

FRANCHISE DISCLOSURE DOCUMENT

MODE
designer fashion
closeout prices

MAMA MIA, INC.
a North Dakota corporation
D/B/A MODE
5012 53rd St. S, Ste H
Fargo, ND 58104-6006
(701) 478-5858
ciara@shopmodestore.com
www.shopmodestore.com

The franchisee will operate a retail outlet store selling women's designer clothing and accessories at discount prices, without guarantee of any particular brands, sizes, or style selection, under the "MODE" name and associated trademarks.

The total investment necessary to begin operation of a franchise is estimated to be \$189,000 to \$333,500. This includes \$89,500 to \$165,000 that must be paid to the franchisor or its affiliates (not including the option fee for exclusive territory rights described in Item 5 and Item 12).

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.**

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

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 Ciara Stockeland, 5012 53rd St. S, Ste H, Fargo, ND 58104-6006, (701) 478-5858.

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

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

Issuance Date: March 1, 2017

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

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

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US IN A JURISDICTION IN THE STATE IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED (CURRENTLY, FARGO, NORTH DAKOTA). OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US THAN IN YOUR HOME STATE.
2. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

Effective Dates: See the next page for state effective dates

STATE EFFECTIVE DATES

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

This disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

Illinois	March 10, 2017
North Dakota	Pending
Minnesota	Pending
South Dakota	March 10, 2017
Wisconsin	March 9, 2017

In all other states that do not require registration, the effective date of this Disclosure Document is the issuance date of March 1, 2017.

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Exhibits to Franchise Disclosure Document

- Exhibit A State Agencies/Agents for Service of Process
- Exhibit B Franchise Agreement
- Exhibit C Financial Statements
- Exhibit D Table of Contents for Operations Manual
- Exhibit E Representations and Acknowledgements Statement
- Exhibit F State Addenda and Agreement Riders
- Exhibit G Receipts

APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT, AND MIGHT REQUIRE A RIDER TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES AND RIDERS, IF ANY, APPEAR IN EXHIBIT F.

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

To simplify the language in this Disclosure Document, “franchisor,” “the company,” “we,” or “us” means Mama Mia, Inc. “You,” “your” or “franchisee” means the person or entity obtaining a MODE franchise and the owners of an entity franchisee. If you are a corporation, partnership, limited liability company, or other business entity, your owners will have to guarantee your obligations and be bound by the provisions of the Franchise Agreement (defined below) and other agreements as described in this Disclosure Document.

Franchisor, Predecessors, Parent and Affiliates

Mama Mia, Inc. was incorporated on April 26, 2006 as a North Dakota corporation. We do business under our legal name and under the trade name “MODE”. Our principal place of business is 5012 53rd St. S, Ste H, Fargo, ND 58104-6006. Our telephone number is (701) 478-5858. Our agents for service of process are listed on Exhibit A.

Previously, Mama Mia, Inc. operated a retail store under the trade name “Mama Mia” selling maternity and baby clothing. Mama Mia, Inc. operated the “Mama Mia” branded store from May 2006 to April 2008. Currently, Mama Mia, Inc. does not operate any retail stores of any brand, including any MODE Stores (as defined below). Mama Mia, Inc. began awarding franchises for MODE Stores in January 2011, and as of the date of this Disclosure Document, had 6 active franchisees operating MODE Stores. Other than as described in the preceding sentence, we have never offered franchises or any other concepts, but we may do so in the future. Other than as described in this Disclosure Document, we are not engaged in any other business activities.

Our affiliate, Mode, Inc. was incorporated on August 10, 2007 as a North Dakota corporation, and has a principal business address of 4302 13th Ave. S, Ste 13, Fargo, ND 58103-3395. Mode, Inc. began operating MODE Stores in February 2007 and as of December 31, 2016 owns and operates one MODE Store. Mode, Inc. may provide certain support services to us and our franchisees, for example by granting access to the MODE Store it operates in Fargo, North Dakota for training purposes. Mode, Inc. has never offered franchises for Stores or any other concepts, but it may do so in the future.

Except as described above, we do not have any parents, predecessors, or other affiliates required to be disclosed in Item 1.

The Franchises We Offer

We offer and grant franchises to operate clothing stores offering women’s designer clothing and accessories at discount prices (each, a “MODE Store”). MODE Stores operate under the name “MODE” and other trademarks, service marks, logos, and commercial symbols we periodically authorize (the “Marks”). MODE Stores have distinctive and proprietary business formats, methods, procedures, designs, layouts, standards, and specifications, all of which we may improve, further develop, or otherwise modify over time (the “MODE System”). You will purchase all of your inventory from us to operate your Store. The MODE System operates on the

outlet store model, we therefore do not guarantee any particular brands, sizes, or styles in inventory. We call the MODE Store that you will operate “your Store.”

You will sign a franchise agreement to acquire a franchise to operate a MODE Store (the “Franchise Agreement”). Our current form of Franchise Agreement is attached as Exhibit B. Under the Franchise Agreement, you will receive the right to use the Marks and the MODE System to operate your Store at specific designated location that we approve (the “Premises”).

Market Competition and Regulations

You will face competition from numerous local, regional and national clothing stores, as well as countless other department stores, internet sites, discount stores and chains, and liquidation stores that sell women’s fashion. The market for women’s fashion is highly competitive. Many of your competitors will have much more experience and financial resources than either you or us. You should evaluate carefully the competition in the market you seek to locate a franchise. You should also carefully evaluate the potential for competition that may develop in the future. Additionally, all new states and markets in which a MODE Store is not currently operating will be new and developing market, and it may be more challenging to develop brand recognition for your Store in such developing markets.

There are no regulations specific to the retail clothing store industry in which MODE Stores operate, although you will be required to comply with all local, state and federal laws that apply to your Store, including health, safety and sanitation laws, and employment laws applicable to employees of your Store. There are other laws that apply generally to all businesses and we encourage you to make further inquiries about these laws.

ITEM 2 **BUSINESS EXPERIENCE**

Chief Executive Officer: Ciara Stockeland

Ciara Stockeland has been our Chief Executive Officer since our inception in April 2006. She has also been Vice President of Mode, Inc. since its inception in August 2007, and the Vice President of MODE Sioux City, LLC since its inception in October 2016.

President: Jim Stockeland

Jim Stockeland has been our President since August 2006. He has also been the President of Mode, Inc. since its inception in August 2007, and the President of MODE Sioux City, LLC since its inception in October 2016. He has been the President of Britton Transport, in Grand Forks, North Dakota since August 2012. From August 2009 to August 2012, Mr. Stockeland was the Vice President of Logistics at Sky Logistics in Fargo, North Dakota.

Franchise Development and Communications Manager: Courtney Barstad-Logan

Courtney Barstad-Logan has been our Franchise Development and Communications Manager since January 2017. Prior to that, we employed Ms. Barstad-Logan in other roles, including as Assistant to the Chief Operating Officer and Corporate Press Secretary from February 2016 to January 2017, and as Director of Operations from July 2015 to February 2016. From October 2008 to June 2015, Ms. Barstad-Logan was the Assistant Director of Fraternity and Sorority Life at North Dakota State University in Fargo, North Dakota.

Director of Operations: Melinda Miles

Melinda Miles has been our Director of Operations since February 2016. Prior to that, Ms. Miles served as a Senior Planner at Vanity in Fargo, North Dakota from October 2013 to February 2016. From June 2011 to October 2013, Ms. Miles served as a Senior Buyer at Kids Quest in Minneapolis, Minnesota.

ITEM 3 LITIGATION

Mama Mia, Inc., v. MODE MP LLC and Tracy MacKellar, No. 3:16-cv-00433 (United States District Court for the District of North Dakota). On December 29, 2016, we initiated a lawsuit against former franchisee MODE MP LLC (“MODE MP”) and MODE MP’s principal member and guarantor of the franchise agreement, Tracy MacKellar (“MacKellar”), arising out of defendants’ material breaches of the franchise agreement and personal guaranty thereof and continued operation of an infringing competitive business in violation of federal trademark and unfair competition laws and the franchise agreement. We seek preliminary and permanent injunctive relief enjoining defendants from their continuing infringement of the MODE trade names and trademarks and ordering defendants to comply with their post-termination obligations under the franchise agreement. We further seek damages arising out of defendants’ unlawful infringement and unfair competition, treble damages for their willful and intentional misconduct, damages arising out of their breaches of the franchise agreement and personal guaranty thereof, including lost future Continuing Royalties, and an award of costs and expenses, including reasonable attorneys’ fees. On January 31, 2017, defendants filed counterclaims against us for (1) breach of contract, (2) actual fraud, (3) violations of the North Dakota Franchise Investment Law, (4) violations of the North Dakota Unlawful Sales or Advertising Practices Act, and (5) violations of the South Carolina Business Opportunities Act. Defendants’ counterclaims arise out of allegations, among others, that we misrepresented or concealed that we marked up prices on products franchisees are required to purchase from us under the franchise agreement; that we misrepresented that it purchased products directly from designers and manufacturers; that we failed to allow defendants to sell products suitable for their franchised location. Defendants seek unspecified damages including damages to be proved at trial, treble damages, costs, disbursements, and reasonable attorneys’ fees, rescission of the franchise agreement and personal guaranty thereof, pre-judgment and post-judgment interest, and the right to amend their claims to seek exemplary damages. On February 21, 2017, we moved to dismiss the defendants’ counterclaims, which motion is pending.

Other than the above disclosed action, no litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

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

ITEM 5 **INITIAL FEES**

Initial Franchise Fee

You must pay us an initial franchise fee at the time you sign your Franchise Agreement (the “Initial Franchise Fee”). For a franchisee’s first MODE Store, the Initial Franchise Fee is \$30,000. Any existing franchisee who subsequently signs a Franchise Agreement for the ownership and operation of an additional MODE Store will be charged an Initial Franchise Fee of \$20,000. The Initial Franchise Fee is not refundable in whole or in part under any circumstances.

Initial Inventory

You must purchase all of your inventory from us, including a minimum initial inventory prior to opening your Store. The amount of inventory we require you to purchase is based on a formula set out in the Operations Manual (defined in Item 11), which is principally based on the number of square feet of your Premises. We estimate that the cost of initial inventory that you will pay us prior to opening will range from \$30,000 to \$65,000 depending on the size of your Premises. You must pay keep a credit card on file with us and we will charge your credit card for all inventory we provide you. You must acquire your opening inventory no fewer than 60-80 days prior to opening your Store. We will charge you for your opening inventory prior to the time that we order it for you. See Item 16 for more information about your inventory. The cost of initial inventory is not refundable in whole or in part under any circumstances.

Other Products and Services

In connection with developing your Store, we may engage certain third-party vendors on your behalf, or purchase certain products and services from such vendors and resell them to you. Currently, we require you to purchase the following products and services from us in connection with developing your Store: (i) architectural services (estimated from \$1,500 to \$3,000), (ii) fixtures (estimated from \$15,000 to \$40,000), (iii) marketing inventory (estimated from \$2,500 to \$5,000), (iv) miscellaneous branded supplies (estimated from \$3,000 to \$6,000), and (v) point of sale system (estimated from \$7,500 to \$16,000). See Item 7 for additional information. None of the amounts described above are refundable in whole or in part under any circumstances.

Exclusive Territory Fee

If you elect to enter into an Exclusive Territory Rider (as defined in Item 12), you must pay us a fee equal to \$15,000, multiplied by the number of MODE Stores you wish to develop (the “Exclusive Territory Fee”). You must sign the Exclusive Territory Rider at the same time you execute your first Franchise Agreement, and pay us the Exclusive Territory Fee at that same time. If we elect to terminate the Exclusive Territory Rider, entirely or in connection with a particular Exclusive Territory, because we determine that it would not be in the best interest of the MODE System or MODE Stores to develop a MODE Store in that Exclusive Territory, we will refund the Exclusive Territory Fee attributable to such terminated Exclusive Territories to you; provided that you and your owners execute the documents we then require in connection with a termination, including a general release of claims against us and our affiliates. Otherwise, the Exclusive Territory Fee is not refundable in whole or in part under any circumstances. However, each Exclusive Territory Fee will be applied to the Initial Franchise Fee that you incur when you sign a Franchise Agreement for such MODE Store.

Referral Fee

We may periodically implement a referral program, under which we pay existing franchisees a fee if they refer a person to us who become a franchisee of the MODE System. Currently, we pay existing franchisees a referral fee of \$1,000 per referred franchisee, if that referred franchisee meets our then-current criteria (e.g. has had no prior contact with members of our sales team, and who signs our then-current franchise agreement and pays their initial franchise fee to us). We may modify the terms and conditions of the referral program, including the amount of the referral fee, periodically as we choose, or discontinue the referral program at any time. Any portion of your Initial Franchise Fee that you or we pay an existing franchisee as part of the referral program is not refundable in whole or in part under any circumstances.

ITEM 6 **OTHER FEES**

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS ¹
Continuing Royalty ²	(1) 5% of Gross Sales each year up to and including \$500,000, and (2) 4% of Gross Sales each year in excess of \$500,000 ³	Weekly	You must pay us the Continuing Royalty through ACH transfer on each Tuesday, based on Gross Sales accruing during the previous week ending on Saturday.
Minimum Monthly Royalty ²	\$1,500 per month	Monthly	If your Continuing Royalty is ever less than \$1,500 per month, we will ACH your account for the difference on the first of the subsequent month.
Late Payment Fee	1.5% of overdue balance per month (or highest legal rate)	Immediately upon receipt of notice of delinquency.	Due on all overdue amounts.
Insufficient Funds Fee	\$100 per payment	As incurred	Payable to us if there are insufficient funds in your bank account to cover any amount to be paid by ACH transfer, if any credit or debit card charge is rejected by your credit card company or bank, or a check is returned for insufficient funds
Marketing Fund Fee	2% of weekly Gross Sales ³	Weekly	See Item 11 for a detailed discussion of the Marketing Fund.

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS ¹
Additional Marketing Materials	Will vary based on circumstances	As incurred	We may provide you special-order marketing materials upon request. See Item 11 for a detailed discussion of Marketing Materials.
Site Inspection	\$250 per day plus expenses	As incurred	We provide two site inspections at no charge to you. For any additional inspections, you will be charged for our time and out-of-pocket expenses.
Additional Training	\$250 per day per person, plus expenses	Prior to beginning of training	See Item 11 for a detailed discussion of Training.
Transfer	20% of then-current Initial Franchisee Fee	Prior to transfer	Payable to us when you sell your franchise. The fee is waived if you transfer the franchise to an entity you control; provided, you pay our out of pocket expenses for such transfer.
Renewal	\$10,000	Prior to renewal	Payable per successor franchise.
Audit	Cost of audit, including travel	15 days after receipt of audit report	Payable only if (i) the audit is necessary because you fail to furnish timely reports or (ii) the audit shows an understatement greater than 5% of Gross Sales. ³
Insurance Procurement	Full cost of insurance costs and premiums	Upon demand	We have the right (but not the obligation) to obtain insurance on your behalf and collect our costs from you if you fail to procure or maintain required insurance coverage
Breach of Monthly P&L or Compiled Financial Report Fee	\$150 per breach	As incurred	Payable in the event you fail to submit required monthly profit and loss reports, or the annual compiled financial statements.

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS ¹
Breach of Monday Report Fee	\$50 per breach	As incurred	Payable in the event you fail to submit required weekly reports.
Breach of Monthly Advertising Fee	\$100 per breach	As incurred	Payable in the event you fail to produce required monthly reports showing advertising expenditures and/or fail to spend the required monthly minimum on local advertisement.
Maintenance of Inventory	2 units per square foot ⁸	Ongoing	You must buy inventory from us and you must comply with minimum inventory levels. We may ship inventory as we deem necessary to meet such minimums. We will charge your credit card for all inventory we ship to you. We will charge your credit card for the costs of inventory, using the credit card you put on file with us at the time you sign the Franchise Agreement.
Restocking Fee	20% of invoiced cost of inventory	As incurred	You must pay a restocking fee if any inventory is not accepted by you upon delivery at your Store, or is returned to us or redirected to any other location.
Management Fee	Currently, \$500 per day (plus costs and expenses)	As incurred	Due when we (or a third party) manage your Store after your default or pending termination.
Indemnification	Will vary based on circumstances	As incurred	Payable if anyone asserts claims against us arising from the operation of your Store.
Costs and Attorney's Fees	Will vary based on circumstances	As incurred	Prevailing party in an action or proceeding must pay costs and attorneys' fees of the non-prevailing party.
Email Hosting Fee	Direct costs (currently, \$70 - \$120 per year)	Upon demand	For each branded email account associated with our domain name that we provide you.

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS ¹
Lost Revenue Damages	Will vary based on circumstances	As incurred	If your Franchise Agreement is terminated by you without cause or by us, you will pay us lost revenue damages equal to the net present value of the balance of your Continuing Royalties and Marketing Fund contributions for the remaining term (calculated based on the greater of (i) the average monthly amounts during the preceding 12 calendar months, or if you have operating your Store for less than 12 calendar months, on the average monthly amounts of all MODE Stores operating during our previous fiscal year, or (ii) the Gross Sales Minimum).

NOTES

1. Except as otherwise noted in this Item 6, all fees are imposed by and payable to us, though we may transfer these rights to our affiliates. We currently impose these fees uniformly on all franchisees. All fees are nonrefundable. Unless otherwise specified, all payments to us must be made by ACH electronic transfer drawn upon your business bank account. You must execute an ACH authorization at the time you sign the Franchise Agreement granting us such authorization, and maintain the account identified in those authorization documents throughout the term of the Franchise Agreement.

2. We may increase the dollar thresholds and minimums used to calculate your Continuing Royalty on an annual basis, based on the consumer price index, though we have no obligation to decrease those amounts if the consumer price index decreases.

3. “Gross Sales” means all revenue of your Store or of your franchise (whether conducted at the Premises or away from the Premises), excluding all taxes collected for these sales and paid to the appropriate federal state or municipal government taxing authority by Franchisee. Gross Sales include all sales whether such sales be evidenced by check, cash, credit card, charge account, exchange, barter or otherwise and will include tangible property of every kind and nature, promotional or otherwise and for services performed from or at your Store, together will the amount of all orders taken or received at your Store, whether such orders be filled from your Store or elsewhere. Gross Sales will not include the sales of merchandise for which cash has been refunded, provided that such sales have previously been included in Gross Sales. There will be deducted from Gross Sales the price of merchandise returned by customers for exchange, provided that such returned merchandise will have been previously included in Gross Sales. Gross Sales includes the proceeds of any business interruption insurance or similar insurance. Additionally, if we authorize or require participation in online group-bought deals, gift certificate and/or gift card programs, the payments you receive for those online group-bought deals, gift certificates or gift cards will be included in Gross Sales in accordance with our then current guidelines, which may include calculating such amounts, as either (i) the purchasing

value of such the certificate, card or deal when it is redeemed, or (ii) the amount of the payment you received for such certificate, card or deal at the time of its sale.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

CATEGORY OF INVESTMENT	AMOUNT¹	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Initial Franchise Fee ²	\$30,000	Lump Sum	Upon signing your Franchise Agreement	Us
Architect Fee – Initial Plans ³	\$1,500 to \$3,000	Lump Sum	80-100 days prior to opening	Us
Architect Fee – Local Adjustments ⁴	\$2,000 to \$5,000	As Invoiced	As Arranged	Local architect
Real Estate Lease – One Months’ Rent ⁵	\$3,000 to \$7,500	As Invoiced	As Arranged	Owner of real estate
Lease Deposit	\$3,000 to \$7,500	As Invoiced	As Arranged	Owner of real estate
Fixtures	\$15,000 to \$40,000	As Invoiced	As Arranged	Us
Signage	\$3,500 to \$9,000	As Invoiced	As Arranged	Approved Vendors
Build-out	\$35,000 to \$65,000	As Invoiced	As Arranged	Approved Vendors
Utility Deposits	\$1,000 to \$2,000	As Invoiced	As Arranged	Utility Companies
Insurance	\$1,000 to \$3,000	As Invoiced	As Arranged	Insurance Brokers or Companies
Licenses and Permits	\$0 to \$500	As Invoiced	As Arranged	Government Agencies
Professional Services	\$1,000 to \$5,000	As Arranged	As Incurred	Third Parties

CATEGORY OF INVESTMENT	AMOUNT ¹	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
QuickBooks Training	\$1,000	As Incurred	Prior to training	Third Party Supplier
Travel and Living Expenses While Training ⁶	\$1,500 to \$3,000	As Incurred	During Training	Third Parties
Initial Inventory	\$30,000 to \$65,000	Lump Sum	60-80 days prior to opening	Us
Marketing Inventory	\$2,500 to \$5,000	Lump Sum	60-80 days prior to opening	Us
Miscellaneous Supplies ⁷	\$3,000 to \$6,000	Lump Sum	60-80 days prior to opening	Us
Computer System ⁸	\$7,500 to \$16,000	Lump sum, then as arranged	60-80 days prior to opening	Us
Grand Opening Advertising	\$2,500 to \$5,000	As Arranged	As Arranged	Third Party Suppliers
Additional Funds – Three Month Period ⁹	\$45,000 to \$55,000	As incurred	As arranged	Employees, Lessor, Suppliers, Utilities, Us
Estimated Total Range ¹⁰	\$189,000 to \$333,500 ¹¹			

NOTES

1. Except as otherwise provided, none of the amounts payable to us or our affiliates in this table are refundable under any circumstances. All amounts payable to third parties will be paid pursuant to the terms of your agreement with these respective third parties.
2. The \$30,000 Initial Franchise Fee listed above is in relation to the operation of a franchisee's initial MODE Store. For any subsequent franchise agreements signed by a franchisee for the ownership and operation of a subsequent MODE Store, the Initial Franchise Fee will be discounted to \$20,000. The Initial Franchise Fee is discussed in detail in Item 5.
3. We currently engage our designated supplier of architectural services on your behalf prior to opening (see Item 5), to provide you initial architectural plans for your Premises.

4. The initial plans for your Premises prepared by our designated supplier of architectural services are not prepared in compliance with local laws in your area. You are required to obtain certifications or adjustments from a local architect in your area to conform with local ordinances and laws and present the final plans to us for our approval.
5. You will need to lease the Premises at which your MODE Store will be operated. The Premises is subject to our prior approval, as described in Item 11. Typically, you will be required to lease approved space with 1,500 to 2,500 feet of retail space. The cost of the real estate lease is subject to numerous variables including the geographic location of your Store and local real estate markets, and can vary significantly from the estimates we provide above. Local market conditions, changes in the economy and inflation, the location and adjoining uses of the parcel, and its accessibility will all contribute to your real property costs. The deposit on a commercial retail space generally is equal to one month of the rent. Lease agreements vary but usually require the lessee to pay for maintenance, insurance, taxes and any other charges or expenses for the land and building and the operation of your Store or they may require that the lessee reimburse the lessor for its proportionate share of these payments (plus interest) and pay minimum monthly rent and/or percentage rent. We do not provide guarantees for any lease.
6. You will be responsible for all travel and living expenses incurred by you (or your Designated Owner, as defined in Item 15) for the initial training program. The estimate above is for travel and lodging for you (or your Designated Owner). Depending on lodging, travel and other living expenses selected or incurred, the costs for expenses for this training program could vary widely. Any additional training requested by you will be provided at your expense, and are not included in the estimates provided above. See Item 11 for further information about training.
7. This figure represents the costs of miscellaneous branded supplies for your Store that will be purchased from us.
8. This figure includes the cost of purchasing and installing your point of sale equipment and software. See Item 11 for further information about your computer system requirements.
9. These amounts reflect estimates attributable to three months' worth of additional expenses for staff salaries and operating expenses. The estimate of additional funds does not include a salary for you (or your Designated Owner). These figures are estimates and we cannot guarantee that you will not exceed this dollar amount in additional expenses while starting the business. Your costs will depend on factors such as market conditions, competition, wage rates, and other economic factors, as well as your own business experience and how closely you follow our system standards.
10. We do not offer direct or indirect financing to franchisees for any items. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan.

11. The estimates above are based on the costs incurred by our affiliates and franchisees in developing and operating MODE Stores. However, these figures are only estimates, and it is possible to reduce or exceed the costs listed above. Actual costs will vary depending on the physical size and current condition of the premises, the size and nature of the market, and economic conditions. You should review these estimated figures with a business advisor before deciding to purchase a franchise. The above costs do not include any finance charge, interest or debt.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Specifications for Products, Services and Suppliers

We have developed or may develop standards and specifications for types, models and brands of required fixtures, furniture, equipment, components of the computer system, furnishings, and signs, and other products, materials, supplies and services to be used at your Store. You must purchase and use only the products and services meeting our standards and specifications.

We may also develop standards and specifications for suppliers and distributors of certain products and services, including by designating certain suppliers and distributors as an approved supplier, or the exclusive supplier of certain products or services. If we do so, you must purchase these products and services only from distributors and suppliers that meet our standards and specifications, or that we have approved or designated. We or our affiliates may be a designated or approved supplier, or otherwise be a party to these transactions, including by reselling you products or services we have acquired from other third-party vendors, or engaging such vendors directly on your behalf and invoicing you for associated fees and costs.

Approval of a product or supplier may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints), or other criteria. Our standards and specifications for products and services, and criteria for suppliers, are issued to franchisees and approved suppliers in our Operations Manual, and we may update the Operations Manual periodically to reflect changes to our standards, specifications, and criteria.

We currently do not permit franchisees to propose alternative suppliers, for products and services for which we have designated or approved suppliers.

Currently, you must purchase (i) all inventory from us, (ii) architectural services, fixtures, marketing inventory, and point of sale systems from us, or through us if we have engaged a vendor on your behalf (see Item 5), (iii) insurance coverage, cabinetry and POS buildout services, POS software, accounting software, accounting set-up services, music and voice subscription services, and signage from vendors we have designated, and (iv) certain other products and services from suppliers that we have approved. We may require you to use approved or designated suppliers for other goods and services in the future, or to designate an exclusive supplier for other items in the future, which may be us (or our affiliates).

Collectively, the purchases you obtain according to our specifications or from approved or designated suppliers represent up to 95% of your total purchases to establish your Store and up to 95% of your total purchases to operate your Store.

Insurance

You must obtain, at your own expense, the insurance coverage that we periodically require and satisfy other insurance-related obligations. Currently, you must have each of the following from a carrier acceptable to us: (1) Worker's Compensation insurance as required by law and Employer's Liability Insurance with \$100,000 minimum limit, and (2) Comprehensive general liability and excess liability insurance with a combined single limit of \$3,000,000 for Bodily Injury and Property Damage, per occurrence. All such policies must be issued by one or more insurance carriers acceptable to us, must name us as an additional named insured, must contain such other endorsements and terms required by us, using a form of endorsement that we have approved, and must provide that we will receive 30 days prior written notice of termination, expiration, cancellation, modification or reduction in coverage of any such policy. We may also designate an exclusive supplier of insurance.

Upon 30 days prior notice to you, we may increase the minimum protection requirements as of the renewal date of any policy, and require different or additional kinds of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. You must submit to us annually at the time of renewal a copy of the certificate of or other evidence of the renewal or extension of each such insurance policy. If you at any time fail or refuse to furnish satisfactory evidence of it, we may, but need not, obtain such insurance coverage on your behalf, and you must promptly execute any applications or other forms or instruments required to obtain any such insurance and pay to us, on demand, any costs and premiums incurred by us. All insurance must be placed with a reputable insurance company licensed to do business in the state in which your Store is located.

Purchase Agreements, Material Benefits and Revenue

We and/or our affiliates may derive revenue based on your purchases and leases from us. In the year ending December 31, 2016, our revenue from the sale of inventory, supplies, furniture, and fixtures to franchisees was \$1,143,165, which represents 82.5% of our total revenue of \$1,385,988. Such amount includes the revenue we obtain from products and services that we acquired from third-party vendors and resold to franchisees, or that we invoiced franchisees for base don third-party vendors we engaged on their behalf (see Item 5). None of our affiliates derived any revenue from your purchases or leases in our 2016 fiscal year.

We and/or our affiliates may also derive revenue from payments made to us or our affiliates by suppliers that we designate or approve for some or all of our franchisees. However, currently, neither we nor or affiliates has negotiated any arrangements with any suppliers or vendors to receive any benefit or consideration based on franchisee purchases, and neither we nor our affiliates collected any such amounts during our 2016 fiscal year. We do not provide material benefits to franchisees for purchasing particular products or services or using designated or approved suppliers. We may establish purchasing programs or distribution cooperatives with certain suppliers for supplies, equipment, and other materials. However, currently there are no purchasing or distribution cooperatives for MODE Stores.

We and/or our affiliates may periodically negotiate purchase arrangements for the benefit of franchisees with certain suppliers. Currently, we have negotiated purchase arrangements, including pricing terms, with suppliers of the POS system, labels and tags, and signage, fixtures and retail hardware, including pricing terms. We may negotiate other purchase

arrangements in the future. If we do so, you may be required to purchase those items at a price or on other terms we have negotiated in advance.

As of the issuance date of this Disclosure Document, none of our officers own any interest in any of the approved suppliers, except for ownership interest in us.

ITEM 9

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
a. Site selection and acquisition/lease	2.A, 2.E	6, 11, and 12
b. Pre-opening purchases/leases	2.A, 2.C, 5.D, 5.E	5, 7, 8, and 11
c. Site development and other pre-opening requirements	2.B, 2.C, 4.A, 7.A	5, 7, 8, and 11
d. Initial and ongoing training	4.A, 4.B	7, and 11
e. Opening	2.D	7, and 11
f. Fees	5.D, 6.A-B, 6.E, 7.A, 7.D, 16.E,	5, 6, 7, and 16
g. Compliance with standards and policies/Operating Manual	4.E, 5.C	8, 11, and 15
h. Trademarks and proprietary information	3.A-F, 5.I, 5.J	13, and 14
i. Restrictions on products/services offered	5.D, 5.E	8, and 16
j. Warranty and customer service requirements	None	None
k. Territorial development and sales quotas	13.B	6, 12, and 16
l. Ongoing product/service purchases	2.C, 5.D, 5.E	6, 8, and 16
m. Maintenance, appearance and remodeling requirements	5.A-C	11
n. Insurance	5.F, 5.H	6, 7, and 8
o. Advertising	7.A-H	6, 7, and 11

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
p. Indemnification	3.E, 15.D	6
q. Owner's participation/management staffing	4.B, 5.G	15
r. Records and reports	8	None
s. Inspections and audits	9.A, 9.B	6
t. Transfer	11.A-G	6, and 17
u. Renewal	12.A-C	6, and 17
v. Post-termination obligations	14.A-H	17
w. Non-competition covenants	1.D, 5.G, 14.E	17
x. Dispute	16.D, 16.E	17
y. Other	None	None

ITEM 10
FINANCING

We do not offer direct or indirect financing. 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.

