent:

(1) All accrued monetary obligations of you and your Affiliates to us and our Affiliates arising under this Agreement or any other agreement, shall have been satisfied in a timely manner, and you shall have satisfied all trade accounts and other debts of whatever nature or kind in a timely manner;

(2) You and your Affiliates shall not be in default of this Agreement or any other agreement with us or our Affiliates, and you and they shall have substantially and timely complied with all the terms and conditions of such agreements during their respective terms;

(3) The transferor and its owners, if applicable, shall have executed a general release, in a form satisfactory to us, of any and all claims, against us and our Affiliates, our and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and any other agreement with us or our Affiliates, and under federal, state or local laws, rules, and regulations or orders;

(4) The proposed transferee must demonstrate to our satisfaction that it meets our then-current qualifications, and, at the transferee's expense, its Principal Owner, General Manager and any other personnel we require shall complete any training programs then in effect for Shredder Businesses upon such terms and conditions as we may reasonably require;

(5) The transferee shall, at its expense and within the time period we reasonably require, renovate, modernize and otherwise upgrade the Shredder Business to conform to our then-current System image, standards and specifications, provided that this subsection XV.B(5) will be applicable only if you have not

renovated, updated and upgraded the Shredder Business in the prior three years pursuant to subsection VIII.D of this Agreement;

(6) The transferee shall enter into a written agreement, in a form satisfactory to us, assuming full, unconditional, joint and several liability for, and agreeing to perform from the date of the transfer, all of your obligations, covenants and agreements under this Agreement;

(7) The transferee shall execute our then-current form of franchise agreement for a term ending on the expiration date of this Agreement (including any renewal terms provided by this Agreement). The new franchise agreement shall supersede this Agreement in all respects and its terms may differ from the terms of this Agreement (except that the fees imposed on the transferee will not be greater than the fees that we then impose on similarly situated transferees), provided that the transferee shall not be required to pay an initial franchise fee. If the transferee is a corporation, partnership, limited liability company or other entity, those of the transferee's owners whom we require shall execute such guaranty and assumption documents as we may require;

(8) The transferor shall remain liable for all of its obligations to us under this Agreement incurred prior to the effective date of the transfer, shall obtain a one-year tail on each of its insurance policies to cover any liabilities that may have been incurred prior to the effective date of the transfer, and shall execute any and all instruments reasonably requested by us to evidence such liability;

(9) You must pay us a transfer fee in an amount equal to Seventy-Five Percent (75%) of our then-current initial franchise fee (or 50% of our then-current initial franchise fee if the transfer is to an existing Shredder franchisee in good standing with us). Furthermore, if you are an individual transferring your rights and obligations under this Agreement to an entity owned solely by you pursuant to, and in accordance with, Section XV.C. of this Agreement, the transfer fee shall be a flat fee of \$1,500;

(10) If the transfer relates to the grant of a security interest in any of your assets, we may require the secured party to agree that, in the event of any default by you under any documents related to the security interest, we shall have the right and option (but no obligation) to be substituted as obligor to the secured party and to cure any default.

C. Transfer for Convenience of Ownership. If the proposed transfer is to a corporation or other entity formed solely for the convenience of ownership and owned solely by you, our consent may be conditioned upon any of the requirements in Section XV.B., except that Sections XV.B.(3), (4), (5), and (7) shall not apply and the fee provided for in Section XV.B.(9) shall be limited to \$1,500. In any transfer for the convenience of ownership, you must be the owner of all the voting stock or ownership interests in the new entity, or, if you are more than one individual, each individual shall have the same proportionate ownership interest in the new entity as he or she had in you before the transfer.

D. Right of First Refusal. If you or an Owner wishes to transfer any interest in this Agreement, the Shredder Business, or you pursuant to any bona fide offer received from a third party to purchase such interest, then the proposed seller shall promptly notify us in writing of the offer, and shall provide such information and documentation relating to the offer as we may require. We will have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all required documentation describing the terms of the offer, to send written notice to the seller that we intend to purchase the seller's interest on the terms and

conditions offered by the third party. If we elect to purchase the seller's interest, closing shall occur on or before sixty (60) days from the later of the date of our notice to seller of our election to purchase and the date we receive all necessary permits and approvals, or any other date agreed by the parties in writing. If the third party offer provides for payment of consideration other than cash, we may elect to purchase seller's interest for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the reasonable cash equivalent, then that amount shall be determined by two (2) appraisers. Each party shall select one (1) appraiser and the average of the appraisers' determinations shall be binding. Each party shall bear its own legal and other costs and shall share the appraisal fees equally. If we exercise our right of first refusal, we will have the right to set off all appraisal fees and other amounts due from you to us or any of our Affiliates. A material change in the terms of any offer before closing shall constitute a new offer subject to the same right of first refusal as an initial offer. Our failure to exercise the option afforded by this Section XV.D. shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section XV.B. Failure to comply with this Section XV.D. shall constitute a material event of default under this Agreement.

E. Death or Permanent Disability. You agree to promptly notify us of any death or claim of permanent disability subject to this Section XV.E. Any transfer upon death or permanent disability shall be subject to the following conditions, as well as to the conditions described in Section XV.B. for any inter vivos transfer.

(1) Upon your death (if you are a natural person) or the death of any Owner who is a natural person (the "Deceased"), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party approved by us within six (6) months after the date of death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by us. If the distributee is not approved by us, then the distributee shall transfer such interest to a third party approved by us within six (6) months after the death of the Deceased.

(2) Upon your permanent disability (if you are a natural person) or the permanent disability of any Owner who is a natural person, we may, in our sole discretion, require that person's interest to be transferred to a third party in accordance with the conditions described in this Article XV. within six (6) months after notice to you. "Permanent disability" shall mean any physical, emotional or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by us, upon examination of the person, or if the person refuses to submit to an examination, then such person automatically shall be deemed permanently disabled as of the date of such refusal for the purpose of this Section XV.E. We will pay the costs of any examination required by this Section XV.E.(2).

F. Securities Offerings. Interests in you shall not be offered to the public by private or public offering without our prior written consent, which we will not unreasonably withhold. As a condition of our consent, we may, in our sole discretion, require that immediately after such offering your Owners retain a Controlling Interest in you. You agree to give us written notice at least thirty (30) days before the commencement of any offering covered by this Section XV.F. and to submit all offering materials to us for review before they are filed with any governmental agency or distributed for use. Our review of the offering materials shall be limited solely to the subject of the relationship between you and us. No offering shall imply that we are participating in an underwriting, issuance or offering of securities. We may require the offering materials to contain a written statement prescribed

by us concerning the relationship between you and us. You, your Owners and the other participants in the offering must fully indemnify us, our Affiliates, our and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in connection with the offering. For each proposed offering, you must reimburse us for our reasonable costs and expenses (including, without limitation, legal and accounting fees and costs) associated with reviewing the offering materials.

G. No Waiver. Our consent to the transfer of any interest described in this Article XV. shall not constitute a waiver of any claims which we may have against the transferring party, nor shall it be deemed a waiver of our right to demand the transferee's exact compliance with any of the terms of this Agreement.

XVI. INDEMNIFICATION

You agree to indemnify, defend and hold harmless us, our Affiliates, and our and their respective owners, directors, officers, employees, agents, successors and assignees (the "Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, any and all claims and liabilities directly or indirectly arising out of, or in connection with, the establishment or operation of your Shredder Business or your, or your owners', breach, or alleged breach, of this Agreement (or other agreements with us or our Affiliates) or any applicable laws, rules, standards or regulations, or your, or your owners', violation, or alleged violation, of any party's rights (including intellectual property rights), without limitation and without regard to the cause or causes thereof or the negligence (whether such negligence be sole, joint or concurrent, or active or passive) or strict liability of us or any other party or parties in connection therewith. Notwithstanding the foregoing, this indemnity shall not apply to any liability arising from our gross negligence or willful misconduct, except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative or contributory negligence attributable to you, your Owners, officers, directors, employees, independent contractors or Affiliates. For purposes of this indemnification, "claims" includes all obligations, damages (actual, consequential, exemplary or other) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, accountants', mediators', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. We have the right to defend any such claim against us. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their or your losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you. The terms of this Article XVI. shall survive the termination, expiration or transfer of this Agreement or any interest herein.

