

EXHIBIT B
WOODCRAFT FRANCHISE, LLC
FRANCHISE AGREEMENT

Franchisee: _____

Retail Store No.: _____

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EXHIBITS:

- A. TERRITORY
- B. GENERAL RELEASE
- C. CONDITIONAL ASSIGNMENT OF LEASE
- D. GUARANTY AND ASSUMPTION OF OBLIGATIONS

WOODCRAFT FRANCHISE, LLC
FRANCHISE AGREEMENT

This Agreement is made this _____ day of _____, 20___, (the "Effective Date") by and between WOODCRAFT FRANCHISE, LLC., a Delaware limited liability company, having its principal place of business at 1177 Rosemar Road, Parkersburg, West Virginia 26105 ("We," "Us" or "Our"), and _____, an individual whose principal address is _____ ("You" or "Your").

RECITALS

WHEREAS, We and Our affiliates have developed a proprietary system, as may be modified, improved and further developed from time to time (the "System"), relating to the establishment and operation of retail businesses ("Woodcraft Retail Store(s)") specializing in the sale of woodworking products and services including tools, supplies, books, seminars, classes, demonstrations and other educational programs along with related products and services (the "Products");

WHEREAS, Our affiliate, Woodcraft Supply, LLC ("Woodcraft Supply") owns and has licensed Us the right to use and sublicense certain trademarks, service marks, and other commercial symbols including the mark WOODCRAFT which are used in connection with and to identify the System (the "Marks");

WHEREAS, the System includes, without limitation, a proprietary line of Products that bear the Marks ("Branded Products"); methods and techniques for the merchandising and sale of the Products; technical assistance and training in the operation and management of a Woodcraft Retail Store; specifications for interior and exterior design and décor; training programs; methods for accounting and reporting materials and techniques, all of which may be changed, improved and further developed by Us from time to time;

WHEREAS, You wish to obtain a franchise to operate a Woodcraft Retail Store using the System and Marks the ("Retail Store") and, as such understand and acknowledge the importance of Our high standards of quality, appearance and service, and the necessity of operating the Retail Store in conformity with Our standards and specifications; and

WHEREAS, We are willing to grant You this franchise, but only in strict compliance with the terms and conditions contained in this Agreement.

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other set forth herein, mutually agree as follows.

1. GRANT OF FRANCHISE; FRANCHISED LOCATION.

A. Grant of Franchise.

We grant to You, and You accept, the non-exclusive right, license and privilege (the "Franchise") to use the System and Marks, solely in connection with the operation of a Woodcraft Retail Store at the following site (the "Site"):

Street: _____

City: _____ State _____ Zip Code _____

If, on the Effective Date, the Site has not been approved by Us, We will assist You in selecting a site for the operation of the Retail Store, as set forth in Section 4 of this Agreement. You agree you will not lease or otherwise acquire any site without Our prior written approval.

B. Territory.

Provided you are in full compliance with this Agreement, neither we nor any of our affiliates will during the term of the Agreement own, operate or grant franchises for the operation of a WOODCRAFT Retail Store within the Territory described on Exhibit A (the "Territory") other than the franchise granted to you under this Agreement.

C. Rights We Reserve.

We and our affiliates retain all rights not otherwise granted to You, including the right to:

- (1) Own, acquire, establish, and/or operate, and license others to establish and operate, Woodcraft Retail Stores outside the Territory regardless of their proximity to the Site or their impact on the Retail Store;
- (2) Own, acquire, establish, and/or operate, businesses under other proprietary marks or other systems including businesses which provide products and services similar to those provided by a Woodcraft Retail Store at any location outside the Territory regardless of their proximity to the Site or their impact on the Retail Store;
- (3) Sell or distribute through any other distribution channel including, but not limited to, the Internet, direct mail, and mail order catalogues, at retail or wholesale, directly or indirectly, or license others to sell or distribute, any Products, including Branded Products, whether within or outside the Territory and regardless of the impact on the Retail Store.