Our Pre-opening Obligations

Before you open your Store:

(1) Review and either approve or disapprove a proposed site for your Store. (Franchise Agreement – Section 2A)

(2) Review and either approve or disapprove a lease for your Store. (Franchise Agreement – Section 2A).

(3) Provide you, or our designated architect, the specifications we may approve for your Store, including requirements for dimensions, design, image, interior layout, décor, color scheme, and designated and approved suppliers for your purchase of all necessary supplies. (Franchise Agreement – Section 2B)

(4) Prepare and provide an opening advertising and promotional plan for the Store. (Franchise Agreement – Section 2D)

(5) Provide training in the operation of a MODE Store to the Franchisee or Designated Owner. (Franchise Agreement – Section 4A)

(6) Provide you, on loan, the Operations Manual and all supplements and any other manuals which impose obligations upon you. (Franchise Agreement – Section 4E)

(7) Inspect the Store prior to opening and approve its grand opening. (Franchise Agreement – Section 2D)

(8) Sell you an initial opening inventory. (Franchise Agreement – Section 5D)

Site Selection and Lease

Once you have selected a proposed retail space, we will inspect the Premises and determine whether it is a suitable space for the operation of your Store. We do not typically own the site where your Store is located and lease it to you. We will provide two inspections free of charge after which we will charge you for our time at a rate of \$250 per day and all travel expenses associated with any additional site inspections. The factors that we consider in approving site selections include 1) the size of the parcel of real estate (1,500 to 2,500 square feet of retail space); 2) cost per square foot (the site has to be affordable, meet other real estate sales comparisons in the area and fit into the overall business plan, not negatively impacting annual projected cash flow); 3) the amount of work needed to prepare the location for opening of your store; and 4) your reasonable prospects for securing such sight on reasonable terms and in a reasonable amount of time. We have the final say on site selection and our criteria for approving sites may change periodically. We will try to approve your site within 30 days of receiving all information we have requested regarding that site, and completing our inspection. You must provide us a copy of the lease agreement you wish to sign to secure the Premises before you sign it. We must approve your lease for your Premises before you sign it. Our approval of a lease is conditioned upon the inclusion of certain lease terms required by us pursuant to a form of lease addendum attached as Exhibit D to the Franchise Agreement.

You must secure our approval of the site of the Premises and the lease for the Premises no later than 90 days from the effective date of the Franchise Agreement, or we may terminate the Franchise Agreement.

Training Program

We will provide you (or the Designated Owner) a training program in the operation of a MODE Store during a period we designate prior to and after the opening of your Store. You (or your Designated Owner), present and future, must complete the training program to our satisfaction, prior to offering services at your Store. We may require that you (or your Designated Owner), present and future, attend such further training programs as we periodically prescribe, which may be offered by us, our affiliates, or any other third-parties designated or approved by us. The initial training programs, and certain additional mandatory training programs prescribed by us, will be provided at no cost to you (or your Designated Owner), however, you will be responsible for any travel and living expenses incurred in connection with such training. You will also be responsible for the costs associated with additional training provided by us at your request or upon a change in your Designated Owner (at a rate of \$250 per day per person plus travel expenses). We will determine the length, schedule and content of all training provided, and the identity and composition of the persons providing such training. We provide the training program on an as-needed basis to accommodate our franchisees, and not on a fixed schedule each year.

Currently, our initial training program is comprised of 2 to 3 weeks of training (5 days per week; 8 hours per day). Currently, the our typical training program is comprised as follows:

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
PHASE I			
Franchising 101, Support And Resources	1	0	At Home
PHASE II			
Building A Brand, Mode Experience, Marketing And Advertising, Store Policies	1	0	At Home
PHASE III			
Equipment And Supplies, Staffing	1	0	At Home
Retail Basics And Inventory Basics	1	0	At Home
Mode Formulas And Inventory Control	1	0	At Home
PHASE IV			
Store Operations	1	0	At Home
Store And Merchandising Systems	0	16	Fargo, North Dakota
Customer Service, Vip Parties	0	16	Fargo, North Dakota
Pos System	0	8	Fargo, North Dakota
Accounting Coach 1.0	3	0	Fargo, North Dakota
PHASE V			
Preparation For Opening	0	16	Franchisee Location
Store And Merchandising Systems	0	16	Franchisee Location
Working Sales Floor, Grand Opening	0	8	Franchisee Location
TOTALS			
TOTAL HOURS	9	80	

Training is conducted by our founder and Chief Executive Officer, Ciara Stockeland, who has 10 years of experience in operating a MODE Store, and 11 years of experience with the subjects taught. Our field operations manager, Katie Folks also assists in the training programs and has 4 years of experience with MODE Stores and 6 years of experience with the subjects taught. The instructional materials for our required training programs include the Operations Manual, handouts, worksheets, at-home tests, and written materials.

Operations Manual

We will loan you one copy of our manual for the operation of MODE Stores, which may include one or more separate documents in loose-leaf or other form, as well as audiotapes, videotapes, compact discs, computer software, information available on an internet site, other electronic media, bulletins and/or other written materials (the “Operations Manual”). Any letter, bulletin or other thing in writing delivered by us to you containing instructions, directives, requirements or standards pertaining to the MODE System is part of the Operations Manual, regardless of whether consistent with the format of the Operations Manual or expressly designated for inclusion in the Operations Manual.

The Operations Manual contains mandatory and suggested specifications, standards and operating procedures prescribed from time to time by us for MODE Stores and information relative to your other obligations under the Franchise Agreement. Attached as Exhibit D is a copy of the table of contents of the Operations Manual. As of the date of this Disclosure Document, there are 76 total pages in the Operations Manual.

Opening of Your Store

We estimate that your Store will be opened for business within 3 to 6 months after you sign the Franchise Agreement. We may terminate your Franchise Agreement if you fail to open your Store for full use by customers within 180 days from the date of your Franchise Agreement. The factors that affect your opening date are the ability to obtain our approval of your site and lease, obtain financing, secure building permits, zoning and local ordinances, weather conditions, shortages, delayed installation of equipment fixtures and signs, and completion of training.

Our Obligations During the Operation of Your Business

During the operation of your Store:

- (1) Continue to provide you, on loan, the Operations Manual and all supplements and any other manuals which impose obligations upon you. (Franchise Agreement – Section 4E)
- (2) We may advise you from time to time of operating problems of the Store and we may provide guidance in connection with methods or procedures. (Franchise Agreement – Section 4D)
- (3) Administer the Marketing Fund (defined below) until such time as it may be terminated. (Franchise Agreement – Section 7D)
- (4) Continue to sell you inventory. (Franchise Agreement – Section 5D)

We are not obligated by the Franchise Agreement or any related agreement to provide any other supervision, assistance or services.

Advertising and Promotion Programs

Grand Opening Advertising Program. You are required to spend at least \$2,500 for a grand opening marketing program for your Store (“Grand Opening Expenditure”) during a period we designate prior to and after the opening of your Store. You must comply with our guidelines for this grand opening marketing program and conduct the grand opening marketing program in accordance with our specifications and standards and pursuant to a grand opening marketing plan which you will prepare and submit to us for approval at least 60 days prior to your opening date. All advertisements and marketing materials used in the grand opening

marketing program must be approved by us. We may also require you to use the advertising, marketing and/or public relations programs, firms, media and materials we approve for your Store's grand opening advertising program.

Local Advertising. You must list your Store in the principal telephone and online directories in your market area, in such directory categories as we prescribe. You must spend a minimum amount per month on advertising and marketing for your Store, including the direct purchase of print, electronic, outdoor or internet advertising, and submit monthly reports showing such advertising expenditures. Currently, we require you to spend a minimum of 2% of your Gross Sales from the preceding month, calculated in the same manner as the Continuing Royalty, on local advertising expenditures. We may modify the amount of the minimum monthly advertising requirement periodically, subject to the Aggregate Marketing Cap (defined below). We reserve the right to approve the type of expenditure that will count towards the minimum monthly requirement, which may exclude indirect costs (such as salaries of employees) or in-Store materials (such as signage). If you fail to satisfy the minimum monthly advertising requirement or fails to submit the required monthly reports, you must pay us a fee in the amount of \$100 per breach.

Prior to using any advertising or promotional materials, you must submit samples of all such materials not prepared or previously approved by us within the past 12 months to us for approval. If you do not receive written disapproval of those materials within 15 days from the date of we receive them, we will be deemed to have given the required approval. You may not use any advertising or promotional materials that we have not approved or have disapproved. Neither our approval, nor our provision of such material to you will mean that we are required to pay for such advertising or promotion.

Marketing Fund. You will also be responsible for a portion of the general system-wide advertising costs by way of marketing fund fee collected by us on a weekly basis. You must pay us an amount per week determined by us periodically, which will be placed in a general marketing fund (the "Marketing Fund"). Currently, the amount of the Marketing Fund fee is 2% of your Gross Sales from the preceding week, calculated in the same manner as the Continuing Royalty. We may modify the amount that you must contribute to the Marketing Fund from time to time, subject to the Aggregate Marketing Cap (defined below). The MODE Stores operated by us or our affiliates will in the aggregate contribute to the Marketing Fund an amount calculated on the same percentage basis as our franchisees. However, individual MODE Stores operated by us or our affiliates may contribute more or less, on an individual unit basis, than the percentage contributed by our franchisees.

We will direct all advertising and marketing programs financed by the Marketing Fund, with sole discretion over the creative concepts and materials used, and the geographic, market and media placement and allocation of the advertising and marketing. The Marketing Fund may be used to pay the costs of administering advertising and marketing programs, including purchasing television, radio, magazine, billboard, newspaper, online and other media advertising, market research costs, production costs, employing advertising agencies, graphic designers, or other third parties to assist us in formulating, developing, producing and conducting such advertising programs, and any other marketing, advertising or promotional activities that we deem appropriate.

We may at any time reduce, terminate or suspend the Marketing Fund (and thereafter reinstate, subject to the terms of the Franchise Agreement). If we terminate the Marketing Fund, we will continue to spend all unspent monies in accordance with the Franchise Agreement, until such amounts are exhausted.

The Marketing Fund will be accounted for separately from all other funds of ours and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs and overhead we may incur in activities reasonably related to the administration of the Marketing Fund and its advertising programs. An unaudited report of monies collected and costs incurred by the Marketing Fund will be prepared annually by us and will be made available for inspection upon request. We may have the Marketing Fund incorporated or operated through a separate entity anytime we deem appropriate, and the successor entity will have all of the rights and duties specified in the Franchise Agreement.

You acknowledge that the Marketing Fund is intended to maximize general public recognition of the Marks and the MODE System for the benefit of all MODE Stores. We are not required to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to contributions made to the Marketing Fund by any contributor in that geographic area or that any contributor will benefit directly or in proportion to its contributions to the Marketing Fund from the conduct of marketing programs or the placement of advertising. Except as expressly provided in the Franchise Agreement, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Marketing Fund. The Marketing Fund is not our asset. Although the Marketing Fund is not a trust, we will hold all contributions to the Marketing Fund for the benefit of the contributors and use contributions only for the purposes described in the Franchise Agreement. We do not have any fiduciary obligation for administering the Marketing Fund. The Marketing Fund may spend in any fiscal year more or less than the total contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use.

During the fiscal year ending December 31, 2016, the Marketing Fund spent 58% of its income on media production, 32% on media placement, 5% on administrative expenses, and 5% on other miscellaneous expenses related to the Marketing Fund. No portion of the Marketing Fund was used principally to solicit new franchisees.

Special Orders. Special order items, such as event specific banners or other advertising or promotional materials unique to a particular location or event organized by you, may be provided by us upon your request. Any special order items or other custom items outside of those provided to all franchisees through use of the Marketing Fund will be supplied for an additional fee, to be determined on a case by case basis.

Local Advertising Cooperative. We or our affiliates or designees may establish or direct the establishment of a local advertising cooperative in geographical areas (as determined by us) in which 2 or more MODE Stores are operating. We will approve all terms and conditions for the operation and administration of the local advertising cooperative at the time it is established. We may change, dissolve, merge and reinstate any local advertising cooperative. If we establish a local advertising cooperative in your geographic area, you must participate and contribute your share to such local advertising cooperative. subject to the Aggregate Marketing Cap. Currently, we have not established any local advertising cooperatives.

Aggregate Marketing Cap. The aggregate amount you are required to spend on local marketing and contribute to the Marketing Fund and any local advertising cooperative will not exceed 5% of your Store's Gross Sales on a monthly basis (the "Aggregate Marketing Cap").

Social Media and Websites

We may establish, acquire, or host any website to advertise, market, and promote the MODE System, Marks or MODE Stores, the products and services that they offer and sell, a MODE Store franchise opportunity, or that offers or sells merchandise through online retail of any kind (including products that are the same or similar to those offered at MODE Stores) (a "Franchisor Website"). We have full control of the contents and specifications of all Franchisor Websites, including any webpage or content dedicated to your Store. We will own all intellectual property and other rights in all Franchisor Websites, (including the domain name, any associated URL or email address, any website analytical data, and any personal or business data that visitors supply). We may use the Marketing Fund's monies to develop, maintain and update any Franchisor Website.

We have the sole right to sell the products sold by MODE Stores on the internet. You and your owners may not to offer or sell any products or services to customers through the internet or through any alternative channels of distribution.

We may require you to obtain from us and use an email address associated with our registered domain name. If we require you to obtain and use such an email address, you must do so according to our then-current terms and conditions. We may charge a fee for each email address provided to you (currently, \$70 to \$120 per year per email address).

Neither you nor your owners may develop, maintain or authorize any website, domain name, email address, other online presence that mentions your Store, links to any Franchisor Website or displays any of the Marks, or engage in any promotional or similar activities, whether directly or indirectly, through or on the internet, or on any other online presence, including social networking websites, without our prior approval. If we approve the use of any such online presence, you must manage such presences, including the posting of messages on any website related to your Store or on other websites, only in accordance with our guidelines. We may require you to obtain our approval of any message you compose for a social networking website or comments for any other website before you posts such message or comments.

Advisory Councils

We do not have a franchisee advisory council that advises us on advertising policies, though we may to establish such a council in the future.

Computer System

You will be required to purchase a computer system from us (or our designated vendor), and install such computer system before the Store opens for business. Currently, the computer system is comprised of the Springboard POS System (including, point-of-sale cash tills, iPads, and one back office desktop computer and printer) and QuickBooks accounting software.

We estimate that the Springboard POS System will cost between \$7,500 to \$16,000 to acquire and install. Additionally, you must spend an additional \$1,000 on training for the QuickBooks software. You must also pay for certain monthly software and other service subscriptions. Currently, we estimate the cost of such subscriptions to be approximately \$199

per month for the Springboard POS System, and \$49 per month for QuickBooks software subscriptions. We may periodically modify specifications for and components of the computer system as part of our updates to system standards, including by requiring you to incur additional subscription fees for management, tracking, and other software. We currently estimate the annual cost of maintenance, updating, upgrading and support for the computer system will be \$200 to \$400.

We will have access to the Store's computer system at all times (including login access to all software and hardware systems) and we have the right to collect and retain from that computer system any and all data concerning your accounting, recordkeeping, customer data, sales data, and other information in connection with the Store. We may also be the primary account holder or administrator on any software, subscription-based or other components of the computer system, which may give us the ability and right to alter such programs, limit your access and subscription rights, centrally bill for such services and invoice you for a portion of such invoice, or otherwise control those programs.

You have sole and complete responsibility for the operation, maintenance, and upgrading of the computer system, and any consequences if the computer system is not properly operated, maintained and upgraded.

ITEM 12 **TERRITORY**

Except as set forth in this Item 12, 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.

Buffer Area

As long as you are not in default of the Franchise Agreement (or any other agreement with us or our affiliates), we will not operate, or grant anyone else the right to operate a MODE Store within four miles of the Premises ("buffer area"). This conditional grant of a buffer area does not in any way grant or imply any other area, market or territorial right to you, and does not provide you any right of first refusal or other right to acquire or operate any other MODE Stores, including within the buffer area. Subject to this limited grant of a buffer area or any applicable Exclusive Territory (as defined below), we retain the right, and without granting any rights to you, to operate and grant other franchises for the operation of MODE Stores at such locations as we deem appropriate.

Except as provided in above regarding your buffer area (and any Exclusive Territory granted in the Exclusive Territory Rider, as described further below), your rights under the Franchise Agreement are non-exclusive and we retain all right to engage in any and all activities that we desire, at any time or place, and whether or not these activities may compete with your Store, including the right to (i) establish and operate, and grant to others the right to establish and operate MODE Stores the physical premises of which are located outside the buffer area on any terms and conditions we deem appropriate, (ii) sell, promote, advertise, distribute, offer and provide any goods or services to any customers we desire (wherever located or operating, including within the buffer area) and by any means, including by providing products through the internet or any other form of electronic commerce, (iii) establish any other business, or grant any person the right to establish any business, using any marks other than the Marks (wherever located or operating, including within the buffer area) including a competitive business or

business offering similar products or services as a MODE Store, or (iv) acquire or be acquired by any business, including a competitive business, even if it operates within the buffer area. We are not required to pay you if we exercise any of the rights specified above.

You may operate your Store exclusively at the Premises. You may not offer any services or sell any products, or otherwise operate the Store or your franchise for the Store, at any location other than the Premises without our prior written consent, including through any internet presence or other alternative channel of distribution.

You must obtain our approval before moving to a new location. You must obtain our approval before moving to a new location. Our determination to approve or disapprove any relocation will be based on various criteria, including our approval of the proposed new site and lease (see Item 11), the terms of your existing lease, the reason for the relocation, the timing of the proposed relocation, the impact of the relocation on the business operations of your Store and the other MODE Stores in your area, and other factors we deem appropriate to such decision. If your lease for the Premises expires or is terminated without fault on your part, or if the Store is destroyed, condemned, or otherwise rendered unusable, we will allow you to relocate the Store to a new site acceptable to us, so long as the new site is developed in accordance with our then-current specifications, and you are otherwise in compliance with the terms of your Franchise Agreement (and all other agreements with us or our affiliates). Relocation will be at your sole expense, and we may charge you for the reasonable costs that we incur in connection with any Store relocation.

We may terminate your Franchise Agreement, and you will therefore lose all your territorial protections, if you do not meet a minimum Gross Sales amount (the “Gross Sales Minimum”). Currently, the Gross Sales Minimum is \$16.67 per month. We may annually increase the Gross Sales Minimum based on the consumer price index, though we have no obligation to decrease the Gross Sales Minimum if the consumer price index decreases.

Exclusive Territory Rider

At the time you sign your Franchise Agreement governing the ownership and operation of your first MODE Store, you will have the option of entering into an Exclusive Territory Rider with us to protect your rights and abilities to open subsequent MODE Stores within specified territories (“Exclusive Territories”). As set forth in Item 5, you must pay an Exclusive Territory Fee equal to \$15,000 per MODE Store that you would develop, which will be applied to the Initial Franchise Fee for such MODE Store. To develop each additional MODE Store, you must execute our then-current form of Franchise Agreement governing the ownership and operation of each MODE Store that you wish to acquire and develop, no later than the expiration date set forth in the Exclusive Territory Rider for such MODE Store, and all related documents, including without limitation, personal guarantees by your owners, any or all of the terms of which may differ substantially from the terms contained in the initial Franchise Agreement between you and us to which the Exclusive Territory Rider is attached.

Provided you are in full compliance with the Exclusive Territory Rider and all Franchise Agreements with us, we will not operate or authorize any other party to operate a MODE Store with a physical premises located within any Exclusive Territory. Except for such rights in the Exclusive Territory (or in any buffer area, as described above), we may exercise any and all of the rights that we reserve in the Franchise Agreements in any Exclusive Territories.

The Exclusive Territory Rider will automatically terminate at the time that any Franchise Agreement between MODE and Franchisee is terminated for any reason. Additionally, we may also terminate the Exclusive Territory Rider, entirely or with respect to a particular Exclusive Territory: (i) immediately upon notice to you, if any MODE Store you operate fails to achieve Gross Sales per calendar month of an amount at least equal to the Gross Sales Minimum (as defined in the applicable Franchise Agreement, currently \$16.67 multiplied by the total square feet of the Premises) for any three (3) consecutive calendar months, or (ii) upon 60 days' prior written notice to you, if we at any time determine it would not be in the best interests of the MODE System to open a MODE Store in that Exclusive Territory. In the case of subsection (ii) of the preceding sentence only, we will provide a full refund of the Exclusive Territory Fee attributable to such terminated Exclusive Territories; provided that you and your owners execute the documents we then require in connection with a termination, including a general release of claims against us and our affiliates.

ITEM 13
TRADEMARKS

Under the Franchise Agreement, we will grant you a non-exclusive license to use the Marks and the MODE System to operate the Store. You must use the Marks and the MODE System only in accordance with the terms of the Franchise Agreement, and our standards and specifications set forth in the Operations Manual. You must use the Marks as the sole identification of your Store, provided that you will be identified as the independent owner of your Store in the manner prescribed by us. You may not use any Mark as part of any corporate or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to you under the Franchise Agreement), or in any modified form, nor may you use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by us. You must prominently display the Marks in the manner prescribed by us, give such notices of trade and service mark registrations as MODE specifies, and obtain such fictitious or assumed name registrations as we may require or may be required under applicable law.

We have registered or applied to register the below trademarks on the United States Patent and Trademark Office Principal Register:

Registered Mark	Application Date	Registration Date	Registration Number
MODE	November 20, 2013	July 22, 2014	4571482
MODE DESIGNER FASHION CLOSEOUT PRICES (and design)	June 25, 2009	September 7, 2010	3846263
HOME OF THE \$40 DESIGNER JEAN	November 20, 2013	August 5, 2014	4579187

There is presently no effective determination of the United States 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 or any pending material litigation involving our principal Marks. Except as described in Item 3, we know of no superior prior rights or infringing uses that could materially affect your use of the Marks in any state. There are no agreements currently in effect which significantly limit our right to use or license the use of the Marks in any manner material to your franchise. All required affidavits of use will be filed in a timely manner.

If we determine that it is advisable for us and/or you to modify or discontinue use of any Mark for any reason, and/or use one or more additional or substitute trade or service marks, you must comply within a reasonable time after notice from us.

We will control the manner and extent in which any of the Marks are used in social media, including but not limited to Facebook, Twitter, private or store-based blogs and any other websites or applications used for social networking purposes. The Marks may only be used in and through social media to the extent permitted by us. You must request and receive permission from us prior to any of the Marks being used in this manner.

You must immediately notify us of any actual or apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark, and you may not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We have the right to take any action as we deem appropriate in connection with the Marks, and the right to exclusively control any litigation or Patent and Trademark Office or other proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark and you must execute any and all instruments and documents, render such assistance and do such acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interests in any such litigation or Patent and Trademark Office or other proceeding or to otherwise protect and maintain our interests in the Marks.

We will indemnify you against and to reimburse you for all damages for which you are held liable in any proceeding disputing your authorized use of any Mark, pursuant to and in compliance with the Franchise Agreement, and for all costs reasonably incurred by you in the defense of any such claim or in any such proceeding in which you are named as a party, provided that you have timely notified us of such claim or proceeding, have complied with our directions in responding to the claim or proceeding, and have otherwise complied with your Franchise Agreement. At our option, we may defend and control the defense of any proceeding arising from or relating to your use of any Mark.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents that are material to the franchise. We have not filed any patent applications that are material to the franchise.

We own copyrights in all works we have authored or have commissioned others to prepare as works made for hire, including our Operations Manual and other manuals, advertising material, training material, computer programs, musical jingles, photographs, logos, menus, and related items used by us or our franchisees in operating a MODE Store. Although we have not filed an application for a copyright registration of those items, copyright registration is not a prerequisite to copyright protection and we claim a copyright in those items and the information

is proprietary. You may use these items only as we specify while operating your Store (and must stop using them if we so direct you).

There are currently no effective determinations of the United States Copyright Office or any court regarding the copyrights listed above. There are no agreements currently in effect which limit our rights to use or license the use of the copyrights. We know of no superior rights in the United States or infringing uses of any copyright that could materially affect your use of the copyrights. We need not protect or defend our copyrights, although we intend to do so if we determine that it is in the MODE System's best interests. We need not participate in your defense nor indemnify you for damages or expenses in a proceeding involving a copyright.

Our Operations Manual and other materials we provide to you contain our proprietary and confidential information, some of which constitutes trade secrets under applicable law, including information about the methods and operating procedures of MODE Stores, the MODE System, the Operations Manual, market research, marketing and advertising strategies, training materials, customer information, and other information designated as confidential by us (the "Confidential Information"). You will not acquire any interest in the Confidential Information other than the right to utilize it in the operation of your Store during the term of the Franchise Agreement. All Confidential Information loaned or otherwise made available to you and all disclosures made to you by us are communicated and made available confidentially and as trade secrets. Upon our request, you and your owners and employees must sign nondisclosure, confidentiality and noncompetition agreements in the form required by us, but such agreement will not relieve you of any obligations under the Franchise Agreement, and you are directly liable to us for any disclosure of any Confidential Information by any direct or indirect, employee, representative, owner, or agent of yours.

You and your owners must not to disclose any Confidential Information, and must adopt and implement procedures to prevent the unauthorized use or disclosure of Confidential Information. You and your owners may not to sell or otherwise profit in any way from the Confidential Information, except in accordance with the Franchise Agreement.

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

You must tell us immediately if you learn about an infringement of the copyrights or challenge to our use of the copyrights. We have exclusive rights to take action we deem appropriate in response to any infringement or challenge. We have the right to modify or discontinue the use of all materials discussed above and otherwise used in the MODE System.

We have no obligation to defend you against or indemnify you for any damages, costs or expenses you incur relating to any claims disputing your use of any copyrighted works or otherwise to protect any copyrighted works.

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

It is a basic business policy of MODE that we require franchisees to live in the locality of their MODE Store, own an equity interest in their MODE Store and its profits, and work full-time at their MODE Store. In signing the Franchise Agreement, you must represent, warrant and agree that the owners you identify will actually own the complete equity interest in the franchise and its profits, that they will retain such interest in the franchise and the profits during the term of the Franchise Agreement except only as permitted pursuant to the Franchise Agreement.

You must designate one owner that is a natural person owning no less than a 51% equity interest in the franchisee entity to undergo the training program and dedicate himself or herself full-time to management of your Store, and to be the key contact with us in all matters concerning the franchise relationship (“Designated Owner”). We must approve the person who will act as your Designated Owner. Your Store must at all times be under the direct, on-premises supervision of you (or your Designated Owner). You must keep us informed at all times of the identity of any employee(s) acting as regular manager(s) of your Store. You must at all times to faithfully, honestly and diligently perform the obligations under the Franchise Agreement, to continuously exert your best efforts to promote and enhance the business of your Store and not to engage in any activity that will conflict with the obligations under the Franchise Agreement.

You must hire all employees of your Store, and you will be exclusively responsible for the terms of their employment and compensation and for the proper training of such employees in the operation of your Store. You must maintain at all times a staff of trained employees sufficient to operate your Store in compliance with our standards and specifications.

All of your owners, current or future, must provide us with a personal guarantee in the form attached as Exhibit B of the Franchise Agreement, to guarantee all of your obligations to us under the Franchise Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must sell or offer for sale all of the products and services we require, in the manner and style we require. You may offer and sell only those products and services that we have approved and expressly authorized in the Operations Manual or otherwise in writing. You must discontinue selling and offering for sale any products or services for which we revoke our approval or which are otherwise unauthorized immediately upon notice from us. We have the right to change the authorized products and services and their respective standards, specifications and requirements at any time. There is no limit on our right to make these changes.

You must maintain inventory levels in your Store in the minimum amounts prescribed by us. If you fail to maintain required inventory levels, we may ship to you the inventory we determine necessary and you must accept all shipments and pay for of all such inventory on the invoiced terms. The MODE System operates on the outlet store model, we therefore do not guarantee any particular brands, sizes, or styles in inventory, and you must accept the inventory that we dictate. In the event that any inventory is not accepted by you upon delivery at your Store, or is returned to us or redirected to any other location, for any reason, you must pay us a

restocking fee equal to 20% of the invoiced cost of such inventory. You must strictly comply with all requirements we may dictate regarding the purchase, supply, inventory and sale of merchandise.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN AGREEMENT	SUMMARY
a. Length of the franchise term	1.B	10 years
b. Renewal or extension of term	12.A	1 renewal term of 10 years, if you meet certain requirements.
c. Requirements for Franchisee to renew or extend	12.B and 12.C	You must give notice no more than 18 months and no less than one year before the Franchise Agreement expires, and (i) we must elect to continue operation of your Store at its current location, (ii) you substantially complied with the Franchise Agreement throughout the term, (iii) you refurbish, decorate, or otherwise modify your Store to comply with our then-current standards, (iv) you maintain possession of your location for the renewal term, (v) you sign our then-current form of Franchise Agreement, (vi) you pay the renewal franchise fee, and (vii) you sign (if state law allows) general releases and other ancillary agreements.
d. Termination by Franchisee	13.A	You may terminate the Franchise Agreement if we materially breach the Franchise Agreement, cannot show evidence of an effort to correct the breach within a reasonable time, and fail to cure the breach within 30 days after notice.
e. Termination by Franchisor without cause	None	We may not terminate the Franchise Agreement without cause.
f. Termination by Franchisor with “cause”	13.B and 13.C	We may terminate the Franchise Agreement if you commit one of several violations.

PROVISION	SECTION IN AGREEMENT	SUMMARY
g. "Cause" defined -- curable defaults	13.C	You have 48 hours to cure a failure to maintain your Store in a good, clean manner in compliance with our standards; 7 days to cure a failure to pay the Continuing Royalty or other fees; 7 days to cure a failure to make advertising and promotional payments; 10 days to cure any failure to comply with applicable law, regulation, ordinance or consent decree, or to maintain any bond, license, or permit; or you otherwise fail to comply with the Franchise Agreement and do not cure such failure within 30 days.
h. "Cause" defined -- defaults which cannot be cured	13.B	Non-curable defaults include failure to secure site, sign lease, or open the Store by agreed deadlines; unauthorized transfer; premature termination of lease; failure to open Store for 2 or more consecutive days; material misrepresentation or omission; conviction or guilty/no contest plea to felony, or other crime likely to adversely affect the MODE System; poor public conduct reflecting materially and unfavorably on the MODE System; unauthorized assignment; acquiring interest in conflicting business; disparage or interfere with the MODE System; breach of confidentiality; improper use of the Marks; sale of unauthorized merchandise; failure on 2 or more occasions within 12 month period to timely submit reports or pay royalty fees or other amounts due; create or allow a health or safety concern to customers or employees; intentional understatement of Gross Sales; denial of our right to inspect; failure to pay undisputed invoices from suppliers including landlord; failure to make required advertising and marketing payments; bankruptcy or insolvency; failure to achieve Gross Sales minimum for any three consecutive calendar months.
i. Franchisee's obligations on termination/non-renewal	14	You must pay all amounts due within 15 days; pay us lost revenue damages if we terminate you, or you terminate without cause; complete de-identification, including removal of signs and Marks; cease using the Marks and Franchise System; cancel all fictitious or assumed name registrations relating to the Mark; notify telephone company of termination of rights to use telephone number and transfer number to our designee; cease operation and cancel any rights or accounts of any website or online presence related to the Store or Marks; comply with confidentiality requirements; return all copies of the Operations Manual within 7 days and other confidential materials; and at our option, sell or assign to us your rights in the Premises and the assets used in the business; give notice of compliance with all obligations upon termination.