XVII. INDEPENDENT CONTRACTOR

You agree that the relationship created by this Agreement is not a fiduciary, special, or any other similar relationship, but rather is an arm's-length business relationship, and we owe you no duties except as expressly provided in this Agreement. You are an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. During the term of this Agreement, you agree to hold yourself out to the public as an independent contractor conducting the operations of the Shredder Business pursuant to the rights granted by us. Nothing in this Agreement authorizes you or any of your Owners to make any contract, agreement, warranty or

representation on our behalf, or to incur any debt or other obligation in our name, and we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any act or omission of you or any of your Owners or any claim or judgment arising therefrom.

XVIII. TERMINATION

A. Automatic Termination. You will be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to you, if you become insolvent or make a general assignment for the benefit of creditors; or if you file a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admit in writing your inability to pay your debts when due; or if you are adjudicated as bankrupt or insolvent in proceedings filed against you under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver or other custodian for your business or assets is filed and consented to by you; or if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law are instituted by or against you; or if a final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if you are dissolved; or if execution is levied against your business or property; or if judicial, non-judicial or administrative proceedings to foreclose any lien or mortgage against your Shredder Business premises or equipment is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of your Shredder Business shall be sold after levy thereupon by any sheriff, marshal or constable or is otherwise sold by means of a foreclosure sale or a public or private auction or sale conducted in accordance with applicable law.

B. Termination on Notice; No Cure. You will be deemed to be in material default and we may, at our option, terminate this Agreement and all rights granted hereunder, without affording you any opportunity to cure the default, effective immediately upon notice to you, upon the occurrence of any of the following events:

- (1) If you operate the Shredder Business or sell any products or services authorized by us at any location other than the Franchise Location without our prior written consent;
- (2) If you fail to construct the Shredder Business in accordance with Article III;
- (3) If you fail to open the Shredder Business for operation within the period specified in Section III.E.;
- (4) If you at any time cease to operate or otherwise abandon the Shredder Business (three or more days without operations constitutes abandonment unless approved in advance by us) or otherwise forfeit the right to do or transact business in the jurisdiction where the Shredder Business is located; provided, that this provision shall not apply upon the occurrence of an event of Force Majeure, if you apply within thirty (30) days after such event for our approval to relocate or reconstruct the Shredder Business and you diligently pursue such reconstruction or relocation. Our approval will not be unreasonably withheld but may be conditioned upon the payment of an agreed minimum fee to us during the period in which the Shredder Business is not in operation;
- (5) If a threat or danger to public health or safety results from the construction or operation of the Shredder Business;

(6) If you or any of your Owners is convicted of, or has entered a plea of guilty or nolo contendere to, a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or our interests therein;

(7) If you or any of your Owners transfer or attempt to transfer any rights or obligations under this Agreement or any interest in you or the Shredder Business contrary to the terms of this Agreement, or if a transfer upon death or permanent disability is not made in accordance with Section XV.E.;

(8) If, contrary to the terms of Section XI.B., you or any of your Owners disclose or divulge any Confidential Information;

(9) If you knowingly maintain false books or records, or submit any false reports to us;

(10) If you breach in any material respect any of the covenants, or have falsely made any of the representations or warranties, set forth in Article VII., or if you make any material misstatement or omission in an application for this franchise or in any other information provided to us;

(11) If you fail to comply with our standards and specifications for any products or services or fail to comply with any aspect of our quality assurance standards (including any applicable cure periods provided under such standards);

(12) If you or any of your Owners repeatedly commit an event of default under this Agreement (i.e. 3 or more defaults within any 12 month period), whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by you after notice by us;

(13) If your assets, property or interests are 'blocked' or otherwise restricted under any law, ordinance or regulation relating to terrorist activities or if you are otherwise in violation of any such law, ordinance or regulation; or

(14) If you or any of your Affiliates are in default of any other franchise agreement or other agreements with us and fail to cure such default within the applicable cure period, if any.

C. Termination on Notice; Opportunity to Cure. Except as provided in Sections XVIII.A. and XVIII.B. of this Agreement, upon any default which is capable of being cured, we may terminate this Agreement by giving you written notice of termination stating the nature of the default and the time period within which the default must be cured. You may avoid termination by immediately initiating a remedy to cure such default and curing it to our satisfaction within the time period set forth below or any longer period that applicable law may require ("cure period"). If the default is not cured within the cure period, this Agreement shall terminate without further notice to you effective immediately upon the expiration of the cure period. Defaults which are susceptible of cure hereunder may include, but are not limited to, the following:

(1) If you fail to procure and maintain the insurance policies required by Section XIII. and fail to cure such default within seven (7) days following notice from us;

(2) If you misuse or make any unauthorized use of the Marks or otherwise materially impair the goodwill associated therewith or our rights therein and fail to cure such default within twenty-four (24) hours following notice from us;

(3) If you fail to obtain the execution of the confidentiality and related covenants as required under Section XI.F. of this Agreement within ten (10) days after we request and fail to cure such default within thirty (30) days following notice from us;

(4) If you or any of your Affiliates fail, refuse, or neglect to promptly pay any monies owed to us or any of our Affiliates when due, or fail to submit the financial reports or other information we require under this Agreement, and do not cure such default within five (5) days following notice from us;

(5) If you or any of your Owners fail to comply with the restrictions against competition set forth in Section XI.C. of this Agreement and fail to cure such default within ten (10) days following notice from us;

(6) If you fail to maintain or observe any of the standards, specifications or procedures prescribed by us in this Agreement or otherwise in writing, and fail to cure such default within thirty (30) days following notice from us;

(7) If you fail to secure all required state, county or local license(s) by the date the Shredder Business is required to open for business and fail to cure such default within ten (10) days following notice from us (or you fail to maintain all required licenses throughout the term of this Agreement and fail to cure such default within 10 days following notice from us); or

(8) If you fail to comply with any other requirement imposed by this Agreement, or fail to carry out the terms of this Agreement in good faith and fail to cure such default within thirty (30) days following notice from us.

D. Our Right to Provide Interim Management. If we have given you notice that you are in default, then we may (but are not obligated to) assume interim management of your Shredder Business during the pendency of any cure period or in lieu of immediately terminating this Agreement. If we elect to assume interim management of your Shredder Business (i) our election will not relieve you of your obligations under this Agreement; (ii) we will not be liable for any debts, losses, costs or expenses incurred in the operation of your Shredder Business during any such interim management period; (iii) we will have the right to charge a reasonable monthly fee (currently 10% of your Shredder Business' Gross Sales plus our related costs, including any travel, lodging and meal expenses for our personnel engaged in operating your business) for our management services; and (iv) you agree to, and hereby do, indemnify and hold us harmless against any and all claims, demands, judgments, fines, losses, liabilities, costs, amounts paid in settlement and reasonable expenses (including, but not limited to attorneys' fees) incurred in connection with our interim management of the Shredder Business, other than those arising solely from our gross negligence or willful misconduct.

XIX. POST-TERMINATION

A. Your Obligations Upon Termination. Upon the termination or expiration of this Agreement for any reason, all rights granted to you will terminate, and you must:

(1) Immediately cease to operate the Shredder Business under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold yourself out as one of our present or former franchisees.

(2) Immediately and permanently cease to use, in any manner whatsoever, the Marks and any Confidential Information associated with the System. Without limitation of the foregoing, you must cease to use all signs, advertising materials, displays, stationery, forms and any other items which display the Marks.

(3) Take such action as may be necessary to cancel any assumed name, fictitious name or equivalent registration which contains the mark "SHREDDER" or any other Mark, and furnish us with satisfactory evidence of compliance within five (5) days after termination or expiration of this Agreement.

(4) Not use any reproduction, counterfeit, copy or colorable imitation of the Marks which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Marks, nor shall you use any designation of origin or description or representation which falsely suggests or represents an association or connection with us constituting unfair competition.