PROVISION	SECTION IN AGREEMENT	SUMMARY
j. Assignment of contract by Franchisor	11	There is no restriction on our right to assign.
k. "Transfer" by Franchisee – defined	11	A transfer includes voluntary, involuntary, direct or indirect assignment, sale, subdivision, sub-franchise or transfer of capital stock or partnership interests, merger or consolidation, by issuance of additional securities representing an ownership interest in you, death, by will, trust, or the laws of intestate succession, by divorce, insolvency, foreclosure or operation of law, or by encumbrance or lien.
l. Franchisor's approval of transfer by Franchisee	11	You may not transfer the Franchise Agreement without our prior written approval.
m. Conditions for Franchisor's approval of transfer	11	You are in full compliance with the Franchise Agreement; the transferee is of good moral character with sufficient business experience and financial resources (in our opinion); all amounts you owe us are due and paid; transferee completes the training program; transferee signs our then-current Franchise Agreement; you or transferee has paid a training and transfer fee equal to 20% of the initial franchise fee payable under the then current standard franchise agreement; you execute a general release; we approve the terms and conditions of such assignment; you are in compliance with each noncompetition covenant; all obligations of the transferee to make installment payments of the purchase price or interest on it to you are subordinate to the obligations of the transferee to make payments to us; the landlord of location allows you to transfer the lease to the transferee; and you give us any or all other documents and evidence of transfer, and you and the transferee reasonably cooperate with us.
n. Franchisor's right of first refusal to acquire your business	11.F	We retain the right to match bona fide offers within 30 days.
o. Franchisor's option to purchase Franchisee's business	14.F	We may purchase your Store at fair market value upon the termination or expiration of the Franchise Agreement. We may exercise this right by giving you written notice of our election within 30 days after the termination or expiration.

PROVISION	SECTION IN AGREEMENT	SUMMARY
p. Death or disability of Franchisee	11.E	Upon you (or your Designated Owner's), death or disability, an executor or personal representative has 12 months to transfer the interest to a third party approved by us. Pending the transfer of interest, the executor or personal representative must appoint a manager that we approve. If at any time after the death or disability, the Store is not being properly managed, we may assume your Store's management or appoint a third party to operate your Store.
q. Non-competition covenants during the term of the franchise	1.D and 1.G	You and your owners may not have any interest as an owner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any other clothing or accessories store which is offering merchandise and products similar to the merchandise and products offered by MODE.
r. Non-competition covenants after the franchise is terminated or expires	14.E	You may not have any interest as an owner, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in a competitive business within a 20-miles radius of your Store for the 2 year period following the date of termination or expiration or when you cease to conduct business pursuant to the Franchise Agreement.
s. Modification of agreement	16.K	No modification except in writing and signed by both you and us.
t. Integration/merger clause	16.K	Only the written terms of the Franchise Agreement and other related written agreements are binding (subject to state law). However, nothing in the Franchise Agreement is intended to disclaim the representations we made in the Disclosure Document that we furnished to you.
u. Dispute resolution by arbitration or mediation	16.D	We and you must arbitrate all disputes at a location in or within 50 miles of our then-current principal place of business (currently, Fargo, North Dakota) (subject to state law).
v. Choice of forum	16.E	The state or federal court closest to our then-current principal place of business (currently, Fargo, North Dakota) (subject to state law).
w. Choice of law	16.E	Except for matters relating to arbitration governed by the Federal Arbitration Act, the Lanham Act, or other federal law, the laws of the state in which the Store is located will govern the Franchise Agreement.

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote the Franchise System.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Ciara Stockeland, 5012 53rd St. S, Ste H, Fargo, ND 58104-6006, (701) 478-5858, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY FOR
YEARS 2014 to 2016¹

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised²	2014	3	6	+3
	2015	6	12	+6
	2016	12	8	-4
Company-owned³	2014	1	1	0
	2015	1	1	0
	2016	1	2	+1

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Total	2014	5	7	+2
	2015	7	12	+5
	2016	12	10	-2

1. The numbers in this table are for the fiscal years ended December 31, 2014, December 31, 2015 and December 31, 2016.

2. Since December 31, 2016, two franchised units have been terminated, therefore as of the date of this Disclosure Document there are 6 open and operating franchised units.

3. All units included in this Item 20 as company-owned are owned and operated by our affiliates.

TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO
NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE)
FOR YEARS 2014 to 2016¹

State	Year	Number of Transfers
North Dakota	2014	1
	2015	0
	2016	0
Total	2014	1
	2015	0
	2016	0

1. The numbers in this table are for the fiscal years ended December 31, 2014, December 31, 2015 and December 31, 2016.

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2014 to 2016¹

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Iowa	2014	0	0	0	0	0	0	0
	2015	0	2	0	0	0	0	2
	2016	2	0	0	0	1	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Kansas	2014	1	0	0	0	0	0	1
	2015	1	1	0	0	0	0	2
	2016	2	0	1	0	0	0	1
Minnesota	2014	0	2	0	0	0	0	2
	2015	2	1	0	1 ²	0	0	2
	2016	2	0	1	0	0	0	1
North Dakota	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	1	0	0	0	0	3
South Carolina	2014	0	0	0	0	0	0	0
	2015	0	1	0	0	0	0	1
	2016	1	0	1	0	0	0	0
South Dakota	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	1	0	0	0	0	2
Total ³	2014	4	2	1	0	0	0	6
	2015	6	5	0	1	0	0	10
	2016	10	2	3	0	1	0	8

1. The numbers in this table are for the fiscal years ended December 31, 2014, December 31, 2015 and December 31, 2016.

2. This unit was a pop-up MODE Store that was operated for a limited time only.

3. Since December 31, 2016, two franchised units have been terminated. As a result, there are 6 open and operating franchised units as of the issuance date of this Disclosure Document.

**TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2014 to 2016¹**

State	Year	Company-Owned Outlets at Start of Year	Company-Owned Outlets Opened	Company-Owned Outlets Reacquired from Franchisee	Company-Owned Outlets Closed	Company-Owned Outlets Sold to Franchisee	Company-Owned Outlets at End of Year
Iowa	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	1	0	0	1

State	Year	Company-Owned Outlets at Start of Year	Company-Owned Outlets Opened	Company-Owned Outlets Reacquired from Franchisee	Company-Owned Outlets Closed	Company-Owned Outlets Sold to Franchisee	Company-Owned Outlets at End of Year
North Dakota	2014	1	0	0	0	0	1
	2015	1	0	0	0	0	1
	2016	1	0	0	0	0	1
Totals ²	2014	1	0	0	0	0	1
	2015	1	0	0	0	0	1
	2016	1	0	1	0	0	2

1. The numbers in this table are for the fiscal years ended December 31, 2014, December 31, 2015 and December 31, 2016.

2. All units included in this Item 20 as company-owned are owned and operated by our affiliates.

**TABLE NO. 5
PROJECTED OPENINGS
AS OF DECEMBER 31, 2016, PROJECTED OPENINGS FOR 2017**

State	Franchise Agreements Signed But Not Opened	Projected New Franchised Businesses	Projected New Affiliate-Owned Franchised Businesses
Arizona	0	0	0
Iowa	0	1	0
Minnesota	0	1	0
Nebraska	0	1	0
Nevada	0	1	0
North Dakota	0	1	0
Texas	0	1	0
Total	0	6	0

The names, address and telephone numbers associated with all franchised outlets as of December 31, 2016 are listed as follows:

	Name	Street Address	City	State	Zip	Phone
1.	DR's Company, LLC	1394 Twixt Town Rd. Ste. 1394	Marion	IA	52302	319-826-6552
2.	Team Durham Enterprises, Inc.*	2431 Greenwich Rd. Ste. 107	Wichita	KS	67226	316-719-3693

	Name	Street Address	City	State	Zip	Phone
3.	RPM Boutique, LLC*	8320 City Centre Dr. Ste. F	Woodbury	MN	55125	651-348-8483
4.	Birst and Carlson Holdings, Inc.	545 S 7 th Street	Bismarck	ND	58504	701-751-4840
5.	Kay A Derry LLC	801 42 nd St. Ste. B	Grand Forks	ND	58201	701-757-4277
6.	MODE Williston 114	125 Main Street, Unit C	Williston	ND	58801	701-744-6576
7.	MODE Rapid City 113	1745 Eglin St., Ste 440	Rapid City	SD	57701	605-791-1001
8.	To the Moon and Back	5015 S Western Ave Suite 170	Sioux Falls	SD	57108	605-334-6633

* These franchises have been terminated as of the date of this Disclosure Document.

The following is a list of franchisees that exited the MODE System in our 2016 fiscal year, or who have not communicated with us in the 10 weeks preceding this Disclosure Document:

	Name	Street Address	City	State	Zip	Phone
1.	Hilltop 6	6741 W 135 th St Suite A-65	Overland Park	KS	66223	785-248-1527
2.	RPM Boutique LLC	2113 Snelling Ave	Roseville	MN	55113	651-888-6531
3.	MODE MP, LLC	976 Houston Northcutt Ste. M	Mt. Pleasant	SC	29464	843-284-8977
4.	Leeds Project, LLC*	5001 Sergeant Rd. #265	Sioux City	IA	51106	712-522-6191
5.	Team Durham Enterprises, Inc.	2431 Greenwich Rd. Ste. 107	Wichita	KS	67226	316-719-3693
6.	RPM Boutique, LLC	8320 City Centre Dr. Ste. F	Woodbury	MN	55125	651-348-8483

* This franchise was reacquired by our affiliate, and is now operated as an affiliate-owned outlet.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. During our last 3 fiscal years, some of our franchisees have signed confidentiality clauses. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There is no trademark-specific franchisee organization associated with the MODE franchise system being offered at this time.

ITEM 21
FINANCIAL STATEMENTS

Exhibit C contains the following financial statements: (i) our audited balance sheets as of December 31, 2016, December 31, 2015, and December 31, 2014, and (ii) our audited statements of operations, changes in stockholders' equity, and cash flows for the fiscal years ended December 31, 2016, December 31, 2015, and December 31, 2014.

Our fiscal year ends on December 31 each year.

ITEM 22
CONTRACTS

The following contracts are attached as exhibits to this Disclosure Document:

- Exhibit B Franchise Agreement
- Exhibit E Representations and Acknowledgements Statement
- Exhibit F State Addenda and Agreement Riders

ITEM 23
RECEIPTS

Two copies of a Receipt are attached as the last two pages of this Disclosure Document as Exhibit G. Please return one to us and keep the other for your records.

EXHIBIT A

STATE AGENCIES AND AGENTS FOR SERVICE OF PROCESS

EXHIBIT "A"

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws in which we intend to pursue registration. We may not yet be registered to sell franchises in any or all of these states.

ILLINOIS

Franchise Bureau
Office of the Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

(Agent for Service of Process)

Securities Director
Securities Division
Office of the Attorney General
500 South Second Street
Springfield, Illinois 62706

MINNESOTA

Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
Telephone: (651) 539-1600
Email: commerce.commissioner@state.mn.us

(Agent for Service of Process)

Commissioner of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
Telephone: (651) 539-1600
Email: commerce.commissioner@state.mn.us

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol - Fifth Floor
Bismarck, North Dakota 58505
Telephone: (701) 328-4712
In-State Toll Free: 1.800.297.5124
Email: ndsecurities@nd.gov

OREGON

Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4387

SOUTH DAKOTA

Department of Labor and Regulation
Division of Securities
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
Telephone: (605) 773-4823

WISCONSIN

Securities and Franchise Registration
Wisconsin Securities Commission
345 West Washington Avenue, 4th Floor
Madison, Wisconsin 53703
(608) 266-3431

EXHIBIT B

FRANCHISE AGREEMENT

MAMA MIA, INC.,
a North Dakota corporation,
doing business as "MODE",
FRANCHISE AGREEMENT

FRANCHISEE

DATE OF AGREEMENT

STORE ADDRESS

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EXHIBITS

- Exhibit A Ownership Schedule
- Exhibit B Personal Guarantee
- Exhibit C Exclusive Territory Agreement
- Exhibit D Lease Addendum
- Exhibit E ACH Transfer Authorization

FRANCHISE AGREEMENT

This Franchise Agreement is entered into as of the ____ day of _____, 20__, for the operation of a MODE Store located at the Premises by and between:

MAMA MIA, INC.,

a North Dakota corporation,
doing business as MODE,
("MODE")

and

(collectively "Franchisee").

RECITALS

A. MODE owns proprietary know-how relating to, and has created, designed, developed and operates (and continues to develop and modify) a system of retail clothing and accessories stores, utilizing distinctive procedures and methods of operation. This proprietary know-how, along with the distinctive methods, formats, systems, procedures and designs shall be referred to hereinafter as the "MODE System."

B. MODE owns all rights to, interests in and goodwill of, and uses, promotes and licenses certain proprietary trade and service marks used to identify MODE Stores, including "MODE", "MODE DESIGNER FASHION CLOSEOUT PRICES", and "Home of the \$40 Designer Jeans", and may from time to time modify or improve such trade and service marks, or develop new trade and service marks (together, collectively with all future names, marks, ancillary signs, symbols, or other indicia, and the goodwill attached thereto, the "Marks"). MODE grants to persons who meet MODE's qualifications and are willing to undertake the investment and effort to establish and develop a MODE Store, franchises to operate a MODE Store offering the products authorized and approved by MODE and utilizing the MODE System and the Marks.

C. Franchisee has examined and fully considered a Franchise Disclosure Document that MODE has presented to Franchisee. Franchisee acknowledges that MODE has made no projections of costs or revenues of such a business, other than those expressly contained in the Franchise Disclosure Document, and that MODE has advised Franchisee to seek the counsel of independent professionals respecting the terms and conditions of this Agreement. Franchisee has independently and carefully assessed the risks of undertaking the business franchised under this Agreement, and has developed its own projections of the costs and possible revenues of such a business. Franchisee recognizes that it involves business risks and that the success of the venture is largely dependent upon the business abilities and efforts of Franchisee. MODE expressly disclaims the making of, and Franchisee acknowledges not having received or relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement. MODE expressly disclaims the making of, and

Franchisee acknowledges not having received or relied upon, any representation by MODE, or its officers, directors, shareholders, employees or agents that are contrary to the statements made in MODE's Franchise Disclosure Document or to the terms in this Agreement.

D. Franchisee has investigated and become familiar with the MODE System, and desires upon terms and conditions set forth herein to acquire a franchise for a MODE Store according to this Agreement, using the MODE System and Marks. MODE is willing to grant such franchise to Franchisee upon terms and conditions set forth in this Agreement.

NOW, THEREFORE, MODE and Franchisee agree as follows:

DEFINITIONS:

"Affiliate" shall mean any corporation, limited liability company, or other entity, now or in the future, through one or more intermediaries, in control of, controlled by or under common control with the Franchisor. For purposes of this definition, "control" shall be deemed to exist with respect to any entity in which the Franchisor or its Affiliate owns an equity interest of greater than fifty percent.

"Agreement" shall mean this Franchise Agreement between MODE and Franchisee and all exhibits, schedules and addenda hereto, as amended from time to time, including the Operations Manual.

"Designated Owner" have the meanings stated in Section 5.G of this Agreement.

"Franchise" means the franchise granted by MODE to Franchisee under this Agreement to operate a MODE Store at the Premises.

"Franchisee" shall include the individual or entity designated as "Franchisee" in the heading of this Agreement.

"Franchisor" or "MODE" shall mean Mama Mia, Inc., d/b/a MODE.

"Marks" has the meanings stated in Recital B of this Agreement.

"Gross Sales" shall mean all revenue of the Store or the Franchise (whether conducted at the Premises or away from the Premises), excluding all taxes collected for these sales and paid to the appropriate federal state or municipal government taxing authority by Franchisee. Gross Sales include all sales whether such sales be evidenced by check, cash, credit card, charge account, exchange, barter or otherwise and shall include tangible property of every kind and nature, promotional or otherwise and for services performed from or at the Store, together will the amount of all orders taken or received at the Store, whether such orders be filled from the Store or elsewhere. Gross Sales shall not include the sales of merchandise for which cash has been refunded, provided that such sales have previously been included in Gross Sales. There shall be deducted from Gross Sales the price of merchandise returned by customers for exchange, provided that such returned merchandise shall have been previously included in Gross

Sales. Gross Sales includes the proceeds of any business interruption insurance or similar insurance. Additionally, if MODE authorizes or requires participation in online group-bought deals, gift certificate and/or gift card programs, the payments Franchisee receives for those online group-bought deals, gift certificates or gift cards shall be included in Gross Sales in accordance with MODE's then current guidelines, which may include calculating such amounts, as either (i) the purchasing value of such the certificate, card or deal when it is redeemed, or (ii) the amount of the payment received for such certificate, card or deal at the time of its sale.

“Gross Sales Minimum” means, as of the date of this Agreement, the monthly amount equal to \$16.67 multiplied by the total square feet of the Premises. This amount may be modified from time to time in accordance with Section 5.H.

“Operations Manual” shall mean MODE's manual for the operation of MODE Stores, which may include one or more separate documents in loose-leaf or other form, as well as audiotapes, videotapes, compact discs, computer software, information available on an internet site, other electronic media, bulletins and/or other written materials. Any letter, bulletin or other thing in writing delivered by MODE to Franchisee containing instructions, directives, requirements or standards pertaining to the MODE System shall be deemed part of the Operations Manual, regardless of whether consistent with the format of the Operations Manual or expressly designated for inclusion in the Operations Manual. In the event of any dispute as to the contents of the Operations Manual, the terms of the master copy of the Operations Manual maintained by MODE shall be controlling.

“Owner(s)” and “Ownership” shall include all entities and individuals having any direct or indirect legal or beneficial interest in Franchisee and any legal or equitable rights relating to any such interests. A list of current Owners of Franchisee is contained on Exhibit A to this Agreement.

“Personal Guarantee” shall mean a guarantee from a Guarantor to MODE in the form set out in Exhibit B hereto.

“Guarantor” shall refer to any person or entity who guarantees to MODE the payment or performance of any of Franchisee's obligations under this Agreement.

“MODE Store” means a retail store operated pursuant to and utilizing the MODE System and Marks.

“MODE System” has the meanings stated in Recital A of this Agreement.

“Store” means the MODE Store operated by Franchisee at the Premises (defined under Section 1.A below) pursuant to this Agreement.

1. GRANT OF LICENSE AND FRANCHISEE'S UNDERTAKING

A. Franchise Grant. Subject to all the conditions of this Agreement, MODE hereby grants to Franchisee, for the term established by Paragraph B of this Section 1, a non-exclusive

franchise to operate a MODE Store at the following location: _____ (the “Premises”), employing the distinctive technique of operation, methodology, know-how, and expertise developed by MODE, and to utilize the MODE System and Marks in connection therewith. Franchisee shall have no right to sub-franchise under this Agreement. Termination of this Agreement shall constitute a termination or expiration of the Franchise. The location of the Premises (and, thus, of the Store) may not be changed without the written consent of MODE, to be given or withheld in MODE’s sole discretion. Franchisee may not offer any services or sell any products, or otherwise operate the Store or the Franchise, at any location other than the Premises without the prior written consent of MODE.

B. Franchise Term. The term of this Agreement (and, thus, of the Franchise) shall be for a term of ten (10) years, commencing on _____ and ending on _____, unless terminated prior thereto pursuant to the provisions hereof.

C. Conditional Grant of Exclusive Rights in Buffer Area. During the term of this Agreement, as long as Franchisee is not in default under this Agreement (or any other agreement with MODE or its Affiliates), MODE shall not operate, or grant anyone else the right to operate a MODE Store within four miles of the Premises (“buffer area”). This conditional grant of a buffer area does not in any way grant or imply any other area, market or territorial right to Franchisee, and does not provide Franchisee the right to operate any other MODE Stores, including within the buffer area. Subject to this limited grant of a buffer area and any applicable Exclusive Territory (as defined in the Exclusive Territory Rider, if applicable), MODE retains the right, in its sole discretion, and without granting any rights to Franchisee, to operate and grant other franchises for the operation of MODE Stores at such locations as MODE deems appropriate.

D. Exclusive Relationship. Franchisee agrees not to (and if Franchisee is an entity, each Owner of Franchisee agrees not to, and to use its best efforts to cause its immediate family members not to), during the term of the Franchise have any interest as an owner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any other clothing or accessories store which is offering merchandise and products similar to the merchandise and products offered by MODE (except other MODE Stores operated under separate franchise agreements with MODE) (a “Competitive Business”).

E. Franchisee’s Undertaking. Franchisee will conduct its franchised operation in conformity in every respect with all the provisions of this Agreement and of the Operations Manual, and will use its best efforts to make its MODE Store as productive and profitable as possible.

F. Franchisor’s Reservation of Rights. Except as provided in Section 1.C (and pursuant to any Exclusive Territory Rider entered into between Franchisor and Franchisee, attached as Exhibit C), Franchisee’s rights under this Agreement are non-exclusive and Franchisor retains all right to engage in any and all activities that Franchisor desires, at any time or place, and whether or not these activities may compete with the Store, including the right to (i) establish and operate, and grant to others the right to establish and operate MODE Stores the

physical premises of which are located outside the buffer area on any terms and conditions Franchisor deems appropriate, (ii) sell, promote, advertise, distribute, offer and provide any goods or services to any customers Franchisor desires (wherever located or operating, including within the buffer area) and by any means, including by providing products through the Internet or any other form of electronic commerce, (iii) establish any other business, or grant any person the right to establish any business, using any marks other than the Marks (wherever located or operating, including within the buffer area) including a Competitive Business or business offering similar products or services as a MODE Store, or (iv) acquire or be acquired by any business, including a Competitive Business, even if such business operates within the buffer area.

G. Non-Disparagement and Non-Interference. Franchisee agrees not to (and if Franchisee is an entity, each Owner of Franchisee agrees not to, and to use its best efforts to cause its immediate family members not to) (i) disparage or otherwise speak or write negatively, directly or indirectly, of MODE, its Affiliates, any of MODE or its Affiliates' directors, officers, employees, representatives or affiliates, the "MODE" brand, the MODE System, any MODE Store, any business using the Marks, or (ii) take any other action which would, directly or indirectly, subject the "MODE" brand to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact the goodwill of MODE or the "MODE" brand. Franchisee further agrees not to (and if Franchisee is an entity, each Owner of Franchisee agrees not to, and to use its best efforts to cause its immediate family members not to) divert or attempt to divert any actual or potential business or customers of any MODE Store to any Competitive Business, or otherwise solicit, interfere, or attempt to interfere with MODE or its Affiliates' relationships with any customers, vendors, or consultants.

2. DEVELOPMENT AND OPENING OF THE STORE

A. Right of occupancy. Franchisee will be required to lease suitable retail space for a MODE Store which has been designed and outfitted pursuant to MODE's approved plans and specifications. The location of the Premises and the form and terms of the lease agreement between Franchisee and its landlord are subject to the prior approval of MODE. The lease agreement must contain certain provisions required by MODE, pursuant to the form of lease addendum attached as Exhibit D. MODE provides two site inspections at no charge to Franchisee. For any additional inspections, Franchisee will be charged for MODE's time at the rate of \$250 per day and out-of-pocket expenses. Franchisee acknowledges and agrees that it is selecting the site and the lease based on its own independent investigation, and that no information provided by MODE, or MODE's approval, is a representation or warranty of any kind, express or implied, of the site's suitability or the leases' terms. Franchisee must secure MODE's approval of the site and lease no later than 90 days from the effective date of this Agreement.

B. Development of the Store. MODE and/or its approved designers will prepare suitable plans and specifications for the Store reflecting MODE's requirements for interior and exterior design, layout, equipment, leasehold improvements, furnishings and fixtures. Franchisee agrees that it will do or cause to be done the following with respect to development of the Store: (1) obtain all required construction and sign permits and licenses; (2) complete the

construction of all required improvements to the Premises and decorate the Premises; (3) purchase and install all fixtures, furnishings, equipment, signs, and the opening inventory and operating supplies and other materials. All site development shall be paid by Franchisee. Franchisee shall complete development of and have the Store ready to open within ninety days of the execution of this Agreement. Franchisee bears the sole responsibility to ensure that all development of the Store is conducted in accordance with all applicable ordinances, building codes, permit requirements, and lease requirements and restrictions.

C. Furnishings, fixtures, signs and equipment. Franchisee agrees to use in the development and operation of the Store only those brands, types or models of fixtures, furnishings, signs and equipment that MODE has approved as meeting its specifications and standards for quality, design, appearance and function. MODE may require Franchisee to purchase approved brands, types or models of signs, fixtures, furnishings and equipment from designated or approved suppliers, which may be MODE or its Affiliates. Franchisee further agrees to place or display at the Premises of the Store only such signs, emblems, lettering, and logos that are from time to time approved in writing by MODE. Franchisee agrees to, at its own expense, obtain and use the hardware and software that Franchisor periodically specifies. Franchisor may periodically modify specifications for and components of such required hardware and software.

D. Store opening. Franchisee shall not open the Store for business until MODE determines that it is in suitable condition, and all invoiced amounts payable by Franchisee to MODE have been satisfied in full. Franchisee agrees to open the Store for business within 10 days after such determination by MODE. MODE will prepare and furnish to Franchisee an opening advertising and promotional plan for the Store which will contain MODE's advice and guidance with respect to publicity, advertising, promotion, staffing, decoration and operation during the opening period. Franchisee must open the Store for full use by customers, and in full compliance with this Agreement and with Franchisor's approval for such opening, no later than 180 days from the effective date of this Agreement.

E. Relocation. If Franchisee's lease for the Premises expires or is terminated without Franchisee's fault, or if the Store is destroyed, condemned, or otherwise rendered unusable, Franchisor will allow Franchisee to relocate the Store to a new site acceptable to Franchisor, at Franchisor's sole discretion, so long as the new site is developed in accordance with Franchisor's then-current specifications, and Franchisee is otherwise in compliance with the terms of this Agreement (and all other agreements with MODE or its Affiliates). Relocation will be at Franchisee's sole expense, and Franchisor may charge Franchisee for the reasonable costs that Franchisor incurs in connection with any Store relocation.

3. THE MARKS

A. Ownership and goodwill of the marks. Franchisee acknowledges that MODE is the owner of the Marks, that Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of business by Franchisee pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by MODE from time to time during the term of the Franchise. Any unauthorized use

of the Marks by Franchisee shall constitute an infringement of the rights of MODE in and to the Marks. Franchisee acknowledges and agrees that all usage of the Marks by Franchisee and any goodwill established by it shall inure to the exclusive benefit of MODE and that this Agreement does not confer any goodwill or other interests in the Marks upon Franchisee (except the right to operate a MODE Store in compliance with this Agreement). All provisions of this Agreement applicable to the Marks shall apply to any additional proprietary trade and service marks and commercial symbols authorized for use by and licensed to Franchisee by MODE.

B. Limitations on Franchisee's use of the marks. Franchisee agrees to use the Marks as the sole identification of the Store, provided that Franchisee shall be identified as the independent owner of the Store in the manner prescribed by MODE. Franchisee shall not use any Mark as part of any corporate or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to Franchisee under this Agreement), or in any modified form, nor may Franchisee use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by MODE. Franchisee agrees to prominently display the Marks in the manner prescribed by MODE, give such notices of trade and service mark registrations as MODE specifies, and obtain such fictitious or assumed name registrations as may be required by MODE or under applicable law.

C. Use of the marks in social media. MODE shall control the manner and extent in which any of the Marks are used in social media, including but not limited to Facebook, Twitter, private or store-based blogs and any other websites or applications used for social networking purposes. The Marks may only be used in and through social media to the extent permitted by MODE. Franchisee must request and receive permission from MODE prior to any of the Marks being used in this manner.

D. Notification of infringements and claims. Franchisee shall immediately notify MODE of any actual or apparent infringement of or challenge to Franchisee's use of any Mark, or claim by any person of any rights in any Mark, and Franchisee shall not communicate with any person other than MODE and its counsel in connection with any such infringement, challenge or claim. MODE shall have sole discretion to take such action as it deems appropriate in connection with the Marks, and the right to exclusively control any litigation or Patent and Trademark Office or other proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark and Franchisee agrees to execute any and all instruments and documents, render such assistance and do such acts and things as may, in the opinion of MODE's counsel, be necessary or advisable to protect and maintain the interests of MODE in any such litigation or Patent and Trademark Office or other proceeding or to otherwise protect and maintain the interests of MODE in the Marks.

E. Indemnification of Franchisee. MODE agrees to indemnify Franchisee against and to reimburse Franchisee for all damages for which Franchisee is held liable in any proceeding disputing Franchisee's authorized use of any Mark, pursuant to and in compliance with this Agreement, and for all costs reasonably incurred by Franchisee in the defense of any such claim or in any such proceeding in which Franchisee is named as a party, provided that Franchisee has timely notified MODE of such claim or proceeding, has complied with

Franchisor's directions in responding to the claim or proceeding, and has otherwise complied with this Agreement. At Franchisor's option, Franchisor may defend and control the defense of any proceeding arising from or relating to Franchisee's use of any Mark.

F. Discontinuance of use of the Marks. If it becomes advisable at any time in MODE's sole discretion for MODE and/or Franchisee to modify or discontinue use of any Mark for any reason, and/or use one or more additional or substitute trade or service marks, Franchisee agrees to comply within a reasonable time after notice by MODE.

4. TRAINING AND GUIDANCE

A. Training. MODE shall furnish to Franchisee (or the Designated Owner) a training program in the operation of a MODE Store during such period as MODE designates prior to and after the opening of the Store. Franchisee (or its Designated Owner), present and future, shall be required to complete the training program to the satisfaction of MODE, prior to offering services at the Store. MODE may require that Franchisee (or its Designated Owner), present and future, attend such further training programs as MODE shall from time to time prescribe, which may be offered by MODE, its Affiliates, or any other third-parties designated or approved by MODE. The initial training programs, and certain additional mandatory training programs prescribed by MODE, will be provided at no cost to Franchisee (or its Designated Owner), however, Franchisee shall be responsible for any travel and living expenses incurred in connection with such training. Franchisee will also be responsible for the costs associated with additional training provided by MODE at Franchisee's request or upon a change in Designated Owner (at a rate of \$250 per day per person plus travel expenses). MODE shall determine, in its sole discretion, the length, schedule and content of all training provided, and the identity and composition of the persons providing such training.

. Franchisee shall hire all employees of the Store, and shall be exclusively responsible for the terms of their employment and compensation and for the proper training of such employees in the operation of the Store. Franchisee agrees to maintain at all times a staff of trained employees sufficient to operate the Store in compliance with MODE's standards.

During the term of this Franchise, Franchisee shall not, directly or indirectly, employ or attempt to employ any person who is then, or was at any time during the preceding 12 months, employed by MODE, or by any person who is at that time operating a MODE Store, or otherwise induce, directly or indirectly, such person to leave such employment, without obtaining MODE's prior written consent.

MODE may periodically advise Franchisee regarding the Store, including consultation in the areas of marketing, Store operations and customer service. MODE shall advise Franchisee from time to time of operating problems of the Store disclosed by reports submitted to or inspections made by MODE and shall furnish to Franchisee guidance in connection with methods and procedures utilized by MODE Stores. Such guidance shall, in the discretion of MODE, be furnished in the form of MODE's Operations Manual, including bulletins, other written materials, telephone consultations and/or consultations at the office of MODE or at the Store. If Franchisee requests and Franchisor agrees to provide additional or special guidance, assistance

or training, Franchisee agrees to pay Franchisor's then applicable charges, including reasonable training fees and Franchisor's personnel's per diem charges and any travel and living expenses. Any specific ongoing training, conferences, advice, or assistance that Franchisor may provide in its discretion does not create an obligation to continue providing that specific training, conference, advice, or assistance, all of which Franchisor may discontinue and modify at any time.

MODE will loan to Franchisee during the term of the Franchise one copy of the Operations Manual. The Operations Manual shall contain mandatory and suggested specifications, standards and operating procedures prescribed from time to time by MODE for MODE Stores and information relative to other obligations of Franchisee under this Agreement and the operation of a MODE Store. MODE shall have the right to add to and otherwise modify the Operations Manual from time to time to reflect changes in the image, appearance, specifications and operation of MODE Stores, provided that no such addition or modification shall alter Franchisee's fundamental status or rights under this Agreement. Franchisee shall keep the copy of the Operating Manual current and in the event of a dispute relative to the contents of the Operating Manual, the master copy maintained by MODE at its principal office shall be controlling. Franchisee will return the Operations Manual upon termination or expiration of this Agreement. MODE may post some or all of the Operations Manual on a restricted website or extranet, and Franchisee agrees to monitor and access such website or extranet for any updates to the Operations Manual.

5. STORE IMAGE AND OPERATING PROCEDURES

A. Condition and appearance of the Store. Franchisee agrees to maintain the condition and appearance of the Store consistent with the image of a MODE Store as an attractive, clean, and efficiently operated business, offering quality merchandise and efficient and courteous service. Franchisee agrees to effect such maintenance of the Store as is reasonably required from time to time to maintain such condition, appearance and efficient operation, including interior and exterior repair and cleaning of the Store premises, replacement of worn out or obsolete leasehold improvements, fixtures and signs and periodic decorating. Franchisee also has sole and complete responsibility for the operation, maintenance, and upgrading of the assets of the Store, including furniture, fixtures and the computer system, and any consequences if the such assets are not properly operated, maintained and upgraded.

B. Alterations to the Store. Franchisee shall not make any material replacements of or alterations to the Premises, leasehold improvements, layout, fixtures, furnishings, signs, equipment, or appearance of the Store as originally approved by MODE without prior written approval by MODE. Any such approved alterations shall be made solely at the expense of Franchisee.

C. Specifications, standards and procedures. Franchisee acknowledges and agrees that the appearance and operation of the Store is important to MODE and other MODE Stores, and is essential to preserving the goodwill of the Marks. Franchisee agrees to comply with all mandatory specifications, standards and operating procedures (whether contained in the Operations Manual for MODE Stores or any other written or oral communication to Franchisee)

relating to the appearance or operation of a MODE Store, including, without limitation: (1) type, brand and quality of merchandise; (2) hours and days during which the Store will be open for business; (3) the safety, maintenance, cleanliness, sanitation, function and appearance of the Store premises and its fixtures, equipment, furnishings, décor and signs; (4) required minimum quantities of certain inventory categories specified in the Operations Manual, (5) marketing and advertising campaigns and materials, (6) gift card, gift certificate and similar loyalty programs, (7) customer service and quality assurance standards, policies and programs, and (8) payment processing services.

D. Inventory. Franchisee must sell or offer for sale all of the products and services MODE requires, in the manner and style MODE requires. Franchisee may offer and sell only those products and services that MODE has approved and expressly authorized in the Operations Manual or otherwise in writing. Franchisee must discontinue selling and offering for sale any products or services for which MODE revokes its approval or which are otherwise unauthorized immediately upon notice from MODE. MODE has the right to change the authorized products and services and their respective standards, specifications and requirements at any time. There is no limit on MODE's right to make these changes. Franchisee agrees to maintain inventory in the Store in conformance with the inventory minimums proscribed by MODE from time to time. If Franchisee fails to maintain required inventory levels, MODE may ship such inventory as it reasonably determines necessary is required for Franchisee to comply with required minimum inventory levels and Franchisee agrees to accept such shipment and pay for of all such inventory on the invoiced terms. The MODE System operates on the outlet store model, MODE therefore does not guarantee any particular brands, sizes, or styles in inventory, and Franchisee must accept the inventory that MODE dictates. In the event that any inventory is not accepted by Franchisee upon delivery at the Store, or is returned to MODE or redirected to any other location, for any reason, except with the authorization of MODE, Franchisee must pay MODE a restocking fee equal to 20 percent of the invoiced cost of such inventory. MODE may designate exclusive suppliers of any inventory, which may be MODE or one of its Affiliates, and Franchisee agrees to purchase such inventory only from the supplier designated by MODE. Franchisee agrees to offer and sell at the Store only such products authorized by MODE, and only in the manner designated by MODE. Franchisee must offer and sell at the Store all products designated by MODE, and in the quantity and manner designated by MODE. Franchisee must purchase all inventory only from MODE (or its designated Affiliates) or such other vendors that MODE may from time to time designate or approve for specific merchandise inventory. Franchisee must strictly comply with all requirements MODE may dictate from time to time regarding the purchase, supply, inventory and sale of merchandise.

E. Approved brands and /or suppliers. In MODE's sole and absolute discretion, MODE may require Franchisee to purchase merchandise, supplies, or any other operating assets or services from suppliers designated or approved by MODE, which may be MODE or its Affiliates (including designating MODE or its Affiliates as the exclusive supplier of certain products or services). MODE may from time to time modify the list of approved or exclusive brands and/or suppliers, and Franchisee shall not, after receipt in writing of such modification, reorder any brand or from any supplier which is no longer approved. MODE may also revoke its approval of any product or supplier at any time if it determines that such product or supplier no longer meets MODE's standards and specifications. MODE may concentrate purchases with one

or more suppliers to obtain lower prices, advertising support and/or services for any group of MODE Stores franchised or operated by MODE or its Affiliates. Franchisee acknowledges and agrees that MODE and/or its Affiliates may derive revenue based on Franchisee's purchases, including (i) charging Franchisee for products and services MODE or its Affiliates sell or provide to Franchisee, and/or (ii) from promotional allowances, rebates, volume discounts and other payments, services or consideration received from suppliers that MODE designates or approves. MODE and/or its Affiliates may use such revenue or profit without restriction.

F. Compliance with laws and good business practices. Franchisee shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the Store and shall operate the Store in full compliance with all applicable laws, ordinances and regulations including, without limitation, all government regulations relating to occupational hazards and health, worker's compensation insurance, unemployment insurance and withholding, and payment of federal and state income taxes, social security taxes and sales taxes. Franchisee shall in all dealings with its customers, suppliers, MODE and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee agrees to refrain from any business or advertising practice which may be injurious to MODE and the goodwill associated with the Marks and other MODE Stores. Franchisee shall notify MODE in writing within 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 Franchisee or the Store.

G. Management of the Store/conflicting interests. Franchisee acknowledges that it is a basic business policy of the MODE System that MODE requires franchisees to live in the locality of their MODE Store, own an equity interest in their MODE Store and its profits, and work full-time at their MODE Store. Franchisee agrees that the Owners listed on Exhibit A to this Agreement own the complete equity interest in the Franchisee and the Franchise and its profits and will retain such interest in the Franchisee and the Franchise and the profits during the term of this Agreement except only as permitted pursuant to the terms and conditions of this Agreement. Franchisee must designate one Owner that is a natural person owning no less than a fifty-one percent (51%) equity interest in Franchisee to undergo the training program and dedicate himself or herself full-time to management of the Store, and to be the key contact with MODE in all matters concerning the franchise relationship ("Designated Owner"). MODE must approve the person who will act as a Designated Owner. The Store shall at all times be under the direct, on-premises supervision of Franchisee (or its Designated Owner). Franchisee shall keep MODE informed at all times of the identity of any employee(s) acting as regular manager(s) of the Store. Franchisee agrees at all times to faithfully, honestly and diligently perform the obligations under this Agreement, to continuously exert Franchisee's best efforts to promote and enhance the business of the Store and not to engage in any activity that will conflict with the obligations under this Agreement.

H. Gross Sales Minimum. Franchisee must achieve a Gross Sales per month in an amount no less than the Gross Sales Minimum. The Gross Sales Minimum identified in this Agreement is for the calendar year in which Franchisee executes this Agreement. MODE may annually increase the Gross Sales Minimum by the most recently published CPI. MODE has no

obligation to decrease the Gross Sales Minimum if the CPI decreases. MODE will notify Franchisee in writing on or before March 15 of each calendar year as to any changes in the Gross Sales Minimum for that calendar year.

I. Insurance. Franchisee shall at all times during the term of the Franchise maintain in force at Franchisee's sole expense, worker's compensation insurance, employment practices insurance, comprehensive general liability and excess liability insurance and all other insurance policies from time to time required by MODE, the landlord of the Premises, or by applicable law with no less than the minimum coverage amounts designated by MODE, the landlord or applicable law from time to time. All such policies shall be issued by one or more insurance carriers acceptable to MODE, shall name MODE as an additional named insured, shall contain such other endorsements and terms required by MODE, using a form of endorsement that MODE has approved, and shall provide that MODE will receive 30 days prior written notice of termination, expiration, cancellation, modification or reduction in coverage of any such policy. MODE may also designate an exclusive supplier of insurance. Upon 30 days prior notice to Franchisee, MODE may increase the minimum protection requirements as of the renewal date of any policy, and require different or additional kinds of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. Franchisee shall submit to MODE annually at the time of renewal a copy of the certificate of or other evidence of the renewal or extension of each such insurance policy. If Franchisee at any time fails or refuses to furnish satisfactory evidence of it, MODE, at its option and in addition to its other rights and remedies under this Agreement, may, but need not, obtain such insurance coverage on behalf of Franchisee, and Franchisee shall promptly execute any applications or other forms or instruments required to obtain any such insurance and pay to MODE, on demand, any costs and premiums incurred by MODE. All insurance shall be placed with a reputable insurance company licensed to do business in the state in which the Store is located.

MODE's requirements for minimum insurance coverage are not representations or warranties of any kind that such coverage is sufficient for the Store's operations. Such requirements represent only the minimum coverage that MODE deems acceptable to protect its interests. It is Franchisee's sole responsibility to obtain insurance coverage for the Store that it deems appropriate, based on Franchisee's own independent investigation. MODE is not responsible if Franchisee sustains losses that exceed its insurance coverage under any circumstances.

J. Confidential Information. Franchisee acknowledges that MODE possesses confidential information, some of which constitutes trade secrets under applicable law, including information about the methods and operating procedures of MODE Stores, the MODE System, the Operations Manual, market research, marketing and advertising strategies, training materials, customer information, and other information designated as confidential by MODE (the "Confidential Information"). Franchisee understands and acknowledges that Franchisee will not acquire any interest in the Confidential Information other than the right to utilize it in the operation of the Store during the term of the Franchise. Franchisee and its Owners agree that all Confidential Information loaned or otherwise made available to Franchisee and all disclosures made to Franchisee by MODE are communicated and made available confidentially and as trade

secrets. Upon request by MODE, Franchisee, its owners and employees must sign nondisclosure, confidentiality and noncompetition agreements in the form required by MODE, but such agreement will not relieve Franchisee of any obligations under this Agreement, and Franchisee is directly liable to MODE for any disclosure of any Confidential Information by any direct or indirect, employee, representative, Owner, or agent of Franchisee.

During and after the term of this Agreement, Franchisee and its Owners agree not to disclose any Confidential Information, and agree to adopt and implement procedures to prevent the unauthorized use or disclosure of Confidential Information. Franchisee and its Owners agree not to sell or otherwise profit in any way from the Confidential Information, except in accordance with this Agreement.

All ideas, concepts, techniques, or materials relating to a MODE Store, whether or not protectable intellectual property and whether created by or for Franchisee or its Owners or employees, must be promptly disclosed to MODE and will be MODE's sole and exclusive property, part of the MODE System, and works made-for-hire for MODE. To the extent that any item does not qualify as a "work made-for-hire" for MODE, Franchisee hereby assign ownership of that item, and all related rights to that item, to MODE and agrees to take whatever action (including signing assignment or other documents) requested by MODE to evidence ownership or to help MODE obtain intellectual property rights in the item.

Franchisee must tell MODE immediately if it learns about an infringement of MODE's rights in any Confidential Information or challenge to MODE's use of the Confidential Information. MODE has the exclusive rights to take action it deems appropriate in response to any infringement or challenge. MODE has the right to modify or discontinue the use of all Confidential Information discussed above and otherwise used in the MODE System. MODE has no obligation to defend Franchisee or its Owners against or indemnify Franchisee or its Owners for any damages, costs or expenses incurred relating to any claims disputing use of any Confidential Information or otherwise to protect any Confidential Information.

K. Information Security. Franchisee must implement all administrative, physical and technical safeguards that MODE requires to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit report information. No assistance, guidance, standards or requirements that MODE provides constitutes a representation or warranty of any kind, express or implied, that the Store is compliant with federal, state, or local privacy and data laws, codes, or regulations, or acceptable industry standards. If Franchisee becomes aware of a suspected or actual breach of security or unauthorized access involving such personal information, Franchisee must notify MODE immediately and specify the extent to which such information was compromised or disclosed.

L. Employees. Franchisee acknowledges and agrees that it is solely responsible for all decisions relating to employees, agents, and independent contractors that it may hire to assist in the operation of the Store. Franchisee agrees that any employee, agent or independent contractor that it hires will be its employee, agent or independent contractor, and not MODE's

employee, agent or independent contractor. Franchisee also agrees that it is exclusively responsible for the terms and conditions of employment of its employees, including recruiting, hiring, firing, training, compensation, work hours and schedules, work assignments, safety and security, discipline, and supervision. Franchisee agrees to manage the employment functions of the Store in compliance with federal, state, and local employment laws.

M. Pricing. MODE may periodically set a maximum or minimum price that Franchisee may charge for products and services offered by the Store. If MODE imposes a maximum price for any product or service, Franchisee may not charge more for the product or service than the maximum price. If MODE imposes a minimum price for any product or service, Franchisee may not charge less for such product or service than the minimum price. For any product or service for which MODE does not impose a maximum or minimum price, MODE may require Franchisee to comply with an advertising policy that prohibits Franchisee from advertising any price for a product or service that is different than MODE's suggested retail price. Although Franchisee must comply with any advertising policy specified by MODE, Franchisee will not be prohibited from selling any product or service at a price above or below the suggested retail price unless MODE imposes a maximum price or minimum price for such product or service.

6. FRANCHISE FEES AND METHOD OF PAYMENT

A. Initial franchise fee. Franchisee shall pay to MODE a nonrecurring initial franchise fee of \$30,000 (the "Franchise Fee") upon the signing this Agreement. The initial Franchise Fee shall be fully earned by MODE when paid and is not refundable under any circumstances. Any existing Franchisee who subsequently signs a Franchise Agreement for the ownership and operation of an additional MODE Store will receive a \$10,000 discount on the initial franchise fee, meaning that the nonrecurring, nonrefundable franchise fee for all subsequently opened stores will total \$20,000 per store.

B. Continuing Royalty. Franchisee shall pay to MODE a continuing royalty calculated as follows (the "Continuing Royalty"): (i) five percent (5%) of all Gross Sales in each calendar year up to and including \$500,000, and (ii) four percent (4%) of all Gross Sales in each calendar year in excess of \$500,000. The Continuing Royalty shall be paid weekly by ACH transfer on each Tuesday based on Gross Sales accruing during the previous week ending on Saturday. For the purposes of calculating the Continuing Royalty, annual Gross Sales will be calculated based on a calendar year. Notwithstanding any provision in this Agreement to the contrary, in no event will the Continuing Royalty that Franchisee pays be less than \$1,500 per month (the "Minimum Monthly Royalty"). In the event that the Continuing Royalty that Franchisee has paid in any calendar month is ever less than the Minimum Monthly Royalty, MODE will debit Franchisee's account by ACH on the first day of the subsequent calendar month an amount equal to the difference between the amount of Continuing Royalty Franchisee paid MODE during the preceding month, and the applicable Minimum Monthly Royalty. The dollar thresholds for calculating Continuing Royalty and the amount of the Minimum Monthly Royalty specified in this provision are for the calendar year in which Franchisee executes this Agreement. MODE may annually increase such thresholds and amounts by the most recently published National Consumer Price Index-All Urban Consumers-All Items (1982-1984 = 100) as

most recently published by the U.S. Department of Labor, or a successor index (the “CPI”). MODE has no obligation to decrease thresholds or amounts if the CPI decreases. MODE will notify Franchisee in writing on or before March 15 of each calendar year as to any changes in the thresholds and amounts for that calendar year.

C. Interest on late payments. All fees which Franchisee owes to MODE shall bear interest after due date at the highest applicable legal rate for open account business credit, not to exceed one and one-half percent (1.5%) per month. Franchisee acknowledges that this Paragraph shall not constitute MODE’s agreement to accept such payments after same are due or a commitment by MODE to extend credit to, or otherwise finance Franchisee’s operation of, the Store. Further, Franchisee acknowledges that failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Section 12 of this Agreement, notwithstanding the provisions of this paragraph.

D. Application of payments. Notwithstanding any designation by Franchisee, MODE shall have the sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for the Continuing Royalty, purchases from MODE, interest or other indebtedness, all in such order as MODE may elect in its sole discretion.

E. Method of Payment. Unless Franchisor otherwise specifies, all payment of the Continuing Royalty, Marketing Fund fees, and any other sums owed to MODE hereunder shall be made by ACH electronic transfer drawn upon Franchisee’s account at its bank. Before the Store opens, Franchisee agrees to sign and deliver to MODE an ACH authorization in the form of Exhibit E and such other documents required by MODE to authorize MODE to debit Franchisee’s business checking account automatically for amounts due to MODE under this Agreement. MODE will debit Franchisee’s account for these amounts on their due dates (or the subsequent business day if the due date is a national holiday or a weekend). Franchisee further promises to maintain Franchisee’s account identified in such ACH transfer authorization documents throughout the term of this Agreement and to maintain within such account such funds as are necessary to process the payment and transfer of Continuing Royalties, Marketing Fund fees, and other sums owed to MODE under this Agreement.

Unless Franchisor otherwise specifies, payments for inventory shall be made by credit/debit card on file for Franchisee. By entering into this Agreement and providing credit or debit card account information to Franchisor, Franchisee hereby represents and warrants that it is the authorized owner of the credit/debit card account and Franchisee hereby authorizes MODE to charge Franchisee’s credit card or debit card in payment for all inventory Franchisee purchases from MODE (or is required to purchase from MODE), and, if necessary to initiate adjustments for any transactions credited or debited in error.

If there are insufficient funds in Franchisee’s bank account to cover any amount to be paid by ACH transfer, if any credit or debit card charge authorized hereunder is rejected by Franchisee’s credit card company or bank for any reason, or if MODE permits Franchisee to pay by check and a check is returned for insufficient funds, then MODE will charge Franchisee a processing fee of \$100 to compensate for MODE’s additional administrative expense.

MODE may also require Franchisee to pay any amounts due under this Agreement by means other than automatic debit or credit card (e.g., by check) whenever deemed appropriate, and Franchisee agrees to comply with such payment instructions.

7. ADVERTISING AND PROMOTION

A. Grand Opening Advertising Program. Franchisee is required to spend at least \$2,500 for a grand opening marketing program for the Store during a period designated by MODE prior to and after the opening of the Store. Franchisee must comply with MODE's guidelines for this grand opening marketing program and conduct the grand opening marketing program in accordance with MODE's specifications and standards and pursuant to a grand opening marketing plan which Franchisee will prepare and submit to MODE for approval at least 60 days prior to the Store's opening date. All advertisements and marketing materials used in the grand opening marketing program must be approved by MODE. MODE may also require Franchisee to use the advertising, marketing and/or public relations programs, firms, media and materials MODE approves for the Store's grand opening advertising program.

B. Local Advertising. Franchisee agrees to list the Store in the principal telephone and online directories in Franchisee's market area, in such directory categories as are determined by MODE. Franchisee agrees to spend a minimum amount per month on advertising and marketing for the Store, including the direct purchase of print, electronic, outdoor or internet advertising, and agrees to submit to Franchisor monthly reports showing such advertising expenditures. MODE may modify the amount of the minimum monthly advertising requirement from time to time, subject to the Aggregate Marketing Cap described in Section 7.F below. MODE reserves the right to approve the type of expenditure that will count towards the minimum monthly requirement, which may exclude indirect costs (such as salaries of employees) or in-Store materials (such as signage). If Franchisee fails to satisfy the minimum monthly advertising requirement or fails to submit the required monthly reports, Franchisee must pay MODE a fee in the amount of \$100 per breach.

C. Approved Materials. Prior to their use by Franchisee, samples of all local advertising and promotional materials not prepared or previously approved by MODE within the past twelve (12) months shall be submitted to MODE for approval. If written disapproval is not received by Franchisee within 15 days from the date of receipt by MODE of such materials, MODE shall be deemed to have given the required approval. Franchisee shall not use any advertising or promotional materials that MODE has not approved or has disapproved. Neither the approval by MODE of Franchisee's proposed advertising material, nor the provision of such material to Franchisee by MODE shall, directly or indirectly, require MODE to pay for such advertising or promotion.

D. Marketing Fund Fee. Franchisee will also be responsible for a portion of the general system-wide advertising costs by way of marketing fund fee collected by Franchisor on a weekly basis. Franchisee shall pay to Franchisor an amount per week determined by Franchisor from time to time to be placed in a general marketing fund (the "Marketing Fund"). Franchisor may modify the amount that Franchisee must contribute to the Marketing Fund from time to time, subject to the Aggregate Marketing Cap described in Section 7.F below.

Franchisor will direct all advertising and marketing programs financed by the Marketing Fund, with sole discretion over the creative concepts and materials used, and the geographic, market and media placement and allocation of the advertising and marketing. Franchisee agrees that the Marketing Fund may be used to pay the costs of administering advertising and marketing programs, including purchasing television, radio, magazine, billboard, newspaper, online and other media advertising, market research costs, production costs, employing advertising agencies, graphic designers, or other third parties to assist Franchisor in formulating, developing, producing and conducting such advertising programs, and any other marketing, advertising or promotional activities that Franchisor deems appropriate.

Franchisor may at any time reduce, terminate or suspend the Marketing Fund (and thereafter reinstate, subject to the terms of this Agreement). If Franchisor terminates the Marketing Fund, it will continue to spend all unspent monies in accordance with this Section, until such amounts are exhausted. MODE may incorporate the Marketing Fund or operate it through a separate entity whenever MODE deems appropriate, and such entity will have all of the rights and duties specified in this Section.

The Marketing Fund will be accounted for separately from all other funds of Franchisor and will not be used to defray any of Franchisor's general operating expenses, except for such reasonable salaries, administrative costs and overhead Franchisor may incur in activities reasonably related to the administration of the Marketing Fund and its advertising programs. A report of monies collected and costs incurred by the Marketing Fund will be prepared annually by Franchisor and will be made available for inspection by Franchisee upon request. Franchisor may have the Marketing Fund incorporated or operated through a separate entity anytime it deems appropriate, and the successor entity will have all of the rights and duties specified in this Paragraph 7.C.

Franchisee acknowledges that the Marketing Fund is intended to maximize general public recognition of the Marks and the MODE System for the benefit of all MODE Stores. Franchisor is not required to ensure that expenditures by the Marketing Fund are proportionate or equivalent to contributions to the Marketing Fund by any contributor or that any contributor will benefit directly or in proportion to its contributions made to the Marketing Fund from the conduct of marketing programs or the placement of advertising. Except as expressly provided in this Paragraph 7.C, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction or administration of the Marketing Fund. The Marketing Fund is not MODE's asset. Although the Marketing Fund is not a trust, Franchisor will hold all contributions to the Marketing Fund for the benefit of the contributors and use contributions only for the purposes described in this Agreement. Franchisor does not have any fiduciary obligation for administering the Marketing Fund. The Marketing Fund may spend in any fiscal year more or less than the total contributions in that year, borrow from Franchisor or others (paying reasonable interest) to cover deficits, or invest any surplus for future use.

E. Special Orders. Special order items, such as event specific banners or other advertising or promotional materials unique to a particular location or event organized by Franchisee, may be provided by MODE upon request by Franchisee. Any special order items or

other custom items outside of those provided to all franchisees through use of the Marketing Fund will be supplied for an additional fee, to be determined on a case by case basis.

F. Local Advertising Cooperative. Franchisee agrees that MODE or its affiliates or designees may establish or direct the establishment of a local advertising cooperative in geographical areas (as determined by MODE) in which 2 or more MODE Stores are operating. MODE will approve all terms and conditions for the operation and administration of the local advertising cooperative at the time it is established. MODE may change, dissolve, merge and reinstate any local advertising cooperative at any time after its formation. If MODE establishes a local advertising cooperative in the Store's geographic area, Franchisee must participate and contribute to such local advertising cooperative, subject to the Aggregate Marketing Cap.

G. Aggregate Marketing Cap. The combined aggregate amount Franchisee is required to spend on local marketing and contribute to the Marketing Fund and any applicable local advertising cooperative shall not exceed five percent (5%) of the Store's Gross Sales on a monthly basis (the "Aggregate Marketing Cap").

H. Social Media and Websites. MODE may establish, acquire, or host any website to advertise, market, and promote the MODE System, Marks or MODE Stores, the products and services that they offer and sell, a MODE Store franchise opportunity, or that offers or sells merchandise through online retail of any kind (including products that are the same or similar to those offered at MODE Stores) (a "Franchisor Website"). MODE has full control of the contents and specifications of all Franchisor Websites, including any webpage or content dedicated to the Store. MODE will own all intellectual property and other rights in all Franchisor Websites, (including the domain name, any associated URL or email address, any website analytical data, and any personal or business data that visitors supply). MODE may use the Marketing Fund's monies to develop, maintain and update any Franchisor Website.

MODE reserves the sole right to sell the products sold by MODE Stores on the internet. Franchisee and its Owners agree not to offer or sell any products or services to customers through the internet or through any alternative channels of distribution.

MODE may require Franchisee to obtain from MODE and use an email address associated with MODE's registered domain name. If MODE requires Franchisee to obtain and use such an email address, Franchisee must do so according to MODE's then-current terms and conditions. MODE may charge a fee for each email address provided to Franchisee.

Neither Franchisee nor its Owners may develop, maintain or authorize any website, domain name, email address, other online presence that mentions the Store, links to any Franchisor Website or displays any of the Marks, or engage in any promotional or similar activities, whether directly or indirectly, through or on the internet, or on any other online presence, including social networking websites, without the prior approval of MODE. If MODE approves the use of any such online presences, Franchisee agrees to manage such presences, including the posting of messages on any website related to the Store or on other websites, only in accordance with MODE's guidelines. MODE reserves the right to require Franchisor

approval of any message Franchisee composes for a social networking website or comments for any other website before Franchisee posts such message or comments.

8. RECORDS, REPORTS, AND FINANCIAL STATEMENTS

Franchisee shall establish and maintain at Franchisee's own expense an accounting and recordkeeping system conforming to the requirements prescribed by MODE. As a condition of maintaining the accounting and recordkeeping systems prescribed by MODE, Franchisee may, from time to time, be required to obtain, at its own expense, mandatory software upgrades. MODE may also require that Franchisee hire a service-provider that it designates as the exclusive or approved provider of such services. Franchisee agrees that MODE will have access to the Store's computer system at all times (including login access to all software and hardware systems) and that MODE shall have the right to collect and retain from that computer system any and all data concerning Franchisee's accounting, recordkeeping, customer data, sales data, and other information in connection with the Store. MODE may also be the primary account holder or administrator on any software, subscription-based or other components of such computer system, which may give MODE the ability and right to alter such programs, limit Franchisee's access and subscription rights, centrally bill for such services and invoice Franchisee for a portion of such invoice, or otherwise control such programs in its discretion.

Franchisee shall preserve for a period of three years from the date of their preparation all accounting records and supporting documents relating to Franchisee's operations under this Agreement. Franchisee shall also furnish to MODE in the form from time to time prescribed by MODE: (1) a department sales summary on Monday for the previous week's sales; (2) an item summary report on each Monday for the previous week's sales; (3) within 30 days after the end of a month, a Statement of Income and Expenses (P&L Statement) for the prior month; (4) within 90 days after the end of each fiscal year of the Store, an annual Compiled Financial Statement prepared by a Certified Public Accountant in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants; and (5) such other periodic forms and reports as may reasonably be required by MODE from time to time, including tax returns of Franchisee upon request of MODE. Franchisee shall verify in writing to MODE that all such reports and statements are complete and accurate. If Franchisee fails to satisfy the above reporting requirements, Franchisee may be assessed a fee in the following amounts: (a) for failure to submit the Monday reports described under subparagraphs (1) and (2) above, a fee in the amount of \$50 per breach; and (b) for failure to submit the Monthly P&L Statement or the annual Compiled Financial Statement, a fee in the amount of \$150 per breach.

9. INSPECTIONS AND AUDITS

A. MODE's right to inspect the Store. To determine whether Franchisee is complying with this Agreement, MODE shall have the right at any time during business hours, and without prior notice to Franchisee, to inspect the Store and to observe the operations of the Store. Franchisee shall fully cooperate with representatives of MODE making any such inspection or observing the operations of the Store. MODE may, from time to time, engage secret shoppers to observe and analyze the operation of the Franchisee's Store. As part of such

inspections, MODE may photograph, videotape, remove samples, interview customers and personnel, and take other actions it deems appropriate.