(5) Promptly pay all sums owing to us and our Affiliates, and all damages, costs and expenses, including reasonable attorneys' fees and costs, incurred by us as a result of any default by you or in connection with obtaining injunctive or other relief for the enforcement of any provisions of this Article XIX., which obligation shall give rise to and remain a lien in favor of us against any and all of your assets, until such obligations are paid in full.

(6) Promptly deliver to us all Manuals, Software Programs, Confidential Information, and other materials related to the operation of the Shredder Business in your possession or control, and all copies thereof, all of which are acknowledged to be our property, and retain no copy or record of any of the foregoing, except your copy of this Agreement and of any correspondence between you and us and any other documents which you reasonably need for compliance with any provision of law.

(7) Comply with the restrictions against the disclosure of Confidential Information and against competition contained in Article XI. of this Agreement and cause any other person required to execute similar covenants pursuant to Article XI. to also comply with such covenants.

(8) Promptly furnish to us an itemized list of all advertising and sales promotion materials bearing the Marks, whether located at the Shredder Business or at any other location under your control. We will have the right to inspect these materials and the option, exercisable within thirty (30) days after such inspection, to purchase any or all of the materials at your cost. Materials we do not purchase cannot be used by you or any other person for any purpose unless authorized in writing by us.

(9) At our option, assign to us all rights to the telephone numbers of the Shredder Business and any related business listings and execute all forms and documents required by us to transfer such service and

numbers to us. You agree to use different telephone numbers at or in connection with any subsequent business conducted by you.

(10) If we do not elect to exercise our option to acquire the lease or sublease for the Franchise Location (as described below), you agree to make such modifications or alterations to your premises and your vehicle(s) as are necessary to distinguish the appearance of the Franchise Location and your vehicle(s) from that of the Shredder Businesses, and, if you fail or refuse to do so, we shall have the right to enter upon the premises and vehicle(s), without being guilty of trespass or any other crime or tort, to make or cause such changes to be made, at your expense.

B. Our Post-Term Purchase Options. Upon the termination or expiration of this Agreement, we shall have the following options:

(1) We will have the option, exercisable by giving written notice to you within sixty (60) days from the date of such termination or expiration, as applicable, to acquire the Franchise Location and all or any portion (in our sole discretion) of the assets of the Shredder Business from you (subject to any rights of approval retained by the owner of the leasehold). The date on which we notify you whether or not we are exercising our option is referred to as the "Notification Date." We will have the unrestricted right to assign this option and we or our assignee will be entitled to all customary warranties and representations in connection with the asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise; and a general release.

(2) We will have the option, exercisable at the time and in the manner set forth in subsection (1) above, to assume your leasehold interest in the Franchise Location or, if you own the Franchise Location, to enter into a lease agreement with you. If we exercise our option, you agree to assign your leasehold interest to us at no cost to us other than our assumption of the obligation to make post-assignment rental payments to the landlord under the lease; or if you own the Franchise Location, to lease the Franchise Location to us at a reasonable commercial rent and upon terms comparable to rental terms for similar leased property in the marketplace where the Shredder Business is located.

(3) If we exercise our option under subsection (1) to purchase the assets of the Shredder Business from you, the purchase price for the assets will be their fair market value, determined in a manner consistent with reasonable depreciation of the Shredder Business' leasehold improvements, equipment, fixtures, furnishings, signs, materials and supplies. The age and condition of the improvements, equipment, fixtures, furnishings, decor, and signs of the Shredder Business will also be considered in determining the fair market value. We may exclude from the assets we elect to purchase cash or its equivalent and any leasehold improvements, equipment, fixtures, furnishings, signs, materials and supplies that are not necessary or appropriate (in function or quality) to the Shredder Business' operation or that we have not approved as meeting the standards for Shredder Businesses, and the purchase price will reflect such exclusions.

(4) If we and you are unable to agree on the fair market value of the Shredder Business' assets, or the fair rental value of the Franchise Location, such fair market value (or fair rental value) will be determined by three (3) independent appraisers who collectively will conduct one (1) appraisal. We will appoint one appraiser, you will appoint one appraiser, and those appraisers will appoint the third appraiser. You and we

agree to select our respective appraisers within fifteen (15) days after the Notification Date, and we and you agree that we will instruct the two appraisers so chosen to appoint the third appraiser within fifteen (15) days after the date on which the last of our appointed appraisers is appointed. You and we will each bear the cost of our own appraiser and share equally the fees and expenses of the third appraiser. We and you agree that we will instruct the three (3) appraisers to complete their appraisal within thirty (30) days after the third appraiser's appointment.

(5) The purchase price will be paid at the closing of the purchase, which will take place not later than ninety (90) days after the determination of the purchase price. We will have the right to set off against the purchase price, and thereby reduce the purchase price by, any and all amounts you or your Owners owe to us. At the closing, you agree to deliver instruments transferring to us: (i) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances, with all sales and other transfer taxes paid by you; (ii) all licenses and permits of the Shredder Business which may be assigned or transferred; and (iii) a leasehold interest in (or unencumbered title to) the Franchise Location and improvements. If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale will be accomplished through an escrow. As a condition of our purchase of the Shredder Business, you and your Owners further agree to execute general releases, in form satisfactory to us, of any and all claims against us and our subsidiaries, shareholders, officers, directors, employees, agents, successors and assigns.

(6) We may assign our options under this Section XIX.B. to any person or entity without your consent.

XX. MISCELLANEOUS

A. Notices. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by electronic mail 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 us:

Shredder International, LLC
4890 Ironton Street, Units F & G
Denver, Colorado 80239
Attention: Rachel Brittenham
Telephone: (303) 619-0039
e-mail: rachel@shredderski.com

Notices to you and
your Owners:

Attention: _____
Telephone: _____
e-mail: _____

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of expedited overnight delivery service, on the next Business Day, or, in the case of registered or certified mail, three (3) Business Days after the date and time of mailing, or, in the case of electronic mail, upon transmission and receipt.

B. No Waiver. No delay, waiver, omission or forbearance on our part to exercise any right, option, duty or power arising out of any breach or default by you or your Owners under this Agreement shall constitute a waiver by us to enforce any such right, option, duty or power against you or your Owners, or as to a subsequent breach or default by you or your Owners.

C. Approval or Consent. Whenever this Agreement requires our prior approval or consent, you must make a timely written request to us, and such approval or consent shall be obtained in writing. No waiver, approval, consent, advice or suggestion given to you, and no neglect, delay or denial of any request therefor, shall constitute a warranty or guaranty by us, nor do we assume any liability or obligation to you or any third party as a result thereof.

D. Force Majeure. Upon the occurrence of an event of Force Majeure, the party affected thereby shall give prompt notice thereof to the other party, together with a description of the event, the duration for which the party expects its ability to comply with the provisions of the Agreement to be affected, and a plan for resuming operation under the Agreement, which the party shall promptly undertake and maintain with due diligence. An affected party shall be liable for failure to give timely notice only to the extent of damage actually caused. If an event of Force Majeure shall occur, then, in addition to payments required under Section XVIII.B.(4), you must continue to pay to us any and all amounts that you have duly become obligated to pay in accordance with the terms of this Agreement prior to the occurrence of such event and the Indemnitees shall continue to be indemnified and held harmless by you in accordance with Article XVI. Except as provided in Section XVIII.B.(4) and the immediately preceding sentence, neither party shall be held liable for a failure to comply with any terms and conditions of this Agreement when such failure is caused by an event of Force Majeure.

E. Severability. Except as expressly provided to the contrary in this Agreement, each portion, section, part, term and provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, this shall not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms or provisions of this Agreement that may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties; the invalid portions, sections, parts, terms or provisions shall be deemed not to be part of this Agreement; and there shall be automatically added such portion, section, part, term or provision as similar as possible to that which was severed which shall be valid and not contrary to or in conflict with any law or regulation.