B. MODE's right to audit. Franchisee shall maintain readily available for inspection by MODE, and shall furnish to MODE upon its request, at such locations as MODE may reasonably request (including MODE's office), exact copies of all books and records of the Store and of Franchisee and shall afford MODE (and its agents), at any time during business hours, and without prior notice to Franchisee, full and free access to such books and records at the Store. MODE (and its agents) shall have the right to make extracts from, and copies of, and to audit, or cause to be audited, such books and records and shall have the right to communicate freely with employees of Franchisee. Franchisee shall fully cooperate with representatives of MODE and independent accountants hired by MODE to conduct any such inspection or audit. In the event any such inspection or audit shall disclose any understatement of Gross Sales of the Store, Franchisee shall pay to MODE, within 15 days after receipt of the inspection or audit report, the Continuing Royalty due on the amount of such understatement, plus interest (at the rate and on the terms provided in Paragraph C of Section 6) from the date originally due until the date of payment. Further, in the event such inspection or audit is made necessary by the failure of Franchisee to furnish reports, supporting records or other information, as herein required, or to furnish such reports, records or information on a timely basis, or if an understatement of Gross Sales for the period of any inspection or audit (which shall not be for less than three months) is determined by any such inspection or audit to be greater than five percent (5%), Franchisee shall reimburse MODE for the cost of such inspection or audit, including, without limitation, the charges of any independent accountants and the travel expenses, room and board and compensation of employees of MODE. The foregoing remedies shall be in addition to all other remedies and rights of MODE under this Agreement or under applicable by law.

10. PERSONAL GUARANTEE

All Owners of Franchisee, current or future, shall provide MODE with a Personal Guarantee in the form attached as Exhibit B.

11. ASSIGNMENT

A. By MODE. This Agreement and the Franchise are fully assignable by MODE and shall inure to the benefit of any assignee or other legal successor to the interest of MODE. Upon Franchisor's assignment of this Agreement to a third party who expressly assumes Franchisor's obligations under this Agreement, Franchisor no longer will have any performance or other obligations under this Agreement. Such an assignment shall constitute a release of Franchisor and novation with respect to this Agreement, and the assignee shall be liable to Franchisee as if it had been an original party to this Agreement.

B. Franchisee may not assign without approval by MODE. Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee or its Owners and that MODE has granted the Franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of Franchisee or its Owners. Therefore, except as provided below with respect to assignment to a controlled

business entity, neither this Agreement, the Franchise, the Store (or any interest in it) nor any part or all of the direct or indirect ownership of Franchisee may be voluntarily, involuntarily, directly or indirectly assigned, sold, subdivided, sub-franchised or otherwise transferred by Franchisee or its Owners (including, without limitation, by transfer of capital stock or partnership interests, by merger or consolidation, by issuance of additional securities representing an ownership interest in Franchisee, or, in the event of the death of Franchisee or an owner of Franchisee, by will, declaration of or transfer in trust or the laws of intestate succession, or by divorce, insolvency, foreclosure or operation of law, or whether by encumbrance or lien to any other party) without the prior written approval of MODE, and any such assignment or transfer without such approval shall constitute a breach of this Agreement. A transfer of the Store may be made only with a transfer of this Agreement.

C. Conditions for approval of assignment. If Franchisee and its Owners are in full compliance with this Agreement, MODE shall not unreasonably withhold its approval of an assignment, provided that the proposed assignee or its owners are, in the opinion of MODE, individuals of good moral character who has sufficient business experience, aptitude and financial resources to own and operate the Store and otherwise meets MODE's then applicable standards for franchisees, and further provided that if the transfer is of the Franchise or the Store, or of a controlling interest in Franchisee, or is one of a series of transfers which in the aggregate constitute the transfer of a controlling interest in Franchisee, all of the following conditions are met prior to, or concurrently with, the effective date of the assignment: (1) Franchisee and its Owners shall be in full compliance with all provisions of this Agreement (and any other agreement with MODE); (2) Franchisee shall have paid such Continuing Royalty, amounts owed for purchases by Franchisee from MODE and any other amounts owed to MODE which are then due and unpaid; (3) the assignee shall have completed the training program required of new Franchisees; (4) the assignee and its owners shall have executed and agreed to be bound by the form of franchise agreement and any ancillary agreements as are then customarily used by MODE in the grant of franchises for MODE Stores, which agreement(s) shall provide for the same Continuing Royalty and advertising payments required under this Agreement and a term equal to the remaining term of Franchise, and including a personal guarantee executed by owners of the assignee in favor of MODE; (5) Franchisee or the assignee shall have paid a training and assignment fee to MODE in an amount equal to 20% of the initial franchise fee payable under the MODE's then current standard franchise agreement, to defray expenses incurred by MODE in connection with the assignment; (6) Franchisee and its Owners shall have executed a general release, in form satisfactory to MODE, of any and all claims against MODE and its Affiliates, officers, directors, employees and agents; (7) MODE shall have approved the material terms and conditions of such assignment, including, without limitation, that the price and terms of payment are not so burdensome as to adversely affect the future operations of the Store by the assignee; (8) Franchisee and its Owners are in compliance with each noncompetition covenant in favor of MODE under this Agreement; (9) Franchisee and its owner shall have entered into an agreement with MODE agreeing that all obligations of the assignee to make installment payments of the purchase price or interest on it to Franchisee or its owner shall be subordinate to the obligations of the assignee to pay the Continuing Royalty, advertising payments and for purchases from MODE; (10) the landlord of the Premises allows Franchisee to transfer the lease to the assignee., and (11) Franchisee provides MODE any or all other documents and evidence of transfer, and reasonably cooperates with MODE in all respects, as it relates to the transfer, including by

submitting any applications or information regarding the proposed transferee requested by MODE. If the proposed assignment is to or among owners of Franchisee or to or among the immediate family members of Franchisee or an owner of Franchisee, Subparagraph (5) of the above requirements shall not apply and Subparagraphs (7) and (9) shall not apply to transfers by gift, bequest or inheritance. MODE may review all information regarding the Store that Franchisee gives the transferee, correct any information that MODE believes is inaccurate, and give the transferee copies of any reports that Franchisee has given MODE or MODE has made regarding the Store.

D. Assignment to a controlled entity. The Franchise and the assets and liabilities of the Store may be assigned to a newly organized business entity that conducts no business other than the Store (and other MODE Stores), which is actively managed by Franchisee and in which Franchisee owns and controls all issued and outstanding capital stock or membership interests; provided, that Franchisee reimburses MODE for any direct costs MODE incurs in connection with documenting and otherwise processing such transfer, including reasonable legal fees. The articles of incorporation/organization, bylaws, operating agreement, shareholders agreement, and other organizational documents of such entity shall recite that the issuance and assignment of any interest in them is restricted by the terms of Paragraphs B and C of this Section 11 and all issued and outstanding stock certificates of such entity shall bear a legend referring to the restrictions of Paragraphs B and C of this Section 11. Each Owner of Franchisee at any time during the term of the Franchise shall execute any agreement in form furnished or approved by MODE undertaking to be bound jointly and severally by all provisions of this Agreement. Franchisee shall furnish to MODE at any time upon request, in such form as MODE may require, a list of all Owners (of record and beneficially) reflecting their respective interests in Franchisee.

E. Death or disability of Franchisee. Upon the death or permanent disability of Franchisee (or its Designated Owner), the executor, administrator, conservator or other personal representative of such person shall assign the Franchise or such interest in Franchisee to a third party approved by the MODE. Such disposition of the Franchise or such interest in Franchisee (including, without limitation, transfers by bequest or inheritance) shall be completed within a reasonable time, not to exceed 12 months from the date of death or permanent disability and shall be subject to all the terms and conditions applicable to assignments contained in Paragraph C of this Section and to the MODE's right of first refusal contained in Paragraph F of this Section. Failure to so dispose of the Franchise or such interest in Franchisee within that period of time shall constitute a breach of this Agreement. Pending disposition, the executor, administrator, conservator or other personal representative of the decedent must appoint a manager that MODE approves, and that has completed MODE's training program, no later than 30 days from the date of death or disability. If the Store is not being managed properly at any time after Franchisee's (or its Designated Owner's) death or disability, MODE may (but need not) assume the Store's management (or appoint a third-party to assume its management) in accordance with Section 13.D.

F. MODE's right of first refusal. If Franchisee or its owner(s) shall at any time determine to make any transfer that would require MODE's approval under Section 11.B, other than to an existing Owner of Franchisee, Franchisee or its owner(s) shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and shall submit an exact

copy of such offer to MODE. MODE shall have the right, exercisable by written notice delivered to Franchisee or its owner(s) within 30 days from the date of delivery of an exact copy of such offer to MODE, to purchase the same interests being transferred for the price and on the terms and conditions contained in such offer, provided that MODE shall be entitled to the customary warranties, closing documents and post closing indemnification, the credit of MODE shall be deemed the equivalent to the credit of any purchaser, MODE may substitute cash for any form of payment proposed in such offer and shall have not less than 60 days to prepare for closing. If MODE does not exercise its right of first refusal, Franchisee or its owner may complete the sale to such purchaser pursuant to and on the terms of such offer, subject to MODE's approval of the purchaser as provided in Paragraphs B and C of this Section, provided that if the sale to such purchaser is not completed within 120 days after delivery of such offer to MODE, or there is a material change in the terms of the sale, MODE shall again have the right of first refusal provided in this Agreement.

Notwithstanding any provision in this agreement to the contrary, Franchisor's option to purchase shall not apply in the event of a proposed partial transfer of the business.

G. Effect of consent to assignment. MODE's consent to an assignment of the Franchise or any interest subject to the restrictions of this Section, shall not constitute a waiver of any claims it may have against the assignor, nor shall it be deemed a waiver of MODE's right to demand exact compliance with any of the terms or conditions of the Franchise by the assignee(s).

12. RENEWAL OF THE FRANCHISE

A. Franchisee's right to renew. If, upon expiration of the term of this Agreement: (1) MODE elects to continue the operation of a MODE Store at Franchisee's location; (2) Franchisee has substantially complied with all provisions of this Agreement; (3) Franchisee agrees to refurbish and decorate the Premises, replace leasehold improvements, fixtures and signs and otherwise modify the Store in compliance with specifications and standards then applicable under new or renewal franchises for MODE Stores; and (4) Franchisee has favorable prospects to maintain possession of the Premises for the entirety of the proposed renewal term; then Franchisee shall have the right to renew the Franchise for an additional 10-year term, subject to the requirements of Section 12.B and 12.C below.

B. Notice of renewal and nonrenewal. Franchisee shall give MODE written notice of exercise of its option to renew the Franchise not less than one year or more than 18 months prior to the expiration of the initial term. MODE agrees to give Franchisee written notice of its decision to renew (or not renew) the Franchise, including any conditions to such renewal, such as a list of all deficiencies at the Store that must be cured. A notice of nonrenewal by MODE shall state the reasons for MODE's refusal to renew. If MODE elects to continue the operation of a MODE Store at Franchisee's location, but elects not to renew the Franchise, Franchisee and its owner shall have the right to assign the Franchise or the ownership of Franchisee in accordance with Section 11, provided that MODE will grant to the purchaser or Franchisee (under its successor owner) a franchise on the terms and conditions then customarily contained in new franchises. Franchisee's right to assign the Franchise or ownership of Franchisee upon MODE's determination not to renew the Franchise shall expire upon expiration of the Franchise.

C. Renewal agreements/releases. To renew the Franchise, (i) Franchisee and its Owners shall execute the form of franchise agreement and any ancillary agreements then customarily used by MODE in the grant or renewal of franchises for the operation of MODE Stores (with appropriate modifications to reflect the fact that the agreement relates to the grant of a renewal franchise), which may contain terms and conditions that differ materially from any or all of those in this Agreement, (ii) pay a renewal franchise fee in the amount of \$10,000 (in lieu of the initial franchise fee stated under the franchise agreement), and (iii) Franchisee and its Owners shall execute general releases, in form satisfactory to MODE, of any and all claims against MODE and its Affiliates, officers, directors, employees and agents. Failure by Franchisee and its Owners to sign such agreement(s) and releases, and pay the renewal fee, within 90 days after delivery of them to Franchisee (or at least 30 days prior to the expiration of this Agreement, if later) shall be deemed an election by Franchisee not to renew the Franchise.

13. TERMINATION

A. Grounds for Termination by Franchisee. If Franchisee is in full compliance with this Agreement and MODE materially breaches this Agreement and fails to, within 30 days after written notice is delivered to MODE either cure the breach or, if Franchisor cannot reasonably correct the breach within 30 days, give Franchisee reasonable evidence of effort to correct the breach within a reasonable time, then Franchisee may terminate this Agreement effective 10 days after delivery of notice to MODE. A termination of this Agreement by Franchisee (whether express or reasonably implied from Franchisee's acts or omissions) other than in accordance with the preceding sentence shall be deemed a termination by Franchisee without cause.

B. Grounds for Immediate Termination Upon Notice by MODE. MODE shall have the right to immediately terminate this Agreement (and, thus, the Franchise) upon notice of termination to Franchisee, if Franchisee (or its Owners):

- (i) fails to secure a site, sign a lease, or open the Store for business in accordance with the deadlines set forth in this Agreement;
- (ii) loses, abandons, surrenders or transfers control of the operation of the Store (including entering into a management arrangement with any person not a party to this Agreement), or fails to open the Store for business for 2 or more consecutive days; or
- (iii) causes, suffers, or permits (voluntarily or involuntarily) Franchisee's right of possession as lessee or sublessee of the Premises on which the Store is located to be terminated prematurely for any cause whatever; or
- (iv) has made any material misrepresentation or omission in applying for the Franchise; or
- (v) is convicted of, pleads guilty or no contest to a felony, or any other crime that is reasonably likely to adversely affect the MODE System, the Store, or the goodwill associated with the MODE Marks; or
- (vi) engages in public conduct which reflects materially and unfavorably upon the operation of the Store, the reputation of the MODE System, or the goodwill associated with the MODE Marks; or

- (vii) makes an unauthorized assignment in contravention of Section 11; or
- (viii) violates any of the covenants contained in Section 1.D or 1.G; or
- (ix) discloses or uses any Confidential Information in contravention of Section 5.I; or
- (x) violates Section 3 of this Agreement by use of any name, trademark, service mark, or other intellectual property right of MODE exceeding the restrictions of said Section; or
- (xi) sells merchandise or products other than those designated by MODE; or
- (xii) fails on 2 or more separate occasions within any period of 12 consecutive months to submit when due any reports, information or supporting records, to pay when due the Continuing Royalty or other payments due to MODE, or to cure any other defaults of any kind within any applicable cure period MODE may offer Franchisee; or
- (xiii) intentionally understates Gross Sales reported to MODE; or
- (xiv) denies MODE the right to inspect the Store at reasonable times; or
- (xv) fails to make, or makes repeated delays, in the prompt payment of undisputed invoices from suppliers, including the landlord of the Premises, or in the remittance of payments as required by this Franchise; or
- (xvi) is adjudicated a bankrupt, becomes insolvent, or a receiver, whether permanent or temporary, for all or substantially all of Franchisee's property, shall be appointed by any court, or Franchisee shall make a general assignment for the benefit of creditors, or a voluntary or involuntary petition under any bankruptcy law shall be filed with respect to Franchisee and shall not be dismissed within thirty (30) days thereafter; or
- (xvii) fails to achieve Gross Sales from the Store per calendar month of an amount at least equal to the Gross Sales Minimum for any three (3) consecutive calendar months; or
- (xviii) creates or allows to exist any condition in connection with the Store or the Franchisee operations that MODE reasonably determine to present an immediate health or safety concerns for customers or employees.

C. Grounds for Termination of Agreement After Failure to Cure. Upon the occurrence of any of the following events of default, MODE may, at its option, terminate this Agreement with notice to Franchisee, stating the nature of the default, if Franchisee fails to properly cure the default within the applicable timeframe specified below:

- (i) fails to maintain and operate the Store in a good, clean, wholesome manner and in compliance with the standards prescribed by the MODE System, and does not correct such failure or refusal within forty-eight (48) hours after written notice is delivered to Franchisee; or
- (ii) fails to pay when due the Continuing Royalty or other payments due to MODE and does not correct such failure within seven (7) days after notice of such failure is delivered to Franchisee; or
- (iii) fails to make advertising and promotion payments required under Section 7 of this Agreement and does not correct such failure within seven (7) days after notice of such failure is delivered to Franchisee; or

- (iv) fail to comply with any applicable law, regulation, ordinance or consent decree, or fail to maintain any bond, license or permit, and do not cure such violation or failure within 10 days after MODE or any applicable government agency deliver notice to Franchisee of that violation or failure, including failure to pay any applicable taxes Franchisee or the Store incurs; or
- (v) otherwise fails to comply with this Agreement and does not correct such failure to comply within thirty (30) days.

D. Assumption of Management. MODE has the right (but not the obligation) to enter the Premises and assume management (or to appoint a third party to assume its management) for any period of time MODE deems appropriate, if: (1) Franchisee fails to comply with any provision of this Agreement or the Operations Manual and does not cure the failure within the time period MODE specifies; or (2) this Agreement is terminated and MODE is deciding whether to exercise its option to purchase Franchisee's Store under Section 14.F. In such circumstances, Franchisee agrees to pay MODE's then-current management fee (the "Management Fee") plus MODE's (or the third party's) out-of-pocket costs and expenses incurred each day management is assumed under this Section. If MODE (or a third party) assumes management of Franchisee's Store, Franchisee acknowledges that MODE will not be liable to Franchisee or any Owners for any debts, losses, or obligations that the Store incurs, or to any of Franchisee's creditors. MODE's decision to exercise its rights under this Section will not affect its right to terminate this Agreement under Section 13.B.

14. RIGHTS AND OBLIGATIONS OF MODE AND FRANCHISEE UPON TERMINATION OR EXPIRATION OF THE FRANCHISE

Upon termination or expiration of this Agreement for any reason, all rights granted to Franchisee under this Agreement shall immediately terminate. The following provisions shall govern the parties' relationship upon termination or expiration of this Agreement.

A. Operation of Business. Franchisee shall immediately cease to operate the Franchise and the Store, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of MODE.

B. Payment of amounts owed to MODE. Franchisee agrees to pay to MODE within 15 days after the effective date of termination or expiration of the agreement all amounts owed to MODE.

C. The Marks and the MODE System. Franchisee agrees after the termination or expiration of the Franchise to:

(1) Not directly or indirectly at any time or in any manner identify personally or any business as a current or former MODE Store, or as a Franchisee, or licensee as otherwise associated with MODE, or use any Mark, any colorable imitation of it or other indicia of a MODE Store in any manner or for any purpose, or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with MODE or its Affiliate;

(2) Return to MODE all signs, sign faces, advertising materials, forms, invoices, packaging and other materials containing any Mark or otherwise identifying or relating to a MODE Store within 7 days of the effective date of termination or expiration of the agreement;

(3) Take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to the use of any Mark;

(4) Notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone number and any regular, classified or other telephone directory or online directory listings associated with any Mark and direct the telephone company and such listing agencies to cancel such telephone numbers and remove such listings when such directories are next republished. Franchisee acknowledges that as between MODE and Franchisee, MODE has the sole rights to and interest in all telephone numbers and directory listings associated with any Mark and Franchisee authorizes MODE, and appoints MODE and any officer of MODE as Franchisee's attorney in fact, to direct the telephone company and all listing agencies to cancel such telephone numbers and delete such listings, should Franchisee fail or refuse to do so, and the telephone company and all listing agencies may accept such direction or this Agreement as conclusive of the exclusive rights of MODE in such telephone numbers and directory listings and its authority to direct their cancellation and deletion;

(5) Remove all MODE trade dress from the building housing the Store, remove all of the Marks and distinctive features of a MODE Store and other references to MODE and the MODE system, and take all steps necessary to modify the building so that it is not confusingly similar to a MODE Store. In the alternative, Franchisee must allow MODE or its agents, without liability, to enter the premises and perform such removal or changes at Franchisee's expense.

(6) Return to MODE all copies of Confidential Information, including the Operations Manual for the MODE Store which has been loaned by MODE, within 7 days of the effective date of termination or expiration of the agreement.

(7) Cease using any email address that is associated with a domain name MODE owns or the Marks and any website or other online presences or electronic mediums, including social networking websites, related to the Store or the Marks, and

take any action as may be required to disable such websites or social networking website accounts.

D. Franchisee's Notice of Compliance. Franchisee shall furnish to MODE, within 30 days after the effective date of termination or expiration, evidence satisfactory to MODE of Franchisee's compliance with the obligations set forth above in Paragraphs 13(A)-(C).

E. Covenant not to compete. Upon termination or expiration of this Agreement, Franchisee agrees that for a period of two years, commencing on the effective date of termination or expiration, or the date on which Franchisee ceases to conduct the business conducted pursuant to this Agreement, whichever is later, Franchisee (and if Franchisee is a business entity, any Owner of Franchisee) will not have any interest as an owner, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any Competitive Business within a 20-mile radius of the Store.

F. Right to Purchase Store. MODE has the option to purchase the Store upon termination for any reason, or expiration of this Agreement. MODE may exercise this option by giving Franchisee written notice within 30 days after the date of the termination or expiration. MODE has the unrestricted right to assign this option to purchase. If MODE purchases the Store, it is entitled to all customary warranties and representations. Franchisee agrees to assign the lease of the Premises to MODE, or if Franchisee owns the real property of the Premises, sell the Premises to MODE or lease the Premises to MODE, at MODE's election.

MODE will pay the purchase price for the Store and/or the Premises at the closing, which will take place not later 60 days after the purchase price is determined, although MODE may decide after the purchase price is determined not to purchase the Store and/or the Premises. MODE may set off against the purchase price, and reduce the purchase price by, any and all amounts Franchisee or its Owners owe MODE or its Affiliates. At the closing, Franchisee agrees to deliver instruments transferring to MODE: (1) good and merchantable title to the assets of the Store purchased, free and clear of all liens and encumbrances, with all sales and other transfer taxes paid; (2) all of the Store's licenses and permits which may be assigned or transferred; and (3) the ownership interest or leasehold interest (as applicable) in the Premises and improvements or a lease assignment or lease or sublease, as applicable. If Franchisee cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the parties will close the sale through an escrow. Franchisee and its Owners further agree to execute general releases, in a form satisfactory to MODE, of any and all claims against MODE and its Affiliates, and its and its Affiliates' owners, officers, managers, employees, agents, successors and assigns.

The purchase price for the Store and/or the Premises will be their reasonable fair market value, provided that these items will not include any value for the rights granted by this Agreement, any goodwill attributable to the Marks, brand image, and other intellectual property, or any participation in the network of MODE Stores. MODE may exclude from the assets purchased any assets or supplies that are not reasonably necessary (in function or quality) to the Store's operation or that do not meet MODE's standards and specifications for a MODE Store, and the purchase price will reflect these exclusions.

If the parties cannot agree on fair market value, fair market value will be determined by an independent accredited appraiser who will conduct an appraisal and, in doing so, be bound by the criteria for the purchase price described above. If the parties cannot agree on an independent appraiser, Franchisee will select one appraiser, MODE will select one appraiser, and these two appraisers will appoint the appraiser to determine the fair market value. The parties agree to select an appraiser within 15 days, and the two appraisers selected by the parties are obligated to appoint the actual appraiser within 15 days after the last of the two is selected. MODE and Franchisee will share equally the appraisers' fees and expenses. The appraiser must complete its appraisal within 30 days after its appointment.

G. Continuing obligations. All obligations of MODE and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequently to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

H. Lost Revenue Damages. If MODE terminates this Agreement because of Franchisee's breach or if Franchisee terminates this Agreement without cause, the parties agree that it would be difficult, if not impossible, to determine the amount of damages that MODE would suffer due to the loss or interruption of the revenue stream MODE otherwise would have derived from Franchisee's continued payment of Continuing Royalties, and that the Marketing Fund would have otherwise derived from Franchisee's continued contributions. Therefore, the parties hereto agree that a reasonable estimate of such damages, less any cost savings MODE might have experienced (the "Lost Revenue Damages"), is an amount equal to the net present value of the Continuing Royalties and Marketing Fund contributions that would have become due had this Agreement not been terminated, from the date of termination to the scheduled expiration of the term of this Agreement. For the purposes of this Section, Continuing Royalties and Marketing Fund contributions will be calculated based on the greater of: (i) the average monthly Gross Sales of the Store during the twelve (12) full calendar months immediately preceding the termination date; provided, that if as of the termination date, the Store has not been operating for at least twelve (12) months, Continuing Royalties and Marketing Fund contributions will be calculated based on the average monthly Gross Sales of all MODE Stores operating under the Marks during the MODE's fiscal year immediately preceding the termination date, or (ii) the Gross Sales Minimum at the time of termination per month.

Franchisee agrees to pay MODE Lost Revenue Damages, as calculated in accordance with this Section, within fifteen (15) days after this Agreement expires or is terminated, or on any later date that MODE determines. MODE and Franchisee agree that the calculation described in this Section is a calculation only of the Lost Revenue Damages and that nothing herein shall preclude or limit MODE from proving and recovering any other damages caused by Franchisee's (or its Owners') breach of this Agreement.

15. RELATIONSHIP OF PARTIES/INDEMNIFICATION

A. Independent Contractors. It is understood and agreed by the parties that this Agreement does not create a fiduciary relationship between them, that MODE and Franchisee

shall be independent contractors and that nothing in this Agreement is intended to make either party a general or special agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose. In all dealings with customers, contractors, suppliers, public officials and others, Franchisee shall be conspicuously identified as the owner of the Store under a franchise of MODE and shall place such other notices of independent ownership on such forms, stationery, advertising and other materials as MODE may require from time to time. MODE has not authorized or empowered Franchisee to use the Marks except as provided by this Agreement and Franchisee shall not employ any of the Marks in signing any contract, lease, mortgage, purchase agreement, negotiable instrument or other legal obligation, or in a manner that may result in liability of MODE for any indebtedness or obligation of Franchisee.

MODE has no right or duty to direct any employees of Franchisee or the Store in the course of their employment. Franchisee is solely responsible for the terms and conditions of employment of its employees. MODE will not be obligated for any damages to any person or property directly or indirectly arising out of the Store's operation or the business Franchisee conducts under this Agreement.

B. No Liability for Acts of Other Party. Neither MODE nor Franchisee shall make any express or implied agreements, warranties or representations, or incur any debt, in the name of or on behalf of the other or represent that their relationship is other than Franchisor and Franchisee and neither MODE nor Franchisee shall be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized under this Agreement, nor shall MODE be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Store or the business authorized by or conducted pursuant to this Agreement, whether caused by Franchisee's negligent or willful action or failure to act.

C. Taxes. MODE shall have no liability for any sales, use, service, excise, gross receipts, property or other taxes, whether levied upon Franchisee, the Store or its assets, or upon MODE, in connection with the sales made or business conducted by the Store, or the initial franchise fee, the Continuing Royalty, or other payments by Franchisee to MODE.

D. Indemnification. Franchisee agrees to indemnify and hold MODE, its subsidiaries, Affiliates, stockholders, directors, officers, employees, agents and assignees harmless against any and all claims, losses, obligations, and damages directly or indirectly arising out of or relating to: (i) the operation of the Store, (ii) this Agreement or any other agreement with Franchisor (or the breach of this Agreement or such agreements), or (iii) Franchisee's noncompliance or alleged noncompliance with any law, ordinance, rule or regulation concerning the Store. For purposes of this indemnification, "claims" shall mean and include all obligations, actual and consequential damages, taxes and costs reasonably incurred in the defense of any claim, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. MODE shall have the right to defend any such claim in which it is named as a defendant. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Notwithstanding the foregoing, the Franchisee has no obligation to indemnify under this Section

15.D if a court of competent jurisdiction makes a final decision not subject to further appeal that Franchisor, its Affiliates, or any of their respective employees directly engaged in willful misconduct or intentionally caused the property damage or bodily injury that is the subject of the claim, so long as the claim is not asserted on the basis of theories of vicarious liability or Franchisor's failure to compel Franchisee to comply with this Agreement (which are claims for which Franchisor is entitled to indemnification under this Section 15.D).

16. ENFORCEMENT

A. Severability and substitution of valid provisions. Each section, paragraph, separately numbered subparagraph, term and provision of this Agreement shall be considered severable and if any such portion of this Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation, it shall not have any effect upon such other portions of this Agreement as may remain otherwise intelligible. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required under this Agreement, or the taking of some other action not required under it, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by MODE is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions of this Agreement, and MODE shall have the right to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable. Franchisee agrees to be bound by any such modification to this Agreement.

B. Waiver of obligation. MODE and Franchisee may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other. MODE and Franchisee shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement by virtue of any custom or practice of the parties at variance with the terms of this Agreement; any failure, refusal or neglect of MODE or Franchisee to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement; any waiver, forbearance, delay, failure or omission by MODE to exercise any right, power or option with respect to any other MODE Store; or the acceptance by MODE of any payments due from Franchisee after any breach of this Agreement. Neither MODE nor Franchisee shall be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (1) transportation shortages, inadequate supply of labor, material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any agency of government; (3) acts of God; (4) acts of omissions of the other party; (5) fires, strikes, embargoes, war, terrorism, or riot; or (6) any other similar event or cause. Any delay resulting from any such cause shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

C. Costs and attorneys' fees. If a claim for amounts owed by Franchisee to MODE is asserted in any legal proceeding before a court of competent jurisdiction, or if MODE or Franchisee is required to enforce this Agreement in judicial proceeding, the party prevailing in such proceeding shall be entitled to reimbursement of its costs and expenses, including reasonable attorneys' fees. If MODE delivers a termination notice or notice of default to Franchisee and Franchisee has the right under this Agreement to cure the noncompliance of default specified in such notice within a specified cure period and Franchisee does in fact purport to cure such noncompliance or default, then Franchisee shall pay to MODE all costs and expenses incurred by MODE in verifying such purported cure, including, without limitation, the charges of any independent accountants, attorneys or other professionals and the travel expenses, room and board and compensation of employees of MODE.

D. Arbitration. Franchisee and MODE agree that all controversies, disputes, or claims between MODE or its Affiliates, and MODE's and their respective shareholders, officers, directors, agents, and employees, on the one hand, and Franchisee (and Franchisee's owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to: (1) this Agreement, or any other agreement between Franchisee or its affiliates, and MODE and its Affiliates; (2) the relationship between MODE and Franchisee; (3) the scope or validity of this Agreement or any other agreement between Franchisee or its affiliates, and MODE and its Affiliates or any provision of any of such agreements (including the validity and scope of this arbitration provision, which the parties acknowledge is to be determined by an arbitrator, not a court); or (4) the Operations Manual; must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association.

The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the then-current Commercial Arbitration Rules of the American Arbitration Association. All proceedings will be conducted at a suitable location chosen by the arbitrator in or within 50 miles of MODE's then-current principal place of business (currently, Fargo, North Dakota). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any of the Marks owned by MODE or its Affiliates generic or otherwise invalid or, except as expressly provided in this Section, award any punitive, exemplary, or multiple damages against any party to the arbitration proceeding (the parties hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive, exemplary, or multiple damages against any party to the arbitration proceedings).

MODE and Franchisee agree to be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. MODE and Franchisee further agree that, in any arbitration proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding. Any claim which is not submitted or filed as required

will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either Franchisee or MODE.