F. **MEDIATION.** WE AND YOU ACKNOWLEDGE THAT DURING THE TERM OF THIS AGREEMENT CERTAIN DISPUTES MAY ARISE THAT WE AND YOU ARE UNABLE TO RESOLVE, BUT THAT MAY BE RESOLVABLE THROUGH MEDIATION. TO FACILITATE SUCH RESOLUTION, YOU AND WE AGREE TO SUBMIT ANY CLAIM, CONTROVERSY OR DISPUTE BETWEEN US OR ANY OF OUR AFFILIATES (AND OUR AND THEIR RESPECTIVE OWNERS, OFFICERS, DIRECTORS, AGENTS, REPRESENTATIVES AND/OR EMPLOYEES) AND YOU (AND YOUR OWNERS, AGENTS, REPRESENTATIVES AND/OR EMPLOYEES) ARISING OUT OF OR RELATED TO (a) THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN US AND YOU, (b) OUR RELATIONSHIP WITH YOU, OR (c) THE VALIDITY OF THIS AGREEMENT OR ANY OTHER

AGREEMENT BETWEEN US AND YOU, TO MEDIATION BEFORE BRINGING SUCH CLAIM, CONTROVERSY OR DISPUTE IN A COURT OR BEFORE ANY OTHER TRIBUNAL.

(1) THE MEDIATION SHALL BE CONDUCTED BY A MEDIATOR AGREED UPON BY YOU AND US AND, FAILING SUCH AGREEMENT WITHIN NOT MORE THAN FIFTEEN (15) DAYS AFTER EITHER PARTY HAS NOTIFIED THE OTHER OF ITS DESIRE TO SEEK MEDIATION, BY 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 NEAREST TO OUR PRINCIPAL PLACE OF BUSINESS (CURRENTLY IN DENVER, COLORADO). THE COSTS AND EXPENSES OF MEDIATION, INCLUDING THE COMPENSATION AND EXPENSES OF THE MEDIATOR (BUT EXCLUDING ATTORNEYS' FEES INCURRED BY EITHER PARTY), SHALL BE BORNE BY THE PARTIES EQUALLY.

(2) IF THE PARTIES ARE UNABLE TO RESOLVE THE CLAIM, CONTROVERSY OR DISPUTE WITHIN NINETY (90) DAYS AFTER THE MEDIATOR HAS BEEN CHOSEN, THEN, UNLESS SUCH TIME PERIOD IS EXTENDED BY WRITTEN AGREEMENT OF THE PARTIES, EITHER PARTY MAY BRING A LEGAL PROCEEDING PURSUANT TO SECTION XX.G. WE AND YOU AGREE THAT STATEMENTS MADE BY EITHER YOU OR US IN ANY SUCH MEDIATION PROCEEDING WILL NOT BE ADMISSIBLE FOR ANY PURPOSE IN ANY SUBSEQUENT LEGAL PROCEEDING.

(3) NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS SECTION XX.F., YOUR AND OUR AGREEMENT TO MEDIATE SHALL NOT APPLY TO CONTROVERSIES, DISPUTES OR CLAIMS RELATED TO OR BASED ON THE MARKS OR THE CONFIDENTIAL INFORMATION. MOREOVER, REGARDLESS OF YOUR AND OUR AGREEMENT TO MEDIATE, YOU AND WE EACH HAVE THE RIGHT IN A PROPER CASE TO SEEK TEMPORARY RESTRAINING ORDERS AND TEMPORARY OR PRELIMINARY INJUNCTIVE RELIEF.

G. LITIGATION. WITH RESPECT TO ANY CONTROVERSIES, DISPUTES OR CLAIMS WHICH ARE NOT FINALLY RESOLVED THROUGH MEDIATION AS PROVIDED IN SECTION XX.F. ABOVE, THE PARTIES IRREVOCABLY SUBMIT THEMSELVES TO THE JURISDICTION OF THE STATE COURTS OF DENVER COUNTY, COLORADO, AND THE FEDERAL DISTRICT COURT FOR THE DISTRICT OF COLORADO AND HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. YOU AND WE AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON THEM IN ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY COLORADO OR FEDERAL LAW. YOU AND WE FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE DENVER COUNTY, COLORADO.

H. GOVERNING LAW. EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.) OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE AND ALL CLAIMS ARISING FROM THE

RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY AND INTERPRETED AND CONSTRUED UNDER COLORADO LAW (EXCEPT FOR COLORADO CONFLICT OF LAW RULES).

I. PARTIES' ACKNOWLEDGMENTS. YOU AND WE ACKNOWLEDGE THAT THE AGREEMENTS REGARDING APPLICABLE STATE LAW AND FORUM SET FORTH ABOVE PROVIDE EACH OF US WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS AGREEMENT AND ANY DISPUTE ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT. YOU AND WE FURTHER ACKNOWLEDGE THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT.

J. WAIVER OF PUNITIVE DAMAGES. EXCEPT WITH RESPECT TO YOUR OBLIGATION TO INDEMNIFY US PURSUANT TO ARTICLE XVI. AND CLAIMS WE BRING AGAINST YOU FOR YOUR UNAUTHORIZED USE OF THE MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, WE AND YOU AND YOUR OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

K. LIMITATIONS OF CLAIMS. EXCEPT FOR CLAIMS WE BRING WITH REGARD TO YOUR OBLIGATIONS TO INDEMNIFY US PURSUANT TO ARTICLE XVI., ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN YOU AND US PURSUANT TO THIS AGREEMENT WILL BE BARRED UNLESS AN ACTION IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED, OR ONE (1) YEAR FROM THE DATE ON WHICH YOU OR WE KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIMS, WHICHEVER OCCURS FIRST.

L. JURY WAIVER. YOU AND WE HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, THE RELATIONSHIP CREATED BY THIS AGREEMENT, OR ANY OTHER AGREEMENTS BETWEEN YOU AND US OR YOUR AND OUR RESPECTIVE AFFILIATES. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A TRIAL BY THE COURT.

M. NO CONSOLIDATION OR CLASS ACTIONS. YOU AGREE THAT ANY DISPUTE OR ACTION BETWEEN YOU AND US WILL BE OF OUR AND YOUR INDIVIDUAL CLAIMS. NONE OF YOUR CLAIMS WILL BE LITIGATED ON A CLASS-WIDE BASIS OR OTHERWISE CONSOLIDATED WITH ANY CLAIMS OF ANY THIRD PARTIES.

N. Costs and Attorneys' Fees. If we incur expenses in connection with your failure to pay when due amounts owed to us, or to submit when due any reports, information or supporting records, or otherwise to comply with this Agreement, you agree to reimburse us for any of the costs and expenses which we incur, including, without limitation, court costs and any accounting, attorneys', mediators', arbitrators' and related fees.

O. Binding Effect. This Agreement is binding upon us and you and your and our respective executors, administrators, heirs, beneficiaries, assigns and successors in interest.

P. Modification of Agreement. Except for those changes permitted to be made unilaterally by us hereunder, no amendment, change or variance from this Agreement shall be binding on either you or us unless mutually agreed to and executed by our and your authorized officers or agents in writing.

Q. Consents and Approvals. Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed or effected actions that require our approval.

R. Owners. If two or more persons are at any time the “Franchisee” under this Agreement, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several.

S. Counterpart Execution. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

T. Headings. The captions used in connection with the articles, sections and subsections of this Agreement are inserted only for purpose of reference. Such captions shall not be deemed to govern, limit, modify or in any other manner affect the scope, meaning or intent of the provisions of this Agreement or any part thereof nor shall such captions otherwise be given any legal effect.

U. Survival. Any obligation of you or the Owners that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest in you, shall be deemed to survive such termination, expiration or transfer. Without limitation of the foregoing, the provisions of Sections XX.F. through XX.N. will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination.

V. Gender. All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable.

W. Remedies Cumulative. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between you or any of your Affiliates, and us or any of our Affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination, or exercise of our rights pursuant to Section XVIII. of this Agreement shall not discharge or release you or any of the Owners from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

X. No Third Party Beneficiary. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than you, us, our officers, directors and personnel and such of your and our respective successors and assigns as may be contemplated (and, as to you, authorized by Section XV.), any rights or remedies under or as a result of this Agreement.

Y. Further Assurances. You and we agree to promptly execute and deliver such further documents and take such further action as may be necessary in order to effectively carry out the intent and purposes of this Agreement.

Z. Agreement Effective Upon Execution by Us. This Agreement shall not become effective until signed by one of our authorized representatives.

AA. Entire Agreement. This Agreement, and the exhibits hereto, which are incorporated herein by reference, constitute the entire, full and complete Agreement between the parties hereto concerning the subject matter hereof, and they supersede any and all prior negotiations, understandings, representations and agreements; **provided, however, that nothing in this or any related agreement is intended to disclaim the representations made in the franchise disclosure document that we furnished to you.** You acknowledge and agree that no other representations by us or any third party have induced you to execute this Agreement.

XXI. FRANCHISEE'S ACKNOWLEDGEMENTS

A. Independent Investigation. Franchisee acknowledges that it has conducted a thorough, independent investigation of the business contemplated by this Agreement and recognizes that the success of this business involves substantial risks and will largely depend upon the ability and efforts of Franchisee. Except for the financial performance representations contained in the franchise disclosure document that Franchisor furnished to you, Franchisor expressly disclaims making, and Franchisee acknowledges that it has not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

B. Consultation With Advisors. Franchisee acknowledges that Franchisee has received, read and understands this Agreement and the related Attachments and agreements and that Franchisor has afforded Franchisee sufficient time and opportunity to consult with advisors selected by Franchisee about the potential benefits and risks of entering into this Agreement.

C. Development of the System. Franchisee acknowledges and agrees that some aspects of Franchisor's franchise program and the System are currently under development and that Franchisor expects that there will be some significant variations in the System in different markets which may exist for an initial or transitional period, or on a permanent basis. Franchisee acknowledges and agrees that no variations from the System or Manuals are permitted without Franchisor's prior written consent and that over time during the term of this Agreement Franchisor and its affiliates will continue to develop and refine various aspects of the System and that as new products, operating procedures, trade dress and other refinements are introduced, Franchisor may, in its sole discretion, cease to allow some or all variations from the System and Manuals and may require local, regional or national uniformity among Shredder Businesses with regard to aspects of the System and Manuals for which Franchisor previously permitted variations.

D. Franchisor's Obligations. Franchisee expressly understands and acknowledges that it is relying solely on Franchisor, and not on any affiliated entities or parent companies related to Franchisor, with regard to Franchisor's financial and other obligations under this Agreement, and no employee or other person speaking on behalf of, or otherwise representing, Franchisor has made any statement or promise to the effect that Franchisor's affiliated entities or parent companies guarantee Franchisor's performance or financially back Franchisor.

[_____ INITIAL HERE]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date indicated below.

FRANCHISOR:

SHREDDER INTERNATIONAL, LLC,
a Colorado limited liability company

By: _____
Name: _____
Title: _____
Date: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT A TO THE FRANCHISE AGREEMENT

OWNERS' GUARANTY AND ASSUMPTION AGREEMENT

This Guaranty and Assumption Agreement (the "Guaranty") is given this _____ day of _____, 20__, by the undersigned in connection with the Franchise Agreement dated _____, 20__, between Shredder International, LLC ("Franchisor") and _____ ("Franchisee").

In consideration of, and as an inducement to, the execution of the Franchise Agreement by Franchisor, each of the undersigned and any other parties who sign counterparts of this Guaranty (individually, a "Guarantor" and collectively, the "Guarantors") hereby personally and unconditionally guarantee to Franchisor and its successors and assigns, that Franchisee will punctually perform its obligations and pay all amounts due under the Franchise Agreement, including, without limitation, amounts due for initial franchise fees, royalties, National Brand Marketing Fund contributions, technology fees, and purchases of equipment, materials, and supplies.

Each Guarantor waives:

- (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; and
- (ii) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; and
- (iii) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; and
- (iv) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and
- (v) all rights to payments and claims for reimbursement or subrogation which he or she may have against Franchisee arising as a result of his or her execution of and performance under this Guaranty (including by way of counterparts); and
- (vi) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each Guarantor consents and agrees that:

- (i) his or her direct and immediate liability under this Guaranty will be joint and several not only with Franchisee, but also among the Guarantors; and
- (ii) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; and
- (iii) such liability will not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and
- (iv) such liability will not be diminished, relieved or otherwise affected by any subsequent rider or amendment to the Franchise Agreement or by any extension of time, credit or other indulgence that Franchisor may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable throughout the term of the Franchise Agreement and for so long thereafter as there are any monies or obligations owing by Franchisee to Franchisor under the Franchise Agreement; and

- (v) Franchisee's written acknowledgment, accepted in writing by Franchisor, or the judgment of any court or arbitration panel of competent jurisdiction establishing the amount due from Franchisee will be conclusive and binding on the undersigned as Guarantors.

Each Guarantor also makes all of the covenants, representations, warranties and agreements of the Owners set forth in the Franchise Agreement and is obligated to perform thereunder, including, without limitation, under Articles VII., XI., XV., XVI. and XIX. and Sections XX.F. through N (which include, among other things, the mediation of disputes and WAIVERS OF JURY TRIAL RIGHTS AND PUNITIVE DAMAGES).

If Franchisor is required to enforce this Guaranty in an administrative, judicial or arbitration proceeding, and prevails in such proceeding, Franchisor will be entitled to reimbursement of its costs and expenses, including, but not limited to, legal and accounting fees and costs, administrative, mediators', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of an administrative, judicial or arbitration proceeding and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the Guarantors will reimburse Franchisor for any of the above-listed costs and expenses incurred by it.

IN WITNESS WHEREOF, each Guarantor has hereunto affixed his signature on the same day and year as the Franchise Agreement was executed.

GUARANTORS:

Name: _____

Name: _____

Name: _____

Name: _____

EXHIBIT B TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY AND NONCOMPETITION AGREEMENT

This Confidentiality and Noncompetition Agreement (this "Agreement") is made and entered into this ____ day of _____, 20__, by and among Shredder International, LLC, a Colorado limited liability company ("Franchisor," "we," "us," or "our")¹, _____ ("Franchisee") and _____ ("Covenantor" or "you") in connection with a Franchise Agreement between Franchisor and Franchisee dated _____, 20__ (the "Franchise Agreement"). Initially capitalized terms used, but not defined in this Agreement, have the meanings given to them in the Franchise Agreement.

RECITALS

We have the right to use and license the use of a System for the establishment and operation of Shredder Businesses.

The System is identified by certain Marks including, the mark "SHREDDER", and includes certain Confidential Information which provides economic advantages to us and licensed users of the System.

We have granted Franchisee the right to operate a Shredder Business pursuant to the Franchise Agreement.

You are employed by or associated with Franchisee and it will be necessary for you to have access to some or all of the Confidential Information.

We and Franchisee have agreed on the importance of restricting the use, access and dissemination of the Confidential Information, and Franchisee therefore has agreed to obtain from you a written agreement protecting the Confidential Information and further protecting the System against unfair competition.

You acknowledge that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by you herein.

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

Confidentiality Agreement

1. You shall, at all times, maintain the confidentiality of the Confidential Information and shall use such Confidential Information only in the course of your employment by or association with Franchisee in connection with the operation of a Shredder Business under the Franchise Agreement.

2. You shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without our express written permission.

3. You shall not at any time disclose or permit the disclosure of the Confidential Information except to Franchisee's other authorized employees and only to the limited extent necessary to train or assist such other employees in the operation of the Shredder Business.

4. You shall surrender any material containing some or all of the Confidential Information to Franchisee or us, upon request, or upon termination of your employment by or association with Franchisee.

5. You shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.

6. You acknowledge that all Manuals are loaned by us to Franchisee for limited purposes only and remain our property. You agree that no Manuals may be reproduced, in whole or in part, without our written consent.