MODE and Franchisee agree that arbitration will be conducted on an individual basis and that an arbitration proceeding between MODE and its Affiliates, or MODE's and their respective shareholders, officers, directors, agents, and employees, on the one hand, and Franchisee (or Franchisee's owners, guarantors, affiliates, and employees) may not be: (i) conducted on a class-wide basis, (ii) commenced, conducted or consolidated with any other arbitration proceeding, (iii) or brought on Franchisee's behalf by any association or agent. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Agreement.

Despite this agreement to arbitrate, MODE and Franchisee each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that MODE and Franchisee must contemporaneously submit their dispute, controversy or claim for arbitration on the merits as provided in this Section.

MODE and Franchisee agree that, in any arbitration arising as described in this Section, requests for documents shall be limited to documents that are directly relevant to significant issues in the case or to the case's outcome; shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain; and shall not include broad phraseology such as "all documents directly or indirectly related to." MODE and Franchisee further agree that no interrogatories or requests to admit shall be propounded. With respect to any electronic discovery, MODE and Franchisee agree that:

- (1) production of electronic documents need only be from sources used in the ordinary course of business. No such documents shall be required to be produced from back-up servers, tapes or other media;
- (2) the production of electronic documents shall normally be made on the basis of generally available technology in a searchable format which is usable by the party receiving the documents and convenient and economical for the producing party. Absent a showing of compelling need, the parties need not produce metadata, with the exception of header fields for email correspondence;
- (3) the description of custodians from whom electronic documents may be collected shall be narrowly tailored to include only those individuals whose electronic documents may reasonably be expected to contain evidence that is material to the dispute; and
- (4) where the costs and burdens of electronic discovery are disproportionate to the nature of the dispute or to the amount in controversy, or to the relevance of the materials requested, the arbitrator shall either deny such requests or order disclosure on condition

that the requesting party advance the reasonable cost of production to the other side, subject to allocation of costs in the final award as provided herein.

In any arbitration arising out of or related to this Agreement, each side may take no more than three depositions. Each side's depositions are to consume no more than a total of 15 hours, and each deposition shall be limited to 5 hours. There are to be no speaking objections at the depositions, except to preserve privilege.

The provisions of this Section are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to this agreement to arbitrate.

E. Governing law/consent to jurisdiction. All matters relating to arbitration will be governed by the Federal Arbitration Act. Except to the extent governed by the Federal Arbitration Act, the Lanham Act, or other federal law, this Agreement and the Franchise shall be governed by the laws of the state in which the Store is located. Subject to Section 16.D above, and the provisions below, MODE and Franchisee (and its Owners) agree that all actions arising under this Agreement or otherwise as a result of the relationship between MODE and Franchisee must be commenced in the state or federal court closest to MODE's then-current principal place of business (currently, Fargo, North Dakota). MODE and Franchisee (and each Owner) irrevocably consent to the exclusive jurisdiction of those courts and waive any objection to either the jurisdiction or venue in those courts. Nonetheless, MODE and Franchisee (and each Owner) agree that any of them may enforce any orders, judgments and awards in the courts of the state or states in which such person or entity is domiciled or the Store is located.

F. Specific performance/injunctive relief. Nothing contained in this Agreement shall bar MODE's or Franchisee's right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause it loss or damages, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions.

G. Waiver of Punitive Damages/Jury Trial. Except for Franchisee's indemnification obligation under this Agreement, and except for punitive damages available to either party under federal law, MODE and Franchisee (and Franchisee's Owners) waive to the fullest extent permitted by law any right to or claim for any punitive, exemplary, or multiple damages against the other and agree that, in the event of a dispute between the parties, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. MODE and Franchisee irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either party.

H. Limitations and Class Action Bar. Except for claims arising from Franchisee's non-payment or underpayment of amounts owed to Franchisor under this Agreement, any and all claims arising out of or relating to this Agreement or Franchisor's relationship with Franchisee will be barred unless a judicial proceeding is commenced within twelve (12) months from the date on which the party asserting the claim knew or should have known of the facts giving rise to

the claim. Any proceeding will be conducted on an individual basis and a proceeding between MODE and its Affiliates, or MODE's and their respective shareholders, officers, directors, agents, and employees, on the one hand, and Franchisee (or its owners, guarantors, affiliates, and employees), on the other hand, may not be: (i) conducted on a class-wide basis, (ii) commenced, conducted or consolidated with any other proceeding, (iii) or brought on Franchisee's behalf by any association or agency, nor may any claims of another party or parties be joined with any claims asserted in any action or proceeding between the parties.

No previous course of dealing shall be admissible to explain, modify, or contradict the terms of this Agreement. No implied covenant of good faith and fair dealing shall be used to alter the express terms of this Agreement.

I. Franchisee May Not Withhold Payments. Franchisee agrees that Franchisee shall not withhold payment of any amounts owed to Franchisor on the grounds of Franchisor's alleged nonperformance of any of its or their obligations under this Agreement.

J. Binding effect. This Agreement is binding upon the parties to it and their respective executors, administrators, heirs, assigns, and successors in interest.

K. Construction. The preambles and the exhibit(s) and riders to this Agreement, if any, are a part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understanding or agreements between MODE and Franchisee relating to the subject matter of this Agreement (any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). This Agreement may be modified only by written agreement signed by both MODE and Franchisee, except that MODE may modify the Operations Manual at any time. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require Franchisee to waive reliance on any representation that MODE made in the most recent disclosure document (including its exhibits and amendments) that MODE delivered to Franchisee or its representative.

L. Notices and Payments. All written notices permitted or required to be delivered by this Agreement shall be deemed so delivered at the time delivered by hand or by electronic transmission, 1 business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery, or 3 business days after placement in the mail by registered or certified mail, addressed to the party to be notified at its current principal business address. All payment and reports required by this Agreement shall be directed to MODE at the address notified to Franchisee from time to time.

M. Business Judgment. MODE retains the right to operate, develop and change the MODE System and the products and services offered by MODE Stores in any manner that is not specifically prohibited in this Agreement. Whenever MODE has reserved the right in this Agreement to take or refrain from taking any action, or to prohibit Franchisee from taking or refraining from any action, MODE may, except as otherwise specifically provided in this Agreement, make its decision or exercise its rights based on the information then readily available to it and on its judgment of what is in its own best interests, the best interests of its Affiliates and/or the best interests of the MODE System as a whole at the time the decision is

made, regardless of whether MODE could have made other reasonable, or even arguably preferable, alternative decisions and regardless of whether MODE's decision or action promotes its interests, those of its Affiliates or any other person or entity.

N. Execution. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. This Agreement and all other documents related to this Agreement may be executed by manual or electronic signature. Either party may rely on the receipt of a document executed or delivered electronically, as if an original had been received.

(Signature Page to Follow)

In witness the parties have executed, sealed and delivered this Agreement in counterparts on the day and year first above written.

FRANCHISOR:

Mama Mia, Inc.

By: _____
(Signature of Authorized Officer)

Name: _____
(Printed Name of Officer)

Its: _____
(Title of Officer)

FRANCHISEE:

(If an entity):

By: _____
(Signature of Authorized Officer)

Name: _____
(Printed Name of Officer)

Its: _____
(Title of Officer)

(If individual(s)):

(Signature)

(Printed Name)

(Signature)

(Printed Name)

EXHIBIT A

OWNERSHIP SCHEDULE

The following list identifies all persons or entities who are stockholders, general partners, trustees, limited partners, or members (collectively referred to as the “Owners”) of Franchisee and their interests. For each stockholder, the list identifies the class of stock and the number of shares of each class held by the stockholder. For each Owner, the list specifies the Owner’s percentage ownership and voting interest. (If Franchisee is a corporation with more than one class of stock, the list shows the percentage of the total outstanding shares of each class held by the Owner).

FRANCHISEE: Name: _____
 Address: _____
 Telephone: _____
 Facsimile: () _____
 Form of Organization: _____
 Date Organized: _____
 Registered Office: _____

Owner Name/Address	Class of Stock/Interest	Number of Shares/Unit/Percentage Interest	Voting Interest	Ownership Interest

EXHIBIT B

PERSONAL GUARANTEE

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, and in consideration of the execution of the Franchise Agreement to which this Guaranty is affixed (the “**Franchise Agreement**”) and of other financial accommodations afforded or to be afforded by Mama Mia, Inc., doing business as MODE, a North Dakota corporation (“**MODE**”) to _____, a _____ (“**Franchisee**”), the undersigned (“**Guarantor(s)**”) hereby personally and unconditionally, jointly and severally: (a) guarantees the full and prompt payment when due of the Guaranty Obligations (as defined herein), together with all costs, attorneys’ fees and expenses paid or incurred by MODE in endeavoring to collect or enforce the Guaranty Obligations, including without limitation, in the enforcement of this Guaranty, and (b) agrees to be bound by, and personally liable for the breach of, each and every provision in the Franchise Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

This Guaranty is an absolute and unconditional, joint and several, guarantee of the performance and payment of the Guaranty Obligations, and shall continue and be in full force and effect until all of the Guaranty Obligations shall be fully paid and performed and no further Guaranty Obligations may thereafter arise. Each Guarantors acknowledge and agree that its liability with respect to the Guaranty Obligations is joint and several with all other Guarantors, and shall not be diminished, discharged, exonerated, released or otherwise affected in any way in the event any of the other Guarantors fails to execute a guaranty of all or any part of the Guaranty Obligations, fails to be bound thereby, fails to perform thereunder or in the event that such guaranty shall be invalid or unenforceable in whole or in part for any reason.

Each Guarantor expressly waives presentment for payment, demand, notice of demand and of dishonor and nonpayment of the Guaranty Obligations, protest and notice of protest, diligence in collecting and in the bringing of suit against any other Person, and MODE shall be under no obligation to notify any Guarantor of its acceptance of this Guaranty or of any advances made or credit extended on the faith hereof or the failure of Franchisee to pay or perform any of the Guaranty Obligations, or to use diligence in preserving the liability of any Person (including, without limitation, Franchisee) on the Guaranty Obligations or in bringing suit to enforce or collect the Guaranty Obligations. To the full extent allowed by applicable law, each Guarantor waives: (i) all rights, remedies, claims and defenses based upon or relating to Sections 22-01-06, 22-01-08, and/or 22-01-15 of the North Dakota Century Code, as amended; (ii) all exoneration defenses and all other defenses given to sureties or guarantors at law or in equity other than the actual payment and performance of the Guaranty Obligations; and (iii) notice of acceptance of this Guaranty. Each Guarantor expressly waives 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 hereunder.

Each Guarantor hereby irrevocably consents to all of the following and MODE, without authorization from or notice and without impairing or affecting the liability of any Guarantor

hereunder or exonerating any Guarantor in any way, may from time to time at its discretion and with or without valuable consideration, amend the Franchise Agreement, add or release or discharge endorsers, guarantors or other obligors (including, without limitation, Franchisee), settle or compromise with Franchisee or any other Person or Persons liable on the Guaranty Obligations owed to it (including, without limitation, Franchisee) and may apply all moneys received from Franchisee or others, in such manner upon the Guaranty Obligations owed to it (whether then due or not) as it may determine to be in its best interest, without in any way being required to marshal securities or assets or to apply all or any part of such moneys upon any particular part of the Guaranty Obligations. No exercise or nonexercise by MODE of any right or remedy of MODE shall in any way affect any Guarantors' obligations hereunder or give any Guarantor any recourse against MODE.

The liability of Guarantors hereunder shall continue notwithstanding the incapacity, death, disability, dissolution or termination of any other Person or Persons (including, without limitation, Franchisee). Neither (i) the failure of MODE to file or enforce a claim against the estate (either in administration, Bankruptcy or other proceeding) of Franchisee or of any other Person, (ii) the disallowance or avoidance under the Federal Bankruptcy Code (11 U.S.C. § 101 et seq., as amended) (the "**Bankruptcy Code**") of all or any portion of MODE's claims for repayment of the Guaranty Obligations or any security for the Guaranty Obligations, (iii) the use of cash or non-cash collateral under Section 363 of the Bankruptcy Code or any financing, extension of credit by MODE or grant of security interest to MODE under Section 364 of the Bankruptcy Code, nor (iv) any election of MODE in a proceeding instituted under the Bankruptcy Code, including without limitation any election of the application of Section 1111(b)(2) of the Bankruptcy Code, shall affect the liability of any Guarantor hereunder.

MODE shall not be required to pursue any other remedies before invoking the benefits of the guaranty of payment contained herein, and specifically it shall not be required to exhaust its remedies against Franchisee or any surety or other Guarantor or to proceed against any security now or hereafter existing for the payment of any of the Guaranty Obligations. MODE may maintain an action on this Guaranty, whether or not Franchisee or any other Guarantor is joined therein or separate action is brought against Franchisee or any other Guarantor.

Each Guarantor absolutely and unconditionally, and jointly and severally, covenants and agrees that in the event Franchisee defaults on the Guaranty Obligations, or any part thereof, for any reason, each Guarantor on demand and without further notice of dishonor and without any notice with respect to any matter or occurrence having been given to Guarantor previous to such demand, shall satisfy such Guaranty Obligations.

Each Guarantor further agrees that to the extent Franchisee, any Guarantor or any other Person makes a payment or transfers an interest in any property to MODE or MODE enforces any security interest or lien or exercises any rights of set-off, and such payment or transfer or proceeds of such enforcement or set-off, or any portion thereof, are subsequently invalidated, declared to be fraudulent or preferential, or otherwise is avoided, and/or required to be repaid to Franchisee, Franchisee's estate, a trustee, receiver or any other Person under the Bankruptcy Code or any other bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such avoidance or repayment, the Guaranty Obligations or part thereof intended to be satisfied shall be revived and this Guaranty shall continue to be effective or shall be

reinstated, as the case may be, and continued in full force and effect as if said payment or transfer had not been made or such enforcement or set-off had not occurred.

The payment by any Guarantor of any amount pursuant to this Guaranty shall not in any way entitle that Guarantor to any right, title or interest (whether by way of subrogation or otherwise) in and to any of the Guaranty Obligations or any proceeds thereof, or any security therefor.

Each Guarantor represents and warrants to MODE that (i) Guarantor is solvent; (ii) the execution and delivery of this Guaranty by Guarantor was not undertaken by Guarantor with the intent to hinder, delay, or defraud creditors or any other Persons; (iii) that neither this Guaranty nor the payment or performance by Guarantor of its obligations arising under or pursuant to this Guaranty do or are intended to render Guarantor insolvent, undercapitalized or in a condition of financial stringency; and (iv) the Guaranty is a legal, valid and binding obligation of Guarantor, enforceable in accordance with its terms. If at any time any portion of the obligations of any Guarantor under this Guaranty shall be determined by a court of competent jurisdiction to be invalid, unenforceable or avoidable, the remaining portion of the Guaranty Obligations under this Guaranty shall not in any way be affected, impaired, prejudiced or disturbed thereby and shall remain valid and enforceable to the full extent permitted by applicable law.

The rights of MODE are cumulative and shall not be exhausted by its exercise of any of its rights under this Guaranty or otherwise against any Guarantor or by any number of successive actions until and unless each and all of the obligations of any Guarantor under this Guaranty have been fully performed, satisfied and discharged.

When used in this Guaranty:

- (a) “**Guaranty**” means the unconditional guarantee obligations of this Guaranty, as the same may be amended and/or restated from time to time and at any time.
- (b) “**Guaranty Obligations**” means all indebtedness, obligations and liabilities of Franchisee to MODE of any kind, whether now existing or hereafter arising and whether contingent or unliquidated, including, without limitation, all obligations, liabilities or indebtedness of Franchisee arising from, pursuant to or in connection with the Franchise Agreement (including, without limitation, all franchise, royalty and similar fees, all obligations for amounts owed to MODE in connection with the purchase of inventory, all damages owed MODE on account of a breach by Franchisee of the Franchise Agreement and all indemnification obligations of Franchisee), including the performance of all covenants contained therein.
- (c) “**Person**” means an individual, a corporation, a limited or general partnership, a limited liability company, a joint venture, a trust or unincorporated organization, a joint stock company or other similar organization, or any other legal entity, whether acting in an individual, fiduciary or other capacity.

Each Guarantor agrees to be personally bound by the arbitration obligations under Section 16.D of the Agreement, including, without limitation, the obligation to submit to binding arbitration the claims described in Section 16.D of the Agreement in accordance with its terms.

This Guaranty shall bind each Guarantor and such Guarantor's successors, assigns and legal representatives, and shall inure to the benefit of all transferees, assignees, successors and endorsees of MODE. The failure of any Person to execute or be bound by this Guaranty shall not release or affect the liability of any Guarantor, and the liability of each Guarantor under this Guaranty is not conditioned or contingent upon or subject in any way to obtaining or retaining the primary or secondary liability of any other Person with respect to all or any part of the Guaranty Obligations (including, without limitation, Franchisee and the other Guarantors).

Each Guarantor that is a business entity, retirement or investment account, or trust acknowledges and agrees that if Franchisee (or any of its affiliates) is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such Guarantor (or on such Guarantor's account) to its owners, accountholders or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law

MODE is relying and is entitled to rely upon each and all of the provisions of this Guaranty; and accordingly if any provision or provisions of this Guaranty should be held to be invalid or ineffective, then all other provisions shall continue in full force and effect.

EACH GUARANTOR AND MODE (BY ITS ACCEPTANCE OF THIS GUARANTY) HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) BETWEEN OR AMONG ANY GUARANTOR AND MODE ARISING IN ANY WAY OUT OF THIS GUARANTY OR WHICH IN ANY WAY INVOLVES ANY OF THE RIGHTS, OBLIGATIONS OR REMEDIES OF ANY PARTY TO THIS GUARANTY.

By signing below, the undersigned spouse of each Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to that Guarantor's performance of this Guaranty. Each Guarantor represents and warrants that, if no signature appears below for such Guarantor's spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

(Signature Page to Follow)

IN WITNESS WHEREOF, each of the undersigned has affixed his signature to be effective as of the date of the Franchise Agreement.

GUARANTOR(S)	SPOUSE(S)
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____

EXHIBIT C

EXCLUSIVE TERRITORY RIDER

This Exclusive Territory Rider (the "Rider") is made and entered into as of this _____ day of _____, 20__ by and between Mama Mia, Inc., a North Dakota corporation ("Franchisor") and _____, a _____ ("Franchisee"), in connection with the Franchise Agreement to which this Rider is affixed (the "Franchise Agreement"). Franchisee has elected to enter into an Exclusive Territory Rider and pay the Exclusive Territory Fee set forth below to reserve the Exclusive Territory for the development of one or more MODE Stores. All capitalized terms not otherwise defined herein shall have the meaning given to them in the Franchise Agreement.

1. Grant of Exclusive Territory Rights. Subject to Franchisee's compliance with this Rider and the Franchise Agreement, Franchisor hereby grants Franchisee the right to develop and operate a MODE Store in each of the following geographic territories (each, an "Exclusive Territory") in accordance with the following schedule:

Territory	Expiration Date
_____	_____, 20__
_____	_____, 20__

Provided Franchisee is in full compliance with this Rider and all Franchise Agreements with Franchisor, Franchisor will not operate or authorize any other party to operate a MODE Store with a physical premises located within any Exclusive Territory. Except as expressly provided in the preceding sentence or otherwise in any Franchise Agreement with MODE, Franchisor may exercise any and all of the rights that Franchisor reserves in any Franchise Agreement with Franchisee (including in Section 1.F of the Franchise Agreement) in the Exclusive Territories.

2. Exclusive Territory Fee. In consideration of the rights granted to Franchisee under this Rider, Franchisee shall pay to Franchisor a non-refundable fee of Fifteen Thousand dollars (\$15,000.00) per MODE Store to be opened by Franchisee as set forth under Section 2 above (the "Exclusive Territory Fee"). The Exclusive Territory Fee shall be pre-condition to the effectiveness of this Rider and shall be fully earned by Franchisor upon execution of this Rider and, except as stated in Section 6, is not refundable. The Exclusive Territory Fee per Store (\$15,000) will be applied to the initial franchise fee that would otherwise be due upon execution of a Franchise Agreement (as required under Section 3 below) for such Store.

3. Franchisee's Obligations. To exercise Franchisee's rights under this Rider, Franchisee must execute Franchisor's then-current form of franchise agreement governing the ownership and operation of each MODE Store that Franchisee wishes to acquire and develop, no later than the expiration date set forth in Section 2 above, and all related documents, including without limitation, personal guarantees by Franchisee's Owners (collectively the "Franchise

Documents”), any or all of the terms of which may differ substantially from the terms contained in the current Franchise Agreement between Franchisor and Franchisee, except that the initial franchisee fee will continue to be Twenty Thousand dollars (\$20,000).

4. Term. This Rider’s term begins on the Effective Date and ends on the date when (a) the franchise agreement for each of the MODE Stores under Section 2 has been signed by the parties, or (b) this Rider is otherwise terminated. If any Exclusive Territory described above expires without Franchisee having developed a MODE Store as required hereunder, regardless of the reason, this Rider will automatically terminate and be of no further force, and Franchisor may engage, and allow others to engage, in any activities Franchisor desires within and outside any Exclusive Territories, without any restrictions whatsoever, subject only to Franchisee’s rights under the Franchise Agreements then in effect.

5. Termination. This Rider will automatically terminate at the time that any Franchise Agreement between MODE and Franchisee is terminated for any reason. Additionally, MODE may also terminate this Rider, entirely or with respect to a particular Exclusive Territory: (i) immediately upon notice to Franchisee, if any MODE Store operated by Franchisee fails to achieve Gross Sales (as defined in the applicable Franchise Agreement) per calendar month of an amount at least equal to the Gross Sales Minimum (as defined in the applicable Franchise Agreement) for any three (3) consecutive calendar months, or (ii) upon sixty (60) days’ prior written notice to Franchisee, if MODE at any time determines it would not be in the best interests of the MODE System to open a MODE Store in that Exclusive Territory. In the case of subsection (ii) of the preceding sentence only, MODE will provide a full refund of the Exclusive Territory Fee attributable to such terminated Exclusive Territories; provided, that Franchisee and its Owners execute such documents then required by MODE in connection with a termination, including a general release of claims against MODE and its Affiliates.

6. No Transfer or Sublicense. Franchisee’s rights under this Rider are personal in nature and shall not be transferable or assignable in whole or in part except with the prior written consent of Franchisor. This Rider does not grant Franchisee any right to license others to operate a MODE Store. Only Franchisee may open and operate a MODE Store pursuant to this Rider at the Exclusive Territory and only under Franchise Documents with Franchisor. This Rider may not be transferred except in connection with an approved transfer of the Franchise Agreement, in accordance with its terms.

7. Incorporation of Other Terms. This Rider is incorporated in and made a part of the Franchise Agreement. To the extent of any inconsistency between the Franchise Agreement and this Rider, the terms of this Rider shall control. The recitals to this Rider are hereby incorporated by this reference. All capitalized terms used by not otherwise defined herein shall have the meaning set forth in the Franchise Agreement.

(Signature Page to Follow)

Signature Page to Exclusive Territory Agreement:

FRANCHISOR:

Mama Mia, Inc.

By: _____
(Signature of Authorized Officer)

Name: _____
(Printed Name of Officer)

Its: _____
(Title of Officer)

FRANCHISEE:

(If an entity):

By: _____
(Signature of Authorized Officer)

Name: _____
(Printed Name of Officer)

Its: _____
(Title of Officer)

(If individual(s)):

(Signature)

(Printed Name)

(Signature)

(Printed Name)

EXHIBIT D

RIDER TO LEASE AGREEMENT

This Rider and the provisions hereof are hereby incorporated into the body of the lease to which this Rider is attached (the "Lease"), between _____ ("Tenant") and _____ ("Landlord"), for the real property described therein (the "Premises"). The provisions hereof shall be cumulative of those set forth in the Lease, but to the extent of any conflict between any provisions of this Rider and the provisions of the Lease, this Rider shall govern and control.

1. Acknowledgement of Franchise Relationship. Landlord acknowledges that Tenant intends to operate a MODE® branded retail store (a "Store") at the Premises, and that Tenant's rights to operate a Store and to use the MODE® name, trademarks and service marks (the "Marks") are solely pursuant to a franchise agreement ("Franchise Agreement") between Tenant and Mama Mia, Inc. ("Franchisor"). Tenant's operations at the Premises are independently owned and operated. Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or another franchisee expressly, and in writing, assumes such obligations and takes actual possession of the Premises. Landlord agrees not to take an action that would prohibit Tenant from operating the Premises as the Store.

2. Consent to Collateral Assignment to Franchisor. Landlord hereby consents, without payment of a fee and without the need for further Landlord consent, to (i) the collateral assignment of Tenant's interest in this Lease to Franchisor to secure Tenant's obligations to Franchisor under the Franchise Agreement, (ii) Franchisor's succeeding to Tenant's interest in the Lease as a result of Franchisor's exercise of rights or remedies under such collateral assignment or as a result of Franchisor's termination of, or exercise of rights or remedies granted in or under, any other agreement between Franchisor and Tenant, and/or (iii) Tenant's, Franchisor's and/or any other franchisee of Franchisor's assignment of the Lease to another franchisee of Franchisor with whom Franchisor has executed its then-standard franchise agreement. Landlord agrees that to the extent Franchisor becomes Tenant, for howsoever brief a period, upon assumption of lease pursuant to this provision, that simultaneously with any subsequent assignment to another party, Franchisor shall be released from all liability under the Lease or otherwise accruing after the date of such assignment; provided, that neither Tenant nor any other franchisee shall be afforded such release in the event Tenant/such franchisee is the assignor, unless otherwise agreed by Landlord.

3. Tenant's Signage. Landlord agrees to allow Tenant to use Franchisor's standard interior and exterior signage and designs to the maximum extent permitted by local governmental authorities. Tenant shall be provided, at Tenant's sole cost and expense, with a panel on any pylon/monument/directory sign for the development in which the Premises is located, and shall be permitted to install a standard sign thereon approved by Franchisor, including without limitation Franchisor's logo. Landlord hereby grants and approves Tenant the right to display the Marks at the Premises, subject only to the provisions of applicable law.

4. Notice and Cure Rights to Franchisor. Prior to exercising any remedies hereunder (except in the event of imminent danger to the Premises), Landlord shall give Franchisor written

notice of any default by Tenant, and commencing on receipt thereof by Franchisor, Franchisor shall have fifteen (15) additional days to the established cure period as is given to Tenant under the Lease for such default to cure such defaults. Landlord agrees to accept cure tendered by Franchisor as if the same was tendered by Tenant, but Franchisor has no obligation to cure such default. The initial address for notices to Franchisor is as follows: Mama Mia, Inc., 5012 53rd St. S, Ste H, Fargo, ND 58104-6006.

5. Non-disturbance from Mortgage Lenders. It shall be a condition of the Lease being subordinated to any mortgage, deed of trust, deed to secure debt or similar encumbrance on the Premises that the holder of such encumbrance agree not to disturb Tenant's rights under this Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations under the Lease and the Franchise Agreement, beyond an applicable grace or cure period provided therein.

6. Trade Fixtures. Any lien of Landlord in Tenant's trade fixtures, 'trade dress', equipment and other personal property in the Premises is hereby subordinated to Franchisor's interest in such items. The parties acknowledge that there may be certain personal property in the Premises which are not owned by Tenant, which property shall not be subject to any lien of Landlord. On request, Landlord shall grant the party who owns such property reasonable access to the Premises for the sole purpose of removing such property, provided such party repairs any damage caused by such removal and otherwise complies with Landlord's reasonable requirements with respect to such access.

7. Third Party Beneficiary. Franchisor is a third party beneficiary of the terms of this Rider, or any other terms of the Lease applicable to Franchisor's rights under the Lease, and as a result thereof, shall have all rights (but not the obligation) to enforce the same.

8. Franchisor Right to Enter. Landlord acknowledges and agrees that Franchisor or its designee may enter the Premises for all purposes permitted under the terms of the Franchise Agreement, including to inspect the Premises and the Store's operations, to manage the Tenant's business, on Tenant's behalf, under certain circumstances (to-wit: Tenant's failure to timely cure its default of the Franchise Agreement, and while Franchisor evaluates its right to purchase the location), or to remove any trade fixtures or signage upon termination or expiration of the Franchise Agreement. If Franchisor enters the Premises for any such purposes, it will do so without assuming any liability under the Lease.

9. Amendments. Tenant agrees that neither the Lease nor this Rider may be amended by the parties thereto without the prior written consent of Franchisor.

10. Counterparts. This Rider may be executed in one or more counterparts, each of which shall cumulatively constitute an original. Electronic signatures of this Rider shall constitute originals.

[SIGNATURE PAGE TO FOLLOW]

AGREED and executed and delivered under seal by the parties hereto as of the day and year of the Lease.

LANDLORD: _____

TENANT: _____

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

EXHIBIT E

ACH TRANSFER AUTHORIZATION

ACH AGREEMENT EXECUTED BETWEEN COMPANIES

Corporate Trade Payments

This Agreement, dated as of _____, 20__, is between **Mama Mia, Inc.** (“Originator”) and _____ (“Receiver”).

RECITALS

A. Receiver wishes to authorize Originator to initiate debit entries (“Entries”) from its account specified in this Authorization, in payment of certain amounts owed by Receiver to Originator under the terms of the Franchise Agreement to which this Authorization is affixed (the “Franchise Agreement”) and the ACH Rules relating to Corporate Trade Payment Entries and the Upper Midwest Automated Clearing House Association (the “Rules”) and Originator is willing to initiate such Entries on the terms set forth below.

B. Unless otherwise defined herein, capitalized terms shall have the meanings provided in the Rules.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises contained herein, Originator and Receiver agree as follows:

1. Authorization. Subject to the terms set forth below, Receiver authorizes Originator to initiate Entries to the Account in accordance with the Rules for obligations owing from time to time by Receiver to Originator under the Franchise Agreement.

2. Authorization Limitations; Procedures. No Entry shall be initiated under this Agreement except in conformity with the authorization provided above. Entries will be initiated on the due date for each payment, as specified by the Franchise Agreement.

3. Originators Failure to Originate. Receiver shall not be deemed to default on any obligation or suffer any loss of discount or other penalty by reason of the failure of Originator to initiate any Entry in accordance with the terms of this Agreement, or by reason of any delay in receipt by Receiver’s financial institution, or the non-receipt by such institution of any Entry initiated by Originator.

4. Compliance with Rules: Receiver shall comply with and be bound by the Rules as in effect from time to time.

5. Acceptance and Return of Entries: Nothing contained herein shall be deemed to require Receiver or its financial institution to accept any Entry initiated under this Agreement,

and any such Entry may be returned in accordance with the Rules. Receiver shall not be deemed to have accepted any Entry that is returned in accordance with the Rules.