Covenants Not to Compete

In order to protect the goodwill of the System, and in consideration for the disclosure of the Confidential Information to you, you agree that, during the term of your association with or employment by Franchisee, and for a period of two (2) years following the earlier of (i) the termination thereof, or (ii) the termination, expiration or transfer of Franchisee's interest in the Franchise Agreement, you will not, without our prior written consent or as permitted under other valid franchise agreements for Shredder Businesses between Franchisee and us:

a. Directly or indirectly divert, or attempt to divert any business opportunity or customer of Shredder Businesses to any competitor; and

b. Directly or indirectly, for yourself or through, on behalf of, or in conjunction with any other person, persons, partnership, corporation, limited liability company, or other association or entity, own, maintain, operate, engage in or have any financial or beneficial interest in, advise, assist or make loans to, any business which is the same as or similar to a Shredder Business (including any business that offers ski or snowboard lessons or any ski/snowboard products or services) and which is, or is intended to be, located within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which we or our Affiliates have used, sought registration of or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks; provided that during the two year-period following termination, expiration or transfer of the Franchise Agreement, the non-compete restrictions shall be limited to operations: (i) at the Franchise Location, (ii) within the Protected Area, (iii) within a fifty (50)-mile radius of the Franchise Location, and (iv) within a fifty (50)-mile radius of any Shredder Business then in existence or under construction.

Franchisee's Undertaking

Franchisee agrees to make all commercially reasonable efforts to ensure that you act as required by this Agreement.

Miscellaneous

1. You agree that:

a. Each of the covenants herein contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill of the System or our other business interests.

b. Each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which we is a party, you agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

c. In the event of a breach of this Agreement, we and the Franchisee would be irreparably injured and without an adequate remedy at law and, therefore, upon any such breach or attempted breach of any provision hereof, you agree that we and/or the Franchisee shall be entitled, in addition to any other remedies which we or it may have at law or in equity, to a temporary and/or permanent injunction and a decree for the specific

performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

2. You agree to pay all expenses (including court costs and reasonable attorneys' fees and costs) incurred by us and/or the Franchisee in enforcing this Agreement.

3. Any failure by us or Franchisee to object to or take action with respect to any breach of any provision of this Agreement by you shall not operate or be construed as a waiver of or consent to that breach of any subsequent breach by you.

4. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO, WITHOUT REFERENCE TO COLORADO CONFLICT OF LAW PRINCIPLES. YOU HEREBY IRREVOCABLY SUBMIT YOURSELF TO THE JURISDICTION OF THE STATE AND FEDERAL DISTRICT COURTS LOCATED IN DENVER COUNTY, COLORADO AND THE STATE, COUNTY OR JUDICIAL DISTRICT IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED. YOU HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. YOU HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON YOU IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY COLORADO OR FEDERAL LAW. YOU FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE THE STATE OR FEDERAL COURTS LOCATED IN DENVER COUNTY, COLORADO OR THE COUNTY OR JUDICIAL DISTRICT IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, WE OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

5. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

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

If directed to Franchisor, the notice shall be addressed to:

Shredder International, LLC
4890 Ironton Street, Units F & G
Denver, Colorado 80239
Attention: Rachel Brittenham
Telephone: (303) 619-0039
e-mail: rachel@shredderski.com

If directed to Franchisee, the notice shall be addressed to:

Attention: _____
Telephone: (____) _____
e-mail: _____

If directed to Covenantor, the notice shall be addressed to:

Attention: _____
Telephone: (____) _____
e-mail: _____

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of expedited delivery service on the next Business Day, or, in the case of registered or certified mail, three (3) Business Days after the date and time of mailing, or, in the case of electronic mail, upon transmission and receipt.

7. Our rights and remedies under this Agreement are fully assignable and transferable and shall inure to the benefit of our Affiliates, successors and assigns. Your obligations and those of the Franchisee may not be assigned without our prior written consent.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:

SHREDDER INTERNATIONAL, LLC,
a Colorado limited liability company

By: _____
Name: _____
Title: _____
Date: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____
Date: _____

COVENANTOR:

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT C TO THE FRANCHISE AGREEMENT

**SELECTED TERMS:
DESIGNATED SEARCH AREA, FRANCHISE LOCATION, PROTECTED AREA,
AND OPENING DATE**

1. DESIGNATED SEARCH AREA:

The Designated Search Area in which your Shredder Business may be located is:

2. FRANCHISE LOCATION:

The Shredder Business shall be located at the following address: _____

3. PROTECTED AREA: [Insert description (and if applicable, attach map displaying the Protected Area)]

The Protected Area shall be: _____.

4. OPENING DATE: The Opening Date of the Shredder Business is _____, 20__.

EXHIBIT D TO THE FRANCHISE AGREEMENT

OWNERSHIP AND MANAGEMENT INFORMATION

1. The following is a list of all shareholders, partners, members or other investors owning a direct or indirect interest in you, and a description of the nature of their interest:

NAME	OWNERSHIP INTEREST IN YOU	NATURE OF INTEREST

2. Your Principal Owner is: _____

3. Your General Manager (if applicable) is: _____

EXHIBIT E TO THE FRANCHISE AGREEMENT

**ELECTRONIC FUNDS TRANSFER
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO**

SHREDDER INTERNATIONAL, LLC/PAYEE

BANK NAME

ACCOUNT #

ABA#

FEIN

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, "debits") drawn on such account which are payable to the above named Payee. It is agreed that Depository's rights with respect to each such debit shall be the same as if it were a check drawn and signed by the Depositor. It is further agreed that if any such debit is not honored, whether with or without cause and whether intentionally or inadvertently, Depository shall be under no liability whatsoever. This authorization shall continue in force until Depository and Payee have received at least thirty (30) days written notification from Depositor of its termination.

The Depositor agrees with respect to any action taken pursuant to the above authorization:

(1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.

(2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend at Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Depository's or Payee's participation therein.

Name of Depository: _____

Name of Depositor: _____

Designated Bank Acct.: _____

(Please attach one voided check for the above account.)

Shredder Business Location: _____

For information call: _____

Address: _____

Phone #: _____

Fax #: _____

Name of you/Depositor (please print)

By: _____
Signature and Title of Authorized Representative

Date: _____

EXHIBIT F TO THE FRANCHISE AGREEMENT

LEASE ADDENDUM TERMS

(a) Landlord acknowledges that Tenant is a franchisee of Shredder International, LLC, a Colorado limited liability company ("Franchisor", "we," "us," or "our"), and that the Shredder Business located at the Premises ("Unit") is operated under the Shredder franchise system, pursuant to a franchise agreement ("Franchise Agreement") between Tenant and Franchisor. Landlord consents to Tenant's use at the Premises of such marks and signs, decor items, color schemes and related components of the Shredder system as Franchisor may prescribe for the Unit. During the term of the Franchise Agreement, the Premises may be used only for the operation of the Unit as a Shredder Business.

(b) Landlord agrees to furnish to Franchisor copies of any and all letters and notices sent to Tenant pertaining to the Lease and the Premises at the same time that such letters and notices are sent to Tenant. Without limiting the foregoing, in the event of any default by Tenant, Landlord shall give Franchisor written notice of such default. If Tenant has failed to cure such default at the expiration of the applicable cure period, Landlord shall give Franchisor further written notice of such failure ("Franchisor Notice"). Following Franchisor's receipt of the Franchisor Notice, Franchisor shall have the right (but not the obligation) to cure Tenant's default before Landlord shall exercise any of Landlord's remedies arising as a consequence of Tenant's default. Any such cure shall be effected within fifteen (15) days following Franchisor's receipt of the Franchisor Notice. Any cure by Franchisor shall not be deemed to be an election to assume the terms, covenants, obligations and conditions of the Lease.

(c) If Franchisor cures Tenant's default, or if Franchisor notifies Landlord that the Franchise Agreement has been terminated (which termination shall constitute a non-curable default under the Lease upon Landlord's receipt of our notice thereof), Landlord agrees, upon our written request, to assign to Franchisor any and all rights that Landlord may have under the Lease to remove and evict Tenant from the Premises and shall cooperate with Franchisor in order to pursue such action to a conclusion.

(d) If Franchisor cures Tenant's default or notifies Landlord of the termination of the Franchise Agreement, Franchisor shall have the right and option, upon written notice to Landlord, to do the following:

1. Undertake to perform the terms, covenants, obligations and conditions of the Lease on behalf of the Tenant (notwithstanding any removal or eviction of Tenant) for a period not to exceed six (6) months from the first (1st) date of any cure by Franchisor; or

2. At any time within or at the conclusion of such six (6) month period, assume the terms, covenants, obligations and conditions of the Lease for the remainder of the term, together with any applicable renewal options. In such event, Landlord and Franchisor shall enter into an agreement to document such assumption. Franchisor is not a party to the Lease and shall have no liability under the Lease unless and until said Lease is assigned to, and assumed by, Franchisor as herein provided.

(e) If, during the six (6) month period set forth in section (d)(1) above or at any time after the assignment contemplated in section (d)(2), Franchisor shall notify Landlord that the franchise for the Unit is being granted to another Shredder Business franchisee, Landlord shall permit the assignment of the Lease to said franchisee without the payment of any fee or other cost requirement, provided that said franchisee meets Landlord's reasonable financial qualifications. Landlord shall not unreasonably withhold consent to such assignment. Thereafter, Franchisor shall be released from any and all further liabilities under the Lease. The parties agree to execute any commercially reasonable documents in furtherance of this section.

(f) Tenant will not assign the Lease or renew or extend the term thereof without the prior written consent of Franchisor, nor shall Landlord and Tenant amend or otherwise modify the Lease in any manner that could materially affect any of the foregoing requirements without Franchisor's prior written consent.

(g) Franchisor shall have the right to enter the Premises to make any modification or alteration necessary to protect the Shredder system and marks or to cure any default under the Franchise Agreement or under the Lease, without being guilty of trespass or any other crime or tort. Landlord shall not be responsible for any

expenses or damages arising from any such action by Franchisor. Tenant hereby releases, acquits and discharges Franchisor and Landlord, and Franchisor's and Landlord's respective subsidiaries, affiliates, successors and assigns and the officers, directors, shareholders, partners, employees, agents and representatives of each of them, from any and all claims, demands, accounts, actions and causes of action, known or unknown, vested or contingent, which any of them may have, ever had, now has, or may hereafter have by reason of any event, transaction or circumstance arising out of or relating to the exercise of Franchisor's rights pursuant to this Addendum.

(h) All notices sent pursuant to this Addendum shall be sent in the manner set forth in the Lease, and delivery of such notices shall be effective as of the times provided for in the Lease. For purposes of notice under the Lease, Franchisor's mailing address shall be 4890 Ironton Street, Units F & G, Denver, Colorado 80239, Attention: Rachel Brittenham, which address may be changed by Franchisor via written notice to Landlord in the manner provided in the Lease.

EXHIBIT G TO THE FRANCHISE AGREEMENT

ASSIGNMENT OF TELEPHONE NUMBERS

For value received, the undersigned (hereinafter called the "Franchisee") hereby irrevocably assigns, effective upon the date of termination or expiration of the Franchise Agreement, the telephone listings and numbers stated below to Shredder International, LLC (hereinafter called "Franchisor") upon the following terms and conditions:

1. This assignment is made pursuant to the terms of a Franchise Agreement of even date herewith (hereinafter called "Agreement") between Franchisor and Franchisee, which in part pertains to the telephone listing and numbers used by the Franchisee in the operation of the Shredder Business contemplated by the Agreement.

2. The Franchisee shall retain the limited right to use the telephone listing and numbers solely for the transaction and advertising of the business while the Agreement between Franchisor and the Franchisee shall remain in full force and effect, but upon termination or expiration of the Agreement for any reason whatsoever, the limited right of use of the telephone listing and numbers by the Franchisee shall also terminate.

3. The telephone listing and numbers subject to this assignment are:

and any numbers on the rotary series used by the Franchisee in the operation of the business in the future.

IN WITNESS WHEREOF, the Franchisee has hereunto set his/her hand this ____ day of _____, 20__.

FRANCHISEE:

By: _____
Name: _____
Title: _____

EXHIBIT H TO THE FRANCHISE AGREEMENT

STATE SPECIFIC ADDENDA

See Following Page

ILLINOIS

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

1. Illinois law governs the Franchise Agreement.
2. Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.
3. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
4. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
5. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

FRANCHISOR:

SHREDDER INTERNATIONAL, LLC,

a Colorado limited liability company

By: _____
Name: _____
Title: _____
Date: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____
Date: _____

MARYLAND

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provisions will supersede and apply to all residents of the State of Maryland, all franchises to be operated in the State of Maryland, and all franchises offered and sold in the State of Maryland:

1. Section V.A of the Franchise Agreement is amended to add the following text at the end of such section:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by you under this Agreement shall be deferred until the franchisor completes its pre-opening obligations under this Agreement.

2. Notwithstanding any contrary provisions in this Franchise Agreement, the general release required under the Franchise Agreement as a condition of the renewal, sale and/or assignment/transfer of the franchise agreement shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

5. With regard to both the Franchise Agreement and the Disclosure Questionnaire attached thereto as Exhibit E, the following statement shall apply: All representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

6. No Statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on 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.

FRANCHISOR:

SHREDDER INTERNATIONAL, LLC,
a Colorado limited liability company

By: _____
Name: _____
Title: _____
Date: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

GENERAL RELEASE

THIS GENERAL RELEASE (“Release”) is signed on _____, 20____ by _____ (“Franchisee”) and _____ (“Guarantors”) as a condition of (1) the transfer of the Shredder Franchise Agreement dated _____, 20____ between Shredder International, LLC (“we”, “us” or “our”) and Franchisee (“Franchise Agreement”); or (2) the signing of a successor Franchise Agreement between Franchisee and us.

1. Release by Franchisee and Guarantors. Franchisee (on behalf of itself and its parents, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, managers, members, partners, agents, and employees, in their corporate and individual capacities) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, the “Releasers”) freely and without any influence forever release (i) us, (ii) our past and present officers, directors, shareholders, managers, members, partners, agents, and employees, in their corporate and individual capacities, and (iii) our parent, subsidiaries, and affiliates and their respective past and present officers, directors, shareholders, managers, members, partners, agents, and employees, in their corporate and individual capacities, (collectively, the “Released Parties”) from any and all claims, debts, demands, liabilities, suits, judgments, and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “Claims”), which any Releaser ever owned or held, now own or hold, or may in the future own or hold, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances and claims arising out of, or relating to, the Franchise Agreement and all other agreements between any Releaser and us or our parent, subsidiaries, or affiliates, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

2. Risk of Changed Facts. Franchisee and Guarantors understand that the facts in respect of which the release in Section 1 is given may turn out to be different from the facts now known or believed by them to be true. Franchisee and Guarantors accept and assume the risk of the facts turning out to be different and agree that the release in Section 1 will nevertheless be effective in all respects and not subject to termination or rescission by virtue of any difference in facts.

3. Covenant Not to Sue. Franchisee and Guarantors (on behalf of all Releasers) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 with respect to any Claim released under Section 1.

4. No Prior Assignment and Competency. Franchisee and Guarantors represent and warrant that: (i) Releasers are the sole owners of all Claims and rights released in Section 1 and that Releasers have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1; (ii) each Releaser has full and complete power and authority to sign this Release, and that the signing of this Release will not violate the terms of any contract or agreement between them or any court order; and (iii) this Release has been voluntarily and knowingly signed after each of them has had the opportunity to consult with counsel of their own choice.

5. California Release. California Civil Code §1542 provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which, if known by him must have materially affected his settlement with the debtor.

CIVIL CODE §1542 IS WAIVED BY THE PARTIES, EXCEPT AS OTHERWISE PROVIDED IN THIS GENERAL RELEASE.

6. Complete Defense. Franchisee and Guarantors: (i) acknowledge that the release in Section 1 is a complete defense to any Claim released under Section 1; and (ii) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any Claim.

7. Successors and Assigns. This Release inures to the benefit of and binds the successors, assigns, heirs, and personal representatives of the Released Parties and each Releasor.

8. Counterparts. This Release may be signed in 2 or more counterparts (including by facsimile), each of which will be deemed an original, and all of which constitute one and the same instrument.

9. Capitalized Terms. Any capitalized terms that are not defined in this Release have the meaning given them in the Franchise Agreement.

IN WITNESS WHEREOF, Franchisee and Guarantors have signed this Release as of the date shown above.