6. Credit for Entries: Unless such Entry is returned in accordance with the Rules, Receiver shall, as of the date the amount of such Entry is credited to the Account, credit Originator with the Amount of each Entry received and interest or other charges payable with respect to the amount of such Entry shall cease of the time. Unless such Entry is returned in accordance with the Rules, Originator shall, as of the date of such Entry is credit to its Account with its financial institution, credit Receiver with the amount of each Entry received.

7. Receiver's Account: The "**Account**" is the following deposit Account maintained by Receiver:

Financial Institution: _____
Bank of Location: _____
Account Number: _____
Routing Number: _____
Telephone No.: _____

If Receiver is a natural person, Receiver represents to Originator that the Account is, and during the term of this Agreement, will be, maintained primarily for business, and not for personal, family, or household purposes.

8. Liabilities of Parties: Neither Originator nor Receiver shall be liable for the act or omission of any Automated Clearing House, financial institution, or other person.

9. Notice. Any written notice or other written communication required or permitted to be given under this Agreement shall be delivered in accordance with the notice provisions contained in the Franchise Agreement.

10. Termination. This Agreement may be terminated by Originator or Receiver at any time by giving 5 days prior written notice to the other party. Notwithstanding such termination, this Agreement shall remain in force and effect as to all transactions that have occurred prior to the date of the termination.

(Signature Page to Follow)

Signature Page to ACH Transfer Authorization:

ORIGINATOR:

Mama Mia, Inc.

By: _____
(Signature of Authorized Officer)

Name: _____
(Printed Name of Officer)

Its: _____
(Title of Officer)

RECEIVER:

(If an entity):

By: _____
(Signature of Authorized Officer)

Name: _____
(Printed Name of Officer)

Its: _____
(Title of Officer)

(If individual(s)):

(Signature)

(Printed Name)

(Signature)

(Printed Name)

EXHIBIT C
FINANCIAL STATEMENTS

MAMA MIA, INC.
Fargo, North Dakota
Financial Statements
December 31, 2016 and 2015

Independent Auditors' Report	1
Financial Statements	
Balance Sheets	2
Statements of Income and Accumulated Deficit	3
Statements of Cash Flows	4
Notes to Financial Statements	5-12



VALLEY CITY, NORTH DAKOTA

INDEPENDENT AUDITORS' REPORT

www.valleycitycpa.com

To the Shareholder
Mama Mia, Inc.
Fargo, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of Mama Mia, Inc. which comprise the balance sheets as of December 31, 2016 and 2015 and the related statements of income, accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mama Mia, Inc. as of December 31, 2016 and 2015 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Ludvigson Braun & Co.

Valley City, North Dakota
March 1, 2017

E: ludbraun@valleycitycpa.com
F: 701.845.8003
P 701.845.1457
Valley City, ND 58072 0845
PO Box 845
113rd St NW

MAMA MIA, INC.

Fargo,

North Dakota

BALANCE SHEETS

December 31, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 12,469	\$ 57,735
Accounts receivable less allowance for bad debts of \$9,746 in 2016; \$0 in 2015	28,787	87,790
Inventory	42,879	140,166
Prepaid expenses	17,133	17,657
Accrued interest receivable	2,744	1,691
Due from related parties	6,020	-
Current maturities of long-term notes receivable	<u>21,203</u>	<u>19,556</u>
Total current assets	<u>131,235</u>	<u>324,595</u>
PROPERTY, at cost		
Equipment	31,626	18,336
Leasehold improvements	<u>4,091</u>	<u>4,117</u>
	35,717	22,453
Less accumulated depreciation	<u>14,166</u>	<u>8,775</u>
	<u>21,551</u>	<u>13,678</u>
OTHER ASSETS		
Due from shareholder – franchise development	243,000	230,000
Long-term notes receivable, less current maturities	219,157	69,609
Accounting and franchise systems, less accumulated amortization of \$25,394 in 2016; \$13,829 in 2015	16,754	28,319
Trademarks, less accumulated amortization of \$930 in 2016, \$429 in 2015	9,254	6,852
Franchise agreements, less accumulated amortization of \$1,205 in 2016; \$361 in 2015	<u>17,676</u>	<u>6,858</u>
	<u>505,841</u>	<u>341,638</u>
TOTAL ASSETS	<u>\$658,627</u>	<u>\$679,911</u>
<u>LIABILITIES AND STOCKHOLDERS' ACCUMULATED DEFICIT</u>		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$102,547	\$ 73,897
Notes payable to banks	150,286	100,000
Accounts payable	155,907	211,785
Unearned revenue	-	3,550
Accrued interest expense	1,351	1,045
Accrued wages and vacation	3,570	10,185
Accrued payroll and sales tax	<u>310</u>	<u>566</u>
Total current liabilities	413,971	401,028
LONG-TERM LIABILITIES		
Long-term debt, less current maturities and unamortized loan costs of \$47,539 in 2016 and \$47,480 in 2015	<u>414,569</u>	<u>321,106</u>
	<u>828,540</u>	<u>722,134</u>
STOCKHOLDERS' EQUITY (ACCUMULATED DEFICIT)		
Common stock \$1 par value; authorized, issued and outstanding 100 shares	100	100
Accumulated deficit	<u>(170,013)</u>	<u>(42,323)</u>
	<u>(169,913)</u>	<u>(42,223)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' ACCUMULATED DEFICIT	<u>\$658,627</u>	<u>\$679,911</u>

The notes to financial statements are an integral part of these statements.

STATEMENTS OF INCOME AND ACCUMULATED DEFICIT

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
REVENUES		
Franchise product sales	\$1,065,499	\$1,359,499
Franchise supplies and services	2,966	26,092
Franchise fixtures and systems	74,700	110,004
Franchise fees	63,000	155,000
Franchise royalties	170,973	151,488
Consulting	<u>8,850</u>	<u>-</u>
	<u>1,385,988</u>	<u>1,802,083</u>
COST OF SALES		
Franchise product costs	754,167	1,007,358
Franchise supplies and services	18,303	24,237
Franchise fixtures and systems costs	37,028	70,713
Freight and shipping	35,607	57,631
Purchase discounts	<u>(2,697)</u>	<u>(2,224)</u>
	<u>842,408</u>	<u>1,157,715</u>
GROSS PROFIT	<u>543,580</u>	<u>644,368</u>
OPERATING EXPENSES		
Payroll expenses	391,928	270,898
Accounting and consulting fees	14,296	16,509
Legal	12,089	12,990
Rent	41,243	29,146
Insurance	3,220	1,857
Office expenses	44,074	40,982
Merchant credit card fees	27,067	33,141
Bank and financing fees	2,259	1,924
Advertising	18,381	11,088
Franchise expenses	24,810	7,895
Bad debt expense	9,746	-
Travel	22,483	32,662
Depreciation	5,418	3,394
Amortization	<u>12,910</u>	<u>14,619</u>
	<u>629,924</u>	<u>477,105</u>
OPERATING (LOSS) INCOME	<u>(86,344)</u>	<u>167,263</u>
OTHER INCOME (EXPENSES)		
Miscellaneous income	6,343	4,199
Interest expense	(51,505)	(38,976)
Interest income	<u>3,816</u>	<u>2,586</u>
	<u>(41,346)</u>	<u>(32,191)</u>
NET (LOSS) INCOME	(127,690)	135,072
ACCUMULATED DEFICIT – beginning of year	(42,323)	(176,881)
DIVIDENDS	<u>-</u>	<u>(514)</u>
ACCUMULATED DEFICIT – end of year	<u>\$(170,013)</u>	<u>\$ (42,323)</u>

MAMA MIA, INC.

Fargo,

North Dakota

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$(127,690)	\$135,072
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	5,418	3,394
Amortization	12,910	14,619
Interest expense attributable to amortization of loan costs	21,752	7,828
Changes in assets and liabilities:		
Accounts receivable	59,003	(71,164)
Inventories	97,287	(106,752)
Prepaid expenses	524	(1,888)
Accrued interest receivable	(1,053)	(1,093)
Due from related parties	(6,020)	-
Long – term notes receivable	(151,195)	(58,894)
Accounts payable	(55,878)	182,692
Unearned revenue	(3,550)	3,550
Accrued expenses	(6,309)	4,407
Accrued payroll and sales tax	(256)	(911)
Net cash (used by) provided by operating activities	<u>(155,057)</u>	<u>110,860</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(13,264)	(12,842)
Trademarks	(2,903)	(1,591)
Franchise manuals	-	(3,655)
Franchise agreements	<u>(11,662)</u>	<u>(7,219)</u>
Net cash used by investing activities	<u>(27,829)</u>	<u>(25,307)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to shareholder	-	(514)
Due from shareholder – franchise development	(13,000)	(30,000)
Proceeds from long-term debt	426,815	150,000
Principal payments on long-term debt	(304,642)	(206,186)
Advances on line of credit	151,252	318,000
Payments on line of credit	(100,966)	(315,750)
Loan costs incurred	<u>(21,839)</u>	<u>(1,500)</u>
Net cash provided by (used by) in financing activities	<u>137,620</u>	<u>(85,950)</u>
NET INCREASE (DECREASE) IN CASH	(45,266)	(397)
CASH, beginning of year	<u>57,735</u>	<u>58,132</u>
CASH, end of year	<u>\$ 12,469</u>	<u>\$ 57,735</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the years for interest	<u>\$ 29,447</u>	<u>\$ 32,355</u>

The notes to financial statements are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

A. ORGANIZATION AND NATURE OF OPERATIONS

Mama Mia, Inc., "the Company" was organized as a North Dakota Corporation on June 1, 2006. The Company began selling franchises for the operation of retail clothing and accessories stores in 2011. At December 31, 2016, the Company had eight franchisees operating in Grand Forks, ND, Bismarck, ND, Williston, ND, Sioux Falls, SD, Rapid City, SD, Woodbury, MN, Cedar Rapids, IA and Wichita, KS. The Company also has two affiliate-owned stores located in Fargo, ND and Sioux City, IA. See Note G (Related Party Transactions) for further explanation. In addition to the franchise agreements, the Company also sells merchandise to the franchisees and receives royalties from the sale of merchandise sold by franchisees.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Company presents its balance sheet on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Accounts Receivable

Accounts receivable are carried at cost less an allowance for bad debts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for bad debts based on a history of past write-offs and collections. Accounts are written off as uncollectible at the time management determines that collection is unlikely. The allowance for uncollectible accounts was \$9,746 and \$0 for the years ended December 2016 and 2015, respectively

Inventory

Inventory consists of clothing and accessories that are resold to the franchises. The inventory is valued at average cost on a first-in, first-out basis.

Trademarks

The Company secured the trademark "MODE DESIGNER FASHION CLOSEOUT PRICES (AND DESIGN)" in 2010, "Home of the \$40 Designer Jean" in 2013 and "MODE" in 2014 and carries these assets on the balance sheet accordingly. The Company incurred additional legal costs to maintain and defend these trademarks. Amortization expense of \$504 and \$501 in 2016 and 2015, respectively, was charged against operations using a fifteen year straight line method.

Fixed Assets

The Company uses the accelerated tax-basis method of depreciation over the estimated useful lives of 5 – 7 years for equipment and 39 years for leasehold improvements. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Loan Costs

Loan costs incurred in connection with financing have been capitalized and are being amortized over the life of the loan using the straight-line method which is a reasonable estimate of the effective interest rate method. Unamortized loan costs are reported on the balance sheet as a reduction in long-term debt.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounting and Franchise Systems

Accounting and franchise systems is comprised of consulting fees and labor costs associated with developing inventory management and franchise re-order level methodologies. These costs are amortized over a 3 year useful life. Also included are costs to develop a franchise operational manual and a prototype franchise build out both of which are amortized over a useful life of 7 years. Amortization expense of \$11,565 and \$13,829 in 2016 and 2015, respectively, was charged against operations.

Franchise Agreements

Franchise agreements is comprised of legal costs associating with drafting the currently used franchise agreement. These costs are amortized over a 15 year useful life consistent with the term of the franchise agreement. Amortization expense of \$844 and \$361 in 2016 and 2015, respectively, was charged against operations.

Impairment of Long-lived Assets

Fixed assets are reviewed for impairment in the fourth quarter and whenever events or circumstances indicate the carrying amount may not be recoverable. If the sum of the expected discounted cash flow is less than the carrying value of the related assets or group of assets, a loss is recognized for the difference between fair value and the carrying value of the related asset or group of assets. No impairments were recognized for the year.

Revenue Recognition

The Company's primary source of income is from the sale of clothing and accessories to the franchisees, sale of franchises and royalties.

- Sale of Franchises – In accordance with FASB Accounting Standards Codification (ASC) 952, Franchisors, all revenue earned from the sale of franchises is recorded when all material services or conditions relating to the sales have been substantially performed or satisfied by the franchisor. The franchisee has the option to purchase an exclusive territory for an additional fee.
- Other revenues – Other revenues include sales of clothing and accessories to the franchisees. This type of revenue is considered earned when the product is delivered. Continuing royalty and service fees are earned monthly based on the franchisee's sales at 6% of gross sales or \$1,500 per month whichever is greater. Continued royalty and service fees are due on Tuesday following the previous week of sales.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes

The Company is an S-Corporation. Accordingly, under the Internal Revenue Code, all taxable income or loss flows through to its shareholder. Therefore, no income tax liability is recorded on the accompanying balance sheet.

The Company is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. The Company has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Company has analyzed tax positions taken for filing with the Internal Revenue Service. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the company's financial condition, results of operations or cash flows. The Company has no other tax positions which must be considered for disclosure. Accordingly, the Company has not recorded any reserves, or related accruals, for interest and penalties for uncertain income tax positions at December 31, 2016. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company believes it is no longer subject to income tax examinations for the years prior to 2013.

Use of Estimates

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

Advertising

The Company's policy is to expense advertising costs as such costs are incurred.

C. LONG-TERM NOTES RECEIVABLE

Long term notes receivable consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Note Receivable – MODE, Inc.	\$235,481	\$24,516
Note Receivable – MODE, Inc. II	-	38,165
Note Receivable – MODE, Inc. Expansion	-	26,484
Note Receivable – Hilltop 6, LLC	<u>4,879</u>	<u>-</u>
	240,360	89,165
Less current maturities	<u>21,203</u>	<u>19,556</u>
	<u>\$219,157</u>	<u>\$69,609</u>

See Note G (Related Party Transactions) for further explanation of the various MODE, Inc. notes receivable and the 2016 corresponding activity.

Effective April 1, 2016, the company signed a promissory note with Hilltop 6, LLC related to the closing of the Overland Park, KS franchise in the amount of \$7,200 with an interest rate of 5% and maturity date of April 1, 2018.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

D. NOTE PAYABLE TO BANK

A short-term revolving line of credit operating loan was obtained from the North Dakota Development Fund, Bismarck, North Dakota, on November 9, 2016, with a maturity date of November 9, 2017. The amount of available credit is \$150,000. The interest rate is fixed at 4.5%. The balance owing on December 31, 2016 was \$50,286. During 2016, interest on this operating loan of \$99 was charged to operations. The loan is personally guaranteed by Ciara Stockeland and James Stockeland, shareholders.

A short-term revolving line of credit operating loan was obtained from Starion Financial, Fargo, North Dakota, on November 10, 2013, with a maturity date of November 10, 2014. The amount of available credit was \$70,000. The interest rate was variable based on the base rate on corporate loans posted by at least 70% of the ten largest U.S. banks known as the Wall Street Journal U.S. Prime Rate (the Index). The interest rate was 2.00 percentage points over the forementioned Index. This Starion Financial revolving line of credit was paid off in March 2014 and replaced with a \$100,000 short-term revolving line of credit operating loan obtained from Cornerstone Bank, Fargo, North Dakota, on February 28, 2014 with an original maturity date of February 27, 2015. The short-term revolving line of credit was modified on February 25, 2015 extending the maturity date to February 26, 2016. The short-term revolving line of credit was modified on March 14, 2016 extending the maturity date to February 25, 2017.

The balance owing on December 31, 2016 and 2015 was \$100,000 and \$100,000, respectively. The interest rate is variable based on the Wall Street Journal Prime Rate (the Index). The interest rate is 2.5% over the forementioned Index and can't exceed the maximum rate allowed by law. During 2016 and 2015, interest on these operating loans of \$4,860 and \$4,862, respectively, was charged to operations. The loan is personally guaranteed by Ciara Stockeland and James Stockeland, shareholders.

E. UNEARNED REVENUE

Unearned revenue at December 31, 2015 consisted of sponsorship fees received for the Company's franchisee convention held in January 2016.

F. LONG-TERM DEBT

In 2016, the Company retroactively adopted the requirements in FASB ASC 835-30 to present loan costs as a reduction of the carrying amount of the debt rather than as an asset. Long-term debt as of December 31, 2015 was previously reported on the balance sheet as \$368,586 with the associated \$47,480 unamortized loan costs included in other assets. Amortization of the loan costs is reported as interest expense in the accompanying financial statements using the straight-line method over the period the debt is outstanding. The straight-line method is a reasonable estimate of the effective interest method.

During 2016, a non-recurring loan fee was incurred in relation to interim financing secured through a AMEX Merchant loan which was subsequently refinanced in 2016 and thereby fully amortized in 2016.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

F. LONG-TERM DEBT, continued

Long term debt consisted of the following at December 31:	<u>2016</u>	<u>2015</u>
Loan Payable – North Dakota Development Fund, Inc.	\$127,693	\$150,000
Loan Payable – U.S. Small Business Administration through Cornerstone Bank	430,471	292,483
Promissory Note – JDC Development, LLC	<u>6,491</u>	<u>-</u>
	564,655	442,483
Less unamortized loan costs	47,539	47,480
Less current maturities	<u>102,547</u>	<u>73,897</u>
	<u>\$414,569</u>	<u>\$321,106</u>

Effective July 24, 2015, the Company secured an operating loan through the North Dakota Development Fund, Inc., Bismarck, North Dakota, in the amount of \$150,000. The loan was scheduled to mature in 66 months with a fixed interest rate of 4.5%. This loan was modified on November 9, 2016 to amortize over 60 months and mature on November 15, 2021 with a fixed interest rate of 4.5% and a monthly payment of \$2,422. During 2016 and 2015, interest on this loan of \$4,494 and \$3,206 was charged to operations, respectively. Second position lien on all business assets serve as collateral. Additionally, Ms. Stockeland and James Stockeland have personally guaranteed repayment of this loan.

Effective February 20, 2014, the Company was able to secure an U.S. Small Business Administration loan through Cornerstone Bank, Fargo, North Dakota, in the amount of \$412,000. The loan was scheduled to mature in 8 years with a fixed interest rate of 5.75% for the first four years adjusting to Prime Rate plus 2.5% on the first calendar day of the second four year period. This loan was modified on November 14, 2016 resulting in \$191,000 in loan proceeds payable over 64 monthly payments of \$8,073 maturing February 20, 2022. All other loan terms are unchanged. This debt restructuring allowed the Company additional working capital funds. During 2016 and 2015, interest on this loan of \$17,118 and \$19,056 was charged to operations, respectively. Inventory, chattel paper, accounts, equipment and general intangibles are pledged as collateral. Additionally, a second mortgage on the personal residence of Ms. Stockeland and James Stockeland serves as collateral for this loan. Ms. Stockeland and James Stockeland have personally guaranteed repayment of this loan.

During 2016, the Company purchased office furniture from JDC Development, LLC. The seller is financing the purchase of \$10,095. The unsecured loan matures March 31, 2018 and bears an interest rate of 7.85% with 24 monthly payments of \$456. During 2016, interest of \$498 was charged to operations.

Aggregate maturities of long-term debt for the next five years and thereafter are as follows:

December 31,	
2017	\$102,547
2018	104,383
2019	108,859
2020	114,978
2021	118,926
Thereafter	<u>14,962</u>
	<u>\$564,655</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

G. RELATED PARTY TRANSACTIONS

The Company is owned by two shareholders, Ciara Stockeland and James Stockeland, each with a 50% ownership interest. Ms. Stockeland and James Stockeland also have a 100% interest in the MODE franchise located in Fargo, ND. At December 31, 2016 and 2015, this franchise had an outstanding account receivable balance of \$7,031 and \$38,364, respectively, a component of the total accounts receivable of the Company. In 2016 and 2015, sales to this franchise were \$150,612 and \$225,231, respectively. The associated cost of sales to this franchise were \$107,817 and \$126,057 in 2016 and 2015, respectively.

The Company's long term notes receivable related to the Fargo, ND franchise consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Note Receivable – MODE, Inc.	\$235,481	\$24,516
Note Receivable – MODE, Inc. II	-	38,165
Note Receivable – MODE, Inc. Expansion	-	<u>26,484</u>
	<u>235,481</u>	89,165
Less current maturities	<u>17,574</u>	<u>19,556</u>
	<u>\$217,907</u>	<u>\$69,609</u>

Note Receivable – MODE, Inc.

A note receivable dated December 19, 2014 of \$24,516 for operating capital. This note accrued interest at 2.5% per annum and is payable December 19, 2019. Interest income earned during 2016 and 2015 was \$1,040 and \$666, respectively.

Note Receivable – MODE Inc. II

A note receivable dated April 30, 2015 of \$38,165 for increased inventory due to store expansion. This note accrued interest at 2.5% per annum and is payable April 30, 2020. Interest income earned during 2016 and 2015 was \$849 and \$688, respectively.

Note Receivable – MODE, Inc. Expansion

A note receivable dated October 2, 2015 of \$26,484 for costs incurred to expand the store's square footage. This note accrued interest at 2.5% per annum and is payable October 2, 2020. Interest income earned during 2016 and 2015 was \$238 and \$113, respectively.

During 2016, the Company consolidated the three aforementioned notes receivable along with the Fargo franchise's accounts receivable into a new promissory note dated December 16, 2016 in the amount of \$235,481. The loan is at a 4% fixed interest rate with weekly payments of \$500 maturing March 3, 2028.

On October 31, 2016, Ciara Stockeland and James Stockeland acquired 100% of the ownership interest in the MODE franchise located in Sioux City, IA. At December 31, 2016, this franchise had an outstanding account receivable balance of \$1,232, a component of the total accounts receivable of the Company. For the period October 31, 2016 through December 31, 2016, sales to this franchise were \$11,987. The associated cost of sales to this franchise for the same period were \$7,741.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

G. RELATED PARTY TRANSACTIONS, continued

At December 31, 2016, the Company has a receivable of \$6,020 from related parties. This relates to \$5,568 of operating expenses paid by the Company on behalf of the Fargo, ND franchise and \$452 of operating expenses paid by the Company on behalf of the Sioux City, IA franchise.

The Company has a note receivable from shareholder on December 31, 2016 and 2015 in the amount of \$243,000 and \$230,000, respectively, related to franchise development expenses incurred. The note receivable is accruing interest at the Blended Applicable Federal Rate which was .45% and .45% in 2016 and 2015, respectively. Interest income earned during 2016 and 2015 was \$1,243 and \$1,119, respectively.

The shareholder has personally guaranteed repayment of the line of credit note payable and on the long-term notes payable (refer to Note D).

The Company paid Jim Stockeland \$600 and \$750 in 2016 and 2015, respectively, in consulting fees. The Company paid Ciara Stockeland \$500 in 2016 in consulting fees.

H. COMMITMENTS AND CONTINGENCIES

The Company leases office and warehouse space in Fargo, ND. Rent is presently at \$2,250 per month and the lease term runs through July 31, 2020.

The Company leases store and training space in Fargo, ND and charges rent to the Fargo, ND franchise based on square footage. Charge – backs for the years ending December 31, 2016 and 2015 were \$49,286 and \$38,112, respectively. Rent is currently at \$3,315 per month and the lease term runs through October 31, 2020. Central area maintenance (CAM) payments and utilities are also required on a monthly basis for this lease. CAM charges are variable and may change from year to year.

The future minimum annual lease payments are as follows:

2017	<u>\$67,232</u>
2018	<u>\$79,148</u>
2019	<u>\$82,574</u>
2020	<u>\$59,900</u>

During 2016 and 2015, rent and CAM charges of \$41,243 and \$29,146, respectively, were charged to operations.

I. LITIGATION

On December 29, 2016, the Company initiated a lawsuit against the former franchisee located in Mount Pleasant, SC and its principal member related to breaches of the franchise agreement and trademark infringement. Subsequent to year end, on January 31, 2017 the defendants filed counter claims against the Company for (1) breach of contract, (2) actual fraud, (3) violations of the North Dakota Franchise Investment Law (4) violations of the North Dakota Unlawful Sales or Advertising Practices Act and (5) violations of the South Carolina Business Opportunities Act. At this stage in the litigation it isn't reasonable to express an opinion with respect to the likelihood of an adverse or unfavorable outcome or estimate the range of potential losses.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

J. RECLASSIFICATIONS

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

K. SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statement. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Company through March 1, 2017, the date the financial statements were available to be issued and concluded that the following subsequent events have occurred that require disclosure in the notes to the financial statement.

Effective January 17, 2017, the MODE franchise located in Woodbury, MN was terminated.

Effective February 28, 2017, the MODE franchise located in Wichita, KS was terminated.

Subsequent to year end, the Company advanced an additional \$49,835 on the short-term revolving line of credit operating loan with the North Dakota Development Fund resulting in an outstanding balance of \$100,121.

MAMA MIA, INC.
Fargo, North Dakota
Financial Statements
December 31, 2015 and 2014

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MATTHEW D. PEDERSEN, CPA, P.C.

INDEPENDENT AUDITORS' REPORT

www.valleycitycpa.com

To the Shareholder
Mama Mia, Inc.
Fargo, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of Mama Mia, Inc. which comprise the balance sheets as of December 31, 2015 and 2014 and the related statements of income, accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mama Mia, Inc. as of December 31, 2015 and 2014 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Ludvigson Braun & Co.

Valley City, North Dakota
February 24, 2016

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Valley City, ND 58072-0845
PO Box 845
117 3rd St NW

MAMA MIA, INC.

North Dakota

Fargo,

BALANCE SHEETS

December 31, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash	\$ 57,735	\$ 58,132
Accounts receivable	87,790	16,626
Inventory	140,166	33,414
Deposit on inventory	5,844	14,552
Prepaid expenses	11,813	1,217
Accrued interest receivable	1,691	598
Current maturities of long-term notes receivable – affiliate	19,556	30,271
Due from shareholder – franchise expansion	<u>230,000</u>	<u>200,000</u>
Total current assets	<u>554,595</u>	<u>354,810</u>
PROPERTY, at cost		
Equipment	18,336	9,611
Leasehold improvements	<u>4,117</u>	<u>-</u>
	22,453	9,611
Less accumulated depreciation	<u>8,775</u>	<u>5,381</u>
	<u>13,678</u>	<u>4,230</u>
OTHER ASSETS		
Long-term notes receivable – affiliate, less current maturities	69,609	-
Loan costs, less accumulated amortization of \$15,827 in 2015; \$7,999 in 2014	47,480	53,808
Accounting and franchise systems, less accumulated amortization of \$13,829 in 2015; \$0 in 2014	28,319	38,493
Trademarks, less accumulated amortization of \$429 in 2015, \$0 in 2014	6,852	5,690
Franchise agreements, less accumulated amortization of \$361 in 2015; \$0 in 2014	<u>6,858</u>	<u>-</u>
	<u>159,118</u>	<u>97,991</u>
TOTAL ASSETS	<u>\$727,391</u>	<u>\$457,031</u>
<u>LIABILITIES AND STOCKHOLDERS' ACCUMULATED DEFICIT</u>		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 73,897	\$ 43,513
Note payable to bank	100,000	97,750
Accounts payable	211,785	29,093
Unearned revenue	3,550	-
Accrued interest expense	1,045	2,252
Accrued wages and vacation	10,185	4,571
Accrued payroll and sales tax	<u>566</u>	<u>1,477</u>
Total current liabilities	401,028	178,656
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	<u>368,586</u>	<u>455,156</u>
	<u>769,614</u>	<u>633,812</u>
STOCKHOLDERS' EQUITY (ACCUMULATED DEFICIT)		
Common stock \$1 par value; authorized, issued and outstanding 100 shares	100	100
Accumulated deficit	<u>(42,323)</u>	<u>(176,881)</u>
	<u>(42,223)</u>	<u>(176,781)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' ACCUMULATED DEFICIT	<u>\$727,391</u>	<u>\$457,031</u>

The notes to financial statements are an integral part of these statements.

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STATEMENTS OF INCOME AND ACCUMULATED DEFICIT

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
REVENUES		
Franchise product sales	\$1,359,499	\$ 865,585
Franchise supplies and services	26,092	16,337
Franchise fixtures and systems	110,004	65,178
Franchise fees	155,000	62,000
Franchise royalties	151,488	74,894
Broker sales	<u>-</u>	<u>59,078</u>
	<u>1,802,083</u>	<u>1,143,072</u>
COST OF SALES		
Franchise product costs	1,031,595	651,668
Franchise fixtures and systems costs	70,713	57,104
Broker costs	-	51,065
Wholesale costs	-	13,340
Freight and shipping	57,631	38,545
Purchase discounts	<u>(2,224)</u>	<u>(1,194)</u>
	<u>1,157,715</u>	<u>810,528</u>
GROSS PROFIT	<u>644,368</u>	<u>332,544</u>
OPERATING EXPENSES		
Wages and commissions	247,070	149,738
Payroll taxes and employee benefits	23,828	13,237
Accounting and consulting fees	16,509	11,831
Legal	12,990	13,093
Rent	29,146	29,893
Insurance	1,857	2,415
Office expenses	40,982	21,911
Merchant credit card fees	33,141	13,515
Bank and financing fees	1,924	2,891
Franchise and advertising	18,983	12,128
Travel	32,662	15,912
Depreciation	3,394	3,644
Amortization	<u>22,447</u>	<u>7,999</u>
	<u>484,933</u>	<u>298,207</u>
OPERATING INCOME	<u>159,435</u>	<u>34,337</u>
OTHER INCOME (EXPENSES)		
Miscellaneous income	4,199	7,679
Interest expense	(31,148)	(28,252)
Interest income	<u>2,586</u>	<u>598</u>
	<u>(24,363)</u>	<u>(19,975)</u>
NET INCOME	135,072	14,362
ACCUMULATED DEFICIT – beginning of year	(176,881)	(187,343)
DIVIDENDS	<u>(514)</u>	<u>(3,900)</u>
ACCUMULATED DEFICIT – end of year	<u>\$ (42,323)</u>	<u>\$ (176,881)</u>

MAMA MIA, INC.