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

GUARANTORS:

a _____ resident

Date: _____

EXHIBIT D TO THE FRANCHISE DISCLOSURE DOCUMENT

LIST OF FRANCHISED SHREDDER BUSINESSES

Franchise Location	Franchisee's Name	Facility Address	Phone
Livonia, Michigan	Rushfield LLC (Michael Duffield)	32543 Schoolcraft Rd. Livonia, MI 48150	(734) 608-2981
Chicago (North Side), Illinois	Pizza French Fry LLC (Kevin Lester)	3800 N Milwaukee Ave. Chicago, IL 60641	(872) 225-3388
Richardson, Texas	LACESKI SCHOOL LLC (Robert Lacey)	1002 N. Central Expressway Suite 229 Richardson, TX 75080	(682) 999-4727
Lafayette, Colorado	Adam Adventure Group LLC (Ashlie Adam)	1729 Majestic Drive, Unit 1 Lafayette, CO 80026	(303) 589-4475

EXHIBIT E TO THE FRANCHISE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM IN THE LAST YEAR

NONE

EXHIBIT F TO THE FRANCHISE DISCLOSURE DOCUMENT

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Shredder Franchise Operations Manual – Table of Contents



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EXHIBIT G TO THE FRANCHISE DISCLOSURE DOCUMENT

AGENTS FOR SERVICE OF PROCESS AND LIST OF STATE ADMINISTRATORS

1. State Franchise Administrators

We intend to register this disclosure document in some or all of the following states, in accordance with the applicable state law. The following are the state administrators responsible for the review, registration, and oversight of registrations in that state:

<u>CALIFORNIA</u> Commissioner of Business Oversight Department of Business Oversight 1515 K Street, Suite 200 Sacramento, California 95814 (415) 972-8559 or toll-free at (866) 275-2677	<u>MARYLAND</u> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360
<u>HAWAII</u> Commissioner of Securities Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	<u>MICHIGAN</u> Consumer Protection Division Franchise Section Attn: Marilyn McEwen 670 Law Building Lansing, Michigan 48913 (517) 373-7117
<u>ILLINOIS</u> Illinois Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	<u>MINNESOTA</u> Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101 (612) 296-6328
<u>INDIANA</u> Indiana Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	<u>NEW YORK</u> Bureau of Investor Protection and Securities New York State Department of Law 23rd Floor 120 Broadway New York, New York 10271 (212) 416-8211

<u>NORTH DAKOTA</u> Securities Commissioner State Capitol 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 224-4712	<u>VIRGINIA</u> Securities and Retail Franchising Division State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9051
<u>RHODE ISLAND</u> Department of Business Regulation John O. Pastore Complex, Bldg 69-1 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 277-3048	<u>WASHINGTON</u> Dept. of Financial Institutions Securities Administrator 150 Israel Road SW Tumwater, Washington 98501 (360) 902-8760
<u>SOUTH DAKOTA</u> Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	<u>WISCONSIN</u> Office of the Commissioner of Securities Fourth Floor 101 East Wilson Street Madison, Wisconsin 53702 (608) 266-8559

2. Agents For Service Of Process

We intend to register this disclosure document as a “franchise” in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in those states:

<u>CALIFORNIA</u> Commissioner of Business Oversight Department of Business Oversight 1515 K Street, Suite 200 Sacramento, California 95814 (415) 972-8559 or toll-free at (866) 275-2677	<u>MARYLAND</u> Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360
<u>HAWAII</u> Commissioner of Securities Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	<u>MICHIGAN</u> Consumer Protection Division Franchise Section 670 Law Building Lansing, Michigan 48913 (517) 373-7117

<u>COLORADO</u> Rachel Brittenham 4890 Ironton Street, Units F & G Denver, Colorado 80239 (303) 619-0039	
<u>ILLINOIS</u> Illinois Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	<u>MINNESOTA</u> Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101 (612) 296-6328
<u>INDIANA</u> Indiana Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	<u>NEW YORK</u> New York Secretary of State 162 Washington Street Albany, New York 11231 (212) 417-5800
<u>NORTH DAKOTA</u> Securities Commissioner 600 East Boulevard Avenue State Capitol Bismarck, North Dakota 58505 (701) 224-4712	
<u>RHODE ISLAND</u> Director of Department of Business Regulation John O. Pastore Complex, Bldg 69-1 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 277-3048	<u>WASHINGTON</u> Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, Washington 98501 (360) 902-8760
<u>SOUTH DAKOTA</u> Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	<u>WISCONSIN</u> Commissioner of Securities Fourth Floor 101 East Wilson Street Madison, Wisconsin 53702 (608) 266-8559

	<u>VIRGINIA</u> Clerk of State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9051
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EXHIBIT H TO THE FRANCHISE DISCLOSURE DOCUMENT

STATE SPECIFIC ADDENDA TO THE FRANCHISE DISCLOSURE DOCUMENT

ILLINOIS

Illinois law governs the agreements between the parties to this franchise:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act, or any other law of Illinois, is void.

The conditions under which your franchise can be terminated, and your rights upon non-renewal of a franchise agreement, are found in sections 19 and 20 of the Illinois Franchise Disclosure Act.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Item 5 of this Disclosure Document is amended to include the following text at the end of Item 5: To assure its capability to meet its financial and other pre-opening obligations to new Illinois franchisees, and in accordance with section 200.508 of the Illinois Administrative Rules, Franchisor has been ordered to defer payment of any pre-opening amounts payable to Franchisor under the Franchise Agreement until your franchised business has begun operating. As a result, you are not required to pay an initial franchise fee or any other fees to Franchisor until your franchised business has begun operating. The Illinois Attorney General's office imposed this deferral requirement due to Franchisor's financial condition.

MARYLAND

The following provisions supersede any inconsistent provisions in the disclosure document, and apply to all residents of the State of Maryland, all franchises to be operated in the State of Maryland, and all franchises offered and sold in the State of Maryland:

Item 5 of the FDD is amended to include the following disclosures:

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

Item 17 of the FDD is amended to include the following disclosures:

1. Any provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law.
2. The general release required as a condition of the renewal, sale and/or assignment/transfer of the franchise agreement shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
3. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
4. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
5. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on 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.

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

ITEM 23

RECEIPTS

RECEIPT

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

If Shredder International, LLC 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, or sooner if required by applicable state law. Applicable state laws in (a) Michigan and Oregon require us to provide you the disclosure document at least 10 business 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 and (b) New York and Rhode Island require us to provide you the disclosure document at the earlier of the first personal meeting or 10 business 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.

If Shredder International, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (as listed in **Exhibit G** to this disclosure document).

The name, principal business address and phone number of the franchise seller offering the franchise is:

Name	Principal Business Address	Telephone Number
Robert Griswold	4890 Ironton Street, Units F & G, Denver, CO 80239	(303) 619-0039

Issuance Date: July 10, 2025

I received a Disclosure Document dated July 10, 2025. The Disclosure Document included the following Exhibits:

- A FINANCIAL STATEMENTS
- B FORM OF FRANCHISE AGREEMENT
- C FORM OF GENERAL RELEASE
- D LIST OF FRANCHISED LOCATIONS
- E LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM IN LAST YEAR
- F MANUAL TABLE OF CONTENTS
- G AGENTS FOR SERVICE OF PROCESS AND LIST OF STATE ADMINISTRATORS
- H STATE SPECIFIC ADDENDA

Dated: _____

Individually and as an Officer

Printed Name

of _____
(a _____ Corporation)
(a _____ Partnership)
(a _____ Limited
Liability Company)

[Keep this page for your records]

RECEIPT

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

If Shredder International, LLC 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, or sooner if required by applicable state law. Applicable state laws in (a) Michigan and Oregon require us to provide you the disclosure document at least 10 business 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 and (b) New York and Rhode Island require us to provide you the disclosure document at the earlier of the first personal meeting or 10 business 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.

If Shredder International, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (as listed in ***Exhibit G*** to this disclosure document).

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- H STATE SPECIFIC ADDENDA

Dated: _____

Individually and as an Officer

Printed Name

of _____

(a) _____ Corporation)

(a) _____ Partnership)

(a) _____ Limited

Liability Company)

[Sign and return this page to Shredder International, LLC]