Fargo,

North Dakota

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$135,072	\$ 14,362
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	3,394	3,644
Amortization	22,447	7,999
Changes in assets and liabilities:		
Accounts receivable	(71,164)	38,253
Accrued interest receivable	(1,093)	(598)
Inventories	(106,752)	317
Prepaid expenses	(10,596)	87
Due from shareholder – franchise expansion	(30,000)	(174,651)
Due from affiliate	(58,894)	(30,271)
Deposit on inventory	8,708	(14,552)
Accounts payable	182,692	(48,513)
Customer deposit	-	(77,835)
Accrued expenses	4,407	3,116
Unearned revenue	3,550	-
Accrued payroll and sales tax	(911)	891
Net cash provided (used) by operating activities	<u>80,860</u>	<u>(277,751)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(8,725)	(1,390)
Purchase of leasehold improvements	(4,117)	-
Trademarks	(1,591)	(3,502)
Accounting systems	-	(25,100)
Franchise manuals	(3,655)	(13,393)
Franchise agreements	(7,219)	-
Net cash used by investing activities	<u>(25,307)</u>	<u>(43,385)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to shareholder	(514)	(3,900)
Proceeds from long-term debt	150,000	533,000
Principal payments on long-term debt	(206,186)	(200,771)
Advances on line of credit	318,000	185,000
Payments on line of credit	(315,750)	(122,250)
Loan costs incurred	(1,500)	(13,807)
Net cash provided (used) by in financing activities	<u>(55,950)</u>	<u>377,272</u>
NET INCREASE (DECREASE) IN CASH	(397)	56,136
CASH, beginning of year	<u>58,132</u>	<u>1,996</u>
CASH, end of year	<u>\$ 57,735</u>	<u>\$ 58,132</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the years for interest	<u>\$ 32,355</u>	<u>\$ 26,580</u>

The notes to financial statements are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

A. ORGANIZATION AND NATURE OF OPERATIONS

Mama Mia, Inc., "the Company" was organized as a North Dakota Corporation on June 1, 2006. The Company began selling franchises for the operation of retail clothing and accessories stores in 2011. Presently, the Company has eleven franchises operating in Fargo, ND, Grand Forks, ND, Bismarck, ND, Overland Park, KS, Roseville, MN, Sioux Falls, SD, Woodbury, MN, Mount Pleasant, SC, Cedar Rapids, IA, Wichita, KA, and Sioux City, IA. The Company signed in February 2016, a franchise agreement for its twelfth franchise to be located in Rapid City, SD with a 2016 targeted opening. In addition to the franchise agreements, the Company also sells merchandise to the franchisees and receives royalties from the sale of merchandise sold by franchisees. The Company transitioned in 2015 out of brokering transactions between buyers and sellers of merchandise.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Company presents its balance sheet on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Accounts Receivable

Accounts receivable are carried at cost. On a periodic basis, management evaluates the receivables and has deemed that all are fully collectible; therefore, no allowance for doubtful accounts is presented.

Inventory

Inventory consists of clothing and accessories that are resold to the franchisees. The inventory is valued at average cost on a first-in, first-out basis.

Trademarks

The Company secured the trademark "Home of the \$40 Designer Jean" in 2013 and "MODE" in 2014 and carries these assets on the balance sheet accordingly. Amortization expense of \$429 in 2015 was charged against operations using a fifteen year straight line method.

Fixed Assets

The Company uses the accelerated tax-basis method of depreciation over the estimated useful lives of 5 – 7 years for equipment and 39 years for leasehold improvements. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Loan Costs

The Company capitalizes costs related to obtaining, receiving, or extending loan agreements and amortizes these costs over the term of the loan. At December 31, 2015 and 2014 loan costs were \$63,307 and \$61,807, respectively. Amortization expense of \$7,828 and \$7,999 was charged against operations during 2015 and 2014, respectively.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounting and Franchise Systems

Accounting and franchise systems is comprised of consulting fees and labor costs associated with developing inventory management and franchise re-order level methodologies. These costs are amortized over a 3 year useful life. Also included are costs to develop a franchise operational manual and a prototype franchise build out both of which are amortized over a useful life of 7 years. Amortization expense of \$13,829 in 2015 was charged against operations.

Franchise Agreements

Franchise agreements is comprised of legal costs associating with drafting the currently used franchise agreement. These costs are amortized over a 15 year useful life consistent with the term of the franchise agreement. Amortization expense of \$361 in 2015 was charged against operations.

Impairment of Long-lived Assets

Fixed assets are reviewed for impairment in the fourth quarter and whenever events or circumstances indicate the carrying amount may not be recoverable. If the sum of the expected discounted cash flow is less than the carrying value of the related assets or group of assets, a loss is recognized for the difference between fair value and the carrying value of the related asset or group of assets. No impairments were recognized for the year.

Revenue Recognition

The Company's primary source of income is from the sale of franchises, royalties, brokering, and wholesale sales.

- Sale of Franchises – In accordance with FASB Accounting Standards Codification (ASC) 952, Franchisors, all revenue earned from the sale of franchises is recorded when all material services or conditions relating to the sales have been substantially performed or satisfied by the franchisor. The franchisee has the option to purchase an exclusive territory for an additional fee.
- Other revenues – Other revenues include sales of clothing and accessories to the franchisees. This type of revenue is considered earned when the product is delivered. Continuing royalty and service fees are earned monthly based on the franchisee's sales at 4% to 6% of gross sales or \$1,000 to \$1,500 per month whichever is greater. Continued royalty and service fees are due on Tuesday following the previous week of sales. Brokered and wholesale sales are recognized at the time the sale is finalized.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes

The Company is an S-Corporation. Accordingly, under the Internal Revenue Code, all taxable income or loss flows through to its shareholder. Therefore, no income tax liability is recorded on the accompanying balance sheet.

The Company is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. The Company has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Company has analyzed tax positions taken for filing with the Internal Revenue Service. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the company's financial condition, results of operations or cash flows. The Company has no other tax positions which must be considered for disclosure. Accordingly, the Company has not recorded any reserves, or related accruals, for interest and penalties for uncertain income tax positions at December 31, 2015. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company believes it is no longer subject to income tax examinations for the years prior to 2012.

Use of Estimates

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

Advertising

The Company's policy is to expense advertising costs as such costs are incurred.

C. NOTE PAYABLE TO BANK

A short-term revolving line of credit operating loan was obtained from Starion Financial, Fargo, North Dakota, on November 10, 2013, with a maturity date of November 10, 2014. The amount of available credit was \$70,000. The interest rate was variable based on the base rate on corporate loans posted by at least 70% of the ten largest U.S. banks known as the Wall Street Journal U.S. Prime Rate (the Index). The interest rate was 2.00 percentage points over the forementioned Index. This Starion Financial revolving line of credit was paid off in March 2014 and replaced with a \$100,000 short-term revolving line of credit operating loan obtained from Cornerstone Bank, Fargo, North Dakota, on February 28, 2014 with an original maturity date of February 27, 2015. The short-term revolving line of credit was modified on February 25, 2015 extending the maturity date to February 26, 2016.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

C. NOTE PAYABLE TO BANK, continued

The balance owing on December 31, 2015 and 2014 was \$100,000 and \$97,750, respectively. The interest rate is variable based on the Wall Street Journal Prime Rate (the Index). The interest rate is 2.5% over the forementioned Index and can't exceed the maximum rate allowed by law. During 2015 and 2014, interest on these operating loans of \$4,862 and \$6,041, respectively, was charged to operations. The loan is personally guaranteed by Ciara Stockeland and James Stockeland, shareholders.

D. UNEARNED REVENUE

Unearned revenue consisted of sponsorship fees received for the Company's franchisee convention held in January 2016.

E. LONG-TERM DEBT

Long term debt consisted of the following at December 31:	<u>2015</u>	<u>2014</u>
Loan Payable – North Dakota Development Fund, Inc.	\$150,000	\$ -
Loan Payable – U.S. Small Business Administration through Cornerstone Bank	292,483	377,669
Promissory Note – Outside Individual	<u>-</u>	<u>121,000</u>
	442,483	498,669
Less current maturities	<u>73,897</u>	<u>43,513</u>
	<u>\$368,586</u>	<u>\$455,156</u>

Effective July 24, 2015, the Company secured an operating loan through the North Dakota Development Fund, Inc., Bismarck, North Dakota, in the amount of \$150,000. The loan will mature in 66 months with a fixed interest rate of 4.5%. During 2015, interest on this loan of \$3,206 was charged to operations. First position lien on all business assets serve as collateral. Additionally, Ms. Stockeland and James Stockeland have personally guaranteed repayment of this loan.

Effective February 20, 2014, the Company was able to secure an U.S. Small Business Administration loan through Cornerstone Bank, Fargo, North Dakota, in the amount of \$412,000. The loan will mature in 8 years with a fixed interest rate of 5.75% for the first four years adjusting to Prime Rate plus 2.5% on the first calendar day of the second four year period. This debt restructuring allowed the Company additional working capital funds to pay-off the Pallet Depot loan and note payable to Starion Financial (Note C). During 2015 and 2014, interest on this loan of \$19,056 and \$19,187 was charged to operations, respectively. Inventory, chattel paper, accounts, equipment and general intangibles are pledged as collateral. Additionally, a second mortgage on the personal residence of Ms. Stockeland serves as collateral for this loan. Ms. Stockeland and James Stockeland have personally guaranteed repayment of this loan.

The Company secured an operating loan in 2014 from an outside individual in the amount of \$121,000. The unsecured loan matures January 31, 2016 at which time all principal and interest accrued at the rate of 6.5% per annum are due. The loan was paid in full on July 29, 2015. During 2015 and 2014, interest on this loan of \$4,024 and \$1,677 was charged to operations, respectively.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

E. LONG-TERM DEBT, continued

The Company borrowed \$180,193 from Pallet Depot, LLC on December 7, 2012, at a rate of 6.5% per annum which was amortized over ten years and payable in monthly payments of principal and interest of \$2,000 with a balloon payment due on March 15, 2023, of all remaining principal and accrued interest. The loan was personally guaranteed by Ciara Stockeland and James Stockeland, shareholders. During 2014, interest on this loan of \$1,345, was charged to operations. The Pallet Depot loan was paid in full February 20, 2014.

Aggregate maturities of long-term debt for the next five years and thereafter are as follows:

December 31,	
2016	\$ 73,897
2017	80,213
2018	84,593
2019	89,217
2020	94,091
Thereafter	<u>20,472</u>
	<u>\$442,483</u>

F. RELATED PARTY TRANSACTIONS

The Company is owned by two shareholders, Ciara Stockeland and James Stockeland, each with a 50% ownership interest. Originally, Ms. Stockeland and James Stockeland each held a 28% ownership interest in the MODE franchise located in Fargo, ND. On March 12, 2013, Ms. Stockeland and James Stockeland acquired the remaining interest resulting in each owning 50%. At December 31, 2015 and 2014, this franchise had an outstanding account receivable balance of \$38,364 and \$4,800, respectively. At December 31, 2014 the Company had a note receivable from this franchise of \$30,271 which accrues interest at 2.5% per annum and is payable December 19, 2019. In 2015 and 2014, sales to this franchise were \$225,231 and \$202,725, respectively. The associated cost of sales to this franchise were \$126,057 and \$144,286 in 2015 and 2014, respectively.

At December 31, 2015, the company had three notes receivable from this franchise explained below:

- 1) A note receivable dated December 19, 2014 of \$24,516 for operating capital. This note accrues interest at 2.5% per annum and is payable December 19, 2019. Interest income earned during 2015 and 2014 was \$666 and \$25, respectively.
- 2) A note receivable dated April 30, 2015 of \$38,165 for increased inventory due to store expansion. This note accrues interest at 2.5% per annum and is payable April 30, 2020. Interest income earned during 2015 was \$688.
- 3) A note receivable dated October 2, 2015 of \$26,485 for costs incurred to expand the store's square footage. This note accrues interest at 2.5% per annum and is payable October 2, 2020. Interest income earned during 2015 was \$113.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

F. RELATED PARTY TRANSACTIONS, continued

The Company has a note receivable from shareholder on December 31, 2015 and 2014 in the amount of \$230,000 and \$200,000, respectively, related to franchise development expenses incurred. The note receivable is accruing interest at the Blended Applicable Federal Rate which was .45% and .31% in 2015 and 2014, respectively. Interest income earned during 2015 and 2014 was \$1,119 and \$573, respectively.

The shareholder has personally guaranteed repayment of the line of credit note payable (refer to Note C) and on the long-term notes payable (refer to Note D).

The Company paid Jim Stockeland \$750 in 2015 in consulting fees.

G. COMMITMENTS AND CONTINGENCIES

The Company leases its two locations in Fargo, ND. On May 25, 2010, the Company entered into a Five (5) year lease commencing October 22, 2010 and was amended on January 2, 2015 to amend Renewal Option One thereby extending the term from Thirty Six (36) months to Sixty (60) months extending the expiration date to October 31, 2020. 2016 minimum operating lease payments under this lease are \$38,830. Central area maintenance (CAM) payments and utilities are also required on a monthly basis for this lease currently at \$2,150, or \$25,800 annually. CAM charges are variable and may change from year to year.

On July 13, 2015, the Company entered into a Six (6) month lease commencing August 1, 2015 and expiring February 28, 2016 for warehouse and office space. Monthly lease payments under this lease are \$1,650. 2016 minimum operating lease payments under this are \$3,300.

On July 13, 2015, the Company entered into a Fifty Three (53) month lease commencing March 1, 2016 and expiring July 31, 2020 for warehouse and office space. Monthly lease payments under this lease are \$2,250. 2016 minimum operating lease payments under this lease are \$22,500.

During 2015 and 2014, rent and CAM charges of \$29,146 and \$29,893, respectively, were charged to operations.

H. RECLASSIFICATIONS

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

I. SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statement. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Company through February 24, 2016, the date the financial statements were available to be issued and concluded that the following subsequent event has occurred that requires disclosure in the notes to the financial statement.

Ms. Stockeland, a shareholder of the Company, advanced an additional \$13,000 on January 3, 2016, resulting in a note receivable from shareholder balance of \$243,000. (refer to Note E).

EXHIBIT D

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EXHIBIT E

REPRESENTATIONS AND ACKNOWLEDGEMENT STATEMENT

REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

The purpose of this Statement is to demonstrate to Mama Mia, Inc. (“MODE”) that the person(s) signing below (“I,” “me” or “my”), whether acting individually or on behalf of any legal entity established to acquire the franchise rights, (a) fully understands that the purchase of a MODE franchise is a significant long-term commitment, complete with its associated risks, and (b) is not relying on any statements, representations, promises or assurances that are not specifically set forth in MODE’s Franchise Disclosure Document and Exhibits (collectively, the “FDD”) in deciding to purchase the franchise.

In that regard, I represent to MODE and acknowledge that:

<p>I understand that buying a franchise is not a guarantee of success. Purchasing or establishing any business is risky, and the success or failure of the franchise is subject to many variables such as my skills and abilities (and those of my partners, officers, employees), the time my associates and I devote to the business, competition, interest rates, the economy, inflation, operation costs, location, lease terms, the market place generally and other economic and business factors. I am aware of and am willing to undertake these business risks. I understand that the success or failure of my business will depend primarily upon my efforts and not those of MODE.</p>	<p>INITIAL:</p>
<p>I received a copy of the FDD, including the Franchise Agreement, at least 14 calendar days before I executed the Franchise Agreement. I understand that all of my rights and responsibilities and those of MODE in connection with the franchise are set forth in these documents and only in these documents. I acknowledge that I have had the opportunity to personally and carefully review these documents and have, in fact, done so. I have been advised to have professionals (such as lawyers and accountants) review the documents for me and to have them help me understand these documents. I have also been advised to consult with other franchisees regarding the risks associated with the purchase of the franchise.</p>	<p>INITIAL:</p>
<p>Neither MODE nor any of its officers, employees or agents (including any franchise broker) has made a statement, promise or assurance to me concerning any matter related to the franchise (including those regarding advertising, marketing, training, support service or assistance provided by MODE) that is contrary to, or different from, the information contained in the FDD.</p>	<p>INITIAL:</p>
<p>My decision to purchase the franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by the MODE or any of its officers, employees or agents (including any franchise broker), including as to the likelihood of success of the franchise.</p>	<p>INITIAL:</p>
<p>I have made my own independent determination as to whether I have the capital necessary to fund the business and my living expenses, particularly during the start-up phase.</p>	<p>INITIAL:</p>

SPECIAL REPRESENTATION REGARDING RECEIPT OF FINANCIAL INFORMATION.

PLEASE READ THE FOLLOWING QUESTION CAREFULLY. THEN SELECT YES OR NO AND PLACE YOUR INITIALS WHERE INDICATED.

Have you received any information from the MODE or any of its officers, employees or agents (including any franchise broker) concerning actual, average, projected or forecasted sales, revenues, income, profits or earnings of the franchise business (including any statement, promise or assurance concerning the likelihood of success)?

Yes No (INSERT INITIAL HERE: _____)

If you selected "Yes," please describe the information you received on the lines below:

Prohibited Parties Clause. I acknowledge that MODE, its employees and its agents are subject to U.S. laws that prohibit or restrict (a) transactions with certain parties, and (b) the conduct of transactions involving certain foreign parties. These laws include, without limitation, U.S. Executive Order 13224, the U.S. Foreign Corrupt Practices Act, the Bank Secrecy Act, the International Money Laundering Abatement and Anti-terrorism Financing Act, the Export Administration Act, the Arms Export Control Act, the U.S. Patriot Act, and the International Economic Emergency Powers Act, and the regulations issued pursuant to these and other U.S. laws. As part of the express consideration for the purchase of the franchise, I represent that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been listed on:

1. the U.S. Treasury Department's List of Specially Designated Nationals;
2. the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders;
3. the U.S. State Department's Debarred List or Nonproliferation Sanctions; or
4. the Annex to U.S. Executive Order 13224.

I warrant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been: (i) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (ii) is owned or controlled by terrorists or sponsors of terrorism. I warrant that I am now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by me to MODE were legally obtained in compliance with these laws.

I further covenant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, will, during the term of the Franchise Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

FRANCHISEE:

Sign here if you are taking the franchise as an
INDIVIDUAL(S)

(Note: use these blocks if you are an individual or a partnership but the partnership is not a separate legal entity)

Signature
Print Name: _____
Date: _____

Signature
Print Name: _____
Date: _____

Signature
Print Name: _____
Date: _____

Signature
Print Name: _____
Date: _____

Sign here if you are taking the franchise as a
**CORPORATION, LIMITED LIABILITY
COMPANY OR PARTNERSHIP**

Print Name of Legal Entity

By: _____
Signature

Print Name: _____
Title: _____
Date: _____

EXHIBIT F

STATE ADDENDA AND AGREEMENT RIDERS

**ADDITIONAL DISCLOSURES FOR THE
FRANCHISE DISCLOSURE DOCUMENT OF
MAMA MIA, INC.**

The following are additional disclosures for the Franchise Disclosure Document of Mama Mia, Inc., required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

ILLINOIS

1. The “Summary” section of Item 17(v), entitled **Choice of forum**, is deleted in its entirety.
2. The “Summary” section of Item 17(w), entitled **Choice of law**, is deleted and replaced with the following:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois apply.

MINNESOTA

1. **Initial Fees**. The following paragraph is added to the end of Items 5:

Pursuant to an order of the Minnesota Commissioner of Commerce, we will defer collection of the initial franchisee fee and other initial payments you owe us until we have completed all of our pre-opening obligations to you under the Franchise Agreement and you have begun operating your MODE Store.
2. **Insufficient Funds Fee**. The following is added to the “Notes” section of the Item 6 line item entitled **“Insufficient Funds Fee”**:

To the extent required by Minnesota law, your penalty for an insufficient funds check will be limited to \$30 for each occurrence.
3. **Renewal, Termination, Transfer and Dispute Resolution**. The following is added at the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) of the Franchise Agreement and 180 days’ notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial or requiring you to consent to liquidated damages, termination penalties

or judgment notes. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Those provisions also provide that no condition, stipulation or provision in the Franchise Agreement will in any way abrogate or reduce any of your rights under the Minnesota Franchises Law, including, if applicable, the right to submit matters to the jurisdiction of the courts of Minnesota.

Any release required as a condition of renewal, sale and/or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

NORTH DAKOTA

1. **Initial Fees.** The following paragraph is added to the end of Item 5:

Pursuant to an order of the North Dakota Securities Commissioner, we will deposit all initial fees and payments received from you that are due under the Franchise Agreement into an escrow account we have established with Cornerstone Bank in Fargo, North Dakota. These funds will remain in escrow until we apply for and obtain their release. We will apply for release of these funds after we have completed all of our pre-opening obligations to you and you have begun operating your MODE Store.

2. The following is added to the end of the "Summary" sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for franchisor approval of transfer:**

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. The following is added to the end of the "Summary" section of Item 17(r), entitled **Non-competition covenants after the franchise is terminated or expires:**

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we and you will enforce the covenants to the maximum extent the law allows.

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
FRANCHISE AGREEMENT**

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

THIS RIDER is made and entered into by and between **MAMA MIA, INC.**, a North Dakota Corporation whose address is 5012 53rd Street South, Suite H, Fargo, North Dakota 58104 (“**MODE**”), and _____
a(n) _____ whose principal business address is _____ (“**Franchisee**”).

1. **BACKGROUND.** MODE and Franchisee are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the MODE Store that Franchisee will operate under the Franchise Agreement will be located in Illinois, and/or (b) Franchisee is domiciled in Illinois.

2. **ILLINOIS LAW.** The following paragraphs are added to the end of the Franchise Agreement and supersede any conflicting provisions in the Franchise Agreement:

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 of 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 remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

MAMA MIA, INC.

FRANCHISE OWNER:

By: _____

Name: _____

Title: _____

Date*: _____

(*This is the Effective Date)

[Name]

By: _____

Name: _____

Title: _____

Date: _____

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA**

THIS RIDER is made and entered into by and between **MAMA MIA, INC.**, a North Dakota Corporation whose address is 5012 53rd Street South, Suite H, Fargo, North Dakota 58104 (“**MODE**”), and _____
a(n) _____ whose principal business address is _____ (“**Franchisee**”).

1. **BACKGROUND.** MODE and Franchisee are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the MODE Store that Franchisee will operate under the Franchise Agreement will be located in Minnesota; and/or (b) Franchisee is domiciled in Illinois; (b) and/or any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota

2. **INITIAL FRANCHISE FEE.** The following paragraph is added to the end of Section 3.A of the Franchise Agreement:

Pursuant to an order of the Minnesota Securities Commissioner, MODE will defer collection of the initial franchise fee and other initial payments Franchisee owes MODE until MODE has completed all of its pre-opening obligations to Franchisee under the Franchise Agreement and Franchisee has begun operating the MODE Store.

3. **INSUFFICIENT FUNDS FEE.** The following sentence is added to the end of the third paragraph of Section 6.E of the Franchise Agreement:

To the extent required by Minnesota law, MODE will not impose a processing fee for insufficient funds above \$30 per occurrence.

4. **NOTIFICATION OF INFRINGEMENT AND CLAIMS.** The following sentence is added to the end of Section 8.C of the Franchise Agreement:

Provided Franchisee has complied with all provisions of this Agreement applicable to the Marks, MODE will protect Franchisee’s right to use the Marks and will indemnify Franchisee from any loss, costs or expenses arising out of any claims, suits or demands regarding Franchisee’s use of the Marks in accordance with Minn. Stat. Sec. 80C 12, Subd. 1(g).

5. **NON-SOLICITATION OF MODE PERSONNEL AND NON-DISPARAGEMENT AND NON-INTERFERENCE.** Sections 4.C and 1.G of the Franchise Agreement will not be enforced to the extent prohibited by applicable law.

6. **RELEASES.** The following is added to the end of Sections 11.A, 11.C(6), and 12.C of the Franchise Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

7. **NOTICE OF RENEWAL AND NONRENEWAL.** The following is added to the end of Section 12.B of the Franchise Agreement:

However, with respect to franchises governed by Minnesota law, MODE will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which requires, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

8. **LOST REVENUE DAMAGES.** The following language is added to the end of Section 14.H of the Franchise Agreement:

MODE and Franchisee acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400J. However, MODE and Franchisee agree to enforce the provision to the extent the law allows.

9. **GOVERNING LAW / CONSENT TO JURISDICTION.** The following statement is added at the end of Section 16.E of the Franchise Agreement:

Nothing in this Agreement will abrogate or reduce any of Franchisee's rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide. In addition, with respect to consent to jurisdiction, Notwithstanding the above, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400j prohibit MODE, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of Franchisee's rights under Minnesota statutes Chapter 80C or Franchisee's rights to any procedure, forum or remedies that the laws of the jurisdiction provide.

10. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** If and then only to the extent required by the Minnesota Franchises Law, Section 16.G of the Franchise Agreement is deleted.

11. **INJUNCTIVE RELIEF.** Section 16.F of the Franchise Agreement is deleted and replaced with the following:

Nothing in this Agreement bars MODE's right to obtain specific performance of the provisions of this Agreement and seek injunctive relief against conduct that threatens to injure or harm MODE, the Marks or the MODE System, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. You agree that we may seek such injunctive relief.

You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing, and you hereby expressly waive any claim for damages caused by such injunction. A court will determine if a bond is required.

12. **LIMITATIONS OF CLAIMS AND CLASS ACTION BAR.** The following is added to the end of Section 16.H of the Franchise Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

MAMA MIA, INC.

FRANCHISE OWNER:

By: _____

[Name]

Name: _____

By: _____

Title: _____

Name: _____

Date*: _____

Title: _____

(*This is the Effective Date)

Date: _____

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA**

THIS RIDER is made and entered into by and between **MAMA MIA, INC.**, a North Dakota Corporation whose address is 5012 53rd Street South, Suite H, Fargo, North Dakota 58104 (“**MODE**”), and _____
a(n) _____ whose principal business address is _____ (“**Franchisee**”).

1. **BACKGROUND.** MODE and Franchisee are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) Franchisee is a resident of North Dakota and the MODE Store that Franchisee will operate under the Franchise Agreement will be located or operated in North Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in North Dakota.

2. **INITIAL FRANCHISE FEE.** The following paragraph is added to the end of Section 6.A of the Franchise Agreement:

Pursuant to an order of the North Dakota Securities Commissioner, MODE will deposit all initial fees and payments received from Franchisee that are due under this Agreement into an escrow account MODE has established with Cornerstone Bank in Fargo, North Dakota. These funds will remain in escrow until MODE applies for and obtain their release. MODE will apply for release of these funds after MODE has completed all of its pre-opening obligations to Franchisee and Franchisee has begun operating the MODE Store.

3. **NON-SOLICITATION OF MODE PERSONNEL AND NON-DISPARAGEMENT AND NON-INTERFERENCE.** Sections 4.C and 1.G of the Franchise Agreement will not be enforced to the extent prohibited by applicable law.

4. **RELEASES.** The following is added to the end of Sections 11.A, 11.C(6), and 12.C of the Franchise Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

5. **COVENANT NOT TO COMPETE.** The following is added to the end of Section 14.E of the Franchise Agreement:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, MODE will enforce the covenants to the maximum extent the law allows.

6. **LOST REVENUE DAMAGES.** The following language is added to the end of Section 14.H of the Franchise Agreement:

MODE and Franchisee acknowledge that certain parts of this provision might not be enforceable under the North Dakota Franchise Investment Law. However, MODE and Franchisee agree to enforce the provision to the extent the law allows.

7. **WAIVER OF PUNITIVE DAMAGES / JURY TRIAL; AND LIMITATIONS AND CLASS ACTION.** To the extent required by the North Dakota Franchise Investment Law, Sections 16.G and 16.H of the Franchise Agreement are deleted and replaced with the following:

8. **NORTH DAKOTA STATUTE OF LIMITATIONS.** The following language is added to the end of Section 16 of the Franchise Agreement:

The statutes of limitations under North Dakota Law applies with respect to claims arising under the North Dakota Franchise Investment Law.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

Mama Mia, Inc.

FRANCHISE OWNER:

By: _____
Name: _____
Title: _____
Date*: _____
(*This is the Effective Date)

[Name]
By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT F

RECEIPTS

**RECEIPT
(OUR COPY)**

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 Mama Mia, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Mama Mia, Inc., or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If Mama Mia, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is Mama Mia, Inc., 5012 53rd Street South, Suite H, Fargo, North Dakota 58104; (701) 478-5858. The franchise seller for this offering is:

- | | | |
|--|--|--|
| <input type="checkbox"/> Ciara Stockeland
Mama Mia, Inc.,
5012 53rd St. S , Ste H
Fargo, ND 58104
(701) 478-5858 | <input type="checkbox"/> Courtney Barstad-Logan
Mama Mia, Inc.,
5012 53rd St. S , Ste H
Fargo, ND 58104
(701) 478-5858 | <input type="checkbox"/> Name of Franchise Seller:

Principal Business Address:

Telephone No.: _____ |
|--|--|--|

Issuance Date: March 1, 2017

See Exhibit A for Mama Mia, Inc.'s registered agents authorized to receive service of process.

I have received a disclosure document dated March 1, 2017, that included the following Exhibits:

- | | | | |
|-----------|--|-----------|--|
| Exhibit A | State Administrators / Agents for Service of Process | Exhibit E | Representations and Acknowledgment Statement |
| Exhibit B | Franchise Agreement | Exhibit F | State Addenda and Agreement Riders s |
| Exhibit C | Financial Statements | Exhibit G | Receipts |
| Exhibit D | Table of Contents to Operations Manual | | |

PROSPECTIVE FRANCHISEE:

If a business entity:

Name of Business Entity
Sign: _____
Title: _____
(Print Name): _____

Dated: _____
(Do not leave blank)

If an individual:
Sign: _____
(Print Name): _____

Dated: _____
(Do not leave blank)

Please sign this copy of the receipt, print the date on which you received this disclosure document, and return it, by mail or email, to Mama Mia, Inc., 5012 53rd Street South, Suite H, Fargo, North Dakota 58104; (701) 478-5858, Email: ciara@shopmodestore.com.

**RECEIPT
(YOUR COPY)**

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 Mama Mia, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Mama Mia, Inc., or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If Mama Mia, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is Mama Mia, Inc., 5012 53rd Street South, Suite H, Fargo, North Dakota 58104; (701) 478-5858. The franchise seller for this offering is:

- | | | |
|--|--|--|
| <input type="checkbox"/> Ciara Stockeland
Mama Mia, Inc.,
5012 53rd St. S , Ste H
Fargo, ND 58104
(701) 478-5858 | <input type="checkbox"/> Courtney Barstad-Logan
Mama Mia, Inc.,
5012 53rd St. S , Ste H
Fargo, ND 58104
(701) 478-5858 | <input type="checkbox"/> Name of Franchise Seller:

Principal Business Address:

Telephone No.: _____ |
|--|--|--|

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| Exhibit C | Financial Statements | Exhibit G | Receipts |
| Exhibit D | Table of Contents to Operations
Manual | | |

PROSPECTIVE FRANCHISEE:

If a business entity:

Name of Business Entity

Sign: _____

Title: _____

(Print Name): _____

Dated: _____

(Do not leave blank)

If an individual:

Sign: _____

(Print Name): _____

Dated: _____

(Do not leave blank)

PLEASE SIGN THIS COPY OF THE RECEIPT, PRINT THE DATE ON WHICH YOU RECEIVED THIS DISCLOSURE DOCUMENT AND KEEP IT FOR YOUR RECORDS.