2. TERM AND RENEWAL.

A. Initial Term.

This Agreement shall be effective and binding for an initial term equal to ten (10) years from the Effective Date.

B. Renewal.

You may, at Your option, renew this Franchise for additional successive terms of five (5) years each, provided that all of the following conditions have been fulfilled:

- (1) You have given Us written notice at least one hundred eighty (180) days, but not more than two hundred seventy (270) days prior to the end of the term of this Agreement of Your intention to renew;
- (2) You have substantially complied with all provisions of this Agreement including the payment of all monetary obligations and operating and quality standards and procedures;
- (3) You have made the necessary capital expenditures to remodel, modernize and redecorate the Retail Store, as We may reasonably require, so that it reflects the then-current physical appearance of a new Woodcraft Retail Store;
- (4) You pay a Renewal Fee of Five Thousand Dollars (\$5,000) at least thirty (30) days prior to the expiration of the initial term of this Agreement to compensate Us for direct and indirect costs and expenses associated with the renewal;
- (5) You execute a General Release, in the form of Exhibit B, of any and all claims you may have against US and our Affiliates and their respective officers, directors, shareholders, agents, attorneys, employees and representatives arising out of or related to this Agreement;
- (6) You execute Our then-current form of the Franchise Agreement, which will supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a different percentage Royalty Fee and Marketing Fund Contribution; provided however, You shall not be required to pay the then-current Initial Franchise Fee; and
- (7) You comply with Our then-current qualification and training requirements for renewing franchisees.

3. FEES.

In consideration of Our signing this Agreement, You must pay Us the following fees, in addition to any others required under this Agreement.

A. Initial Franchise Fee.

You agree to pay Us upon execution of this Agreement an "Initial Franchise Fee" in the amount of FIFTY THOUSAND DOLLARS (\$50,000). The Initial Franchise Fee shall be fully earned by Us upon execution of this Agreement and is non-refundable in whole or in part except as provided in this Agreement.

B. Royalty Fee.

You agree to pay Us a continuing "Royalty Fee" equal to five percent (5%) of Your prior weeks Gross Revenues, as defined below. The Royalty Fee shall be paid on such date and in the manner set fourth in the Manual. We reserve the right to change the manner in which payment shall be made from time to time, at Our sole discretion, upon notice to You.

C. Marketing Fund Contribution.

You must also pay a "Marketing Fund Contribution" on a weekly basis to the Woodcraft Marketing Fund as this Agreement provides in more detail in Section 8.E. The amount of the Marketing Fund Contribution shall be equal to (i) one percent (1%) of Gross Revenues for the first two years after the Effective Date and (ii) one and one-half percent (1½%) of Gross Revenues thereafter for the term of this Agreement.

D. Computer System Support Fee.

Upon execution of this Agreement, and by January 2 of each year during its term, you will pay our affiliate Woodcraft Supply a non-refundable Computer System Support Fee ("Support Fee"), pro-rated for any period of less than 12 months, as compensation for access to a "Help Desk" which Woodcraft Supply staffs and maintains. As of the date of this Agreement, the annual Support Fee is \$1,200. This fee may be adjusted on an annual basis to cover the Help Desk costs Woodcraft Supply expects to incur in that year. Hardware costs and all software/hardware maintenance fees and costs are in addition to this fee and will be your sole responsibility.

E. Definition of Gross Revenues.

"Gross Revenues" means the total of all sales (not including taxes collected) related to or arising from the operation of the Retail Store including, without limitation, all monies and receipts from the sale of all products and services, including Branded Products. Gross Revenues shall be deemed to include checks, drafts, money orders, credit card payments and other forms of payments. Gross Revenues shall not include the amount of any refunds and adjustments that you give in good faith to customers of the Retail Store which were previously included in calculating Gross Revenues or any applicable sales, use or service taxes.

F. Interest On Late Payments.

All Royalty Fees, Marketing Fund Contributions, amounts due for purchases by You from Us or Our affiliates, and other amounts which You owe to Us or Our affiliates which are not received by the due date shall bear interest from the due date until paid at the rate of one and one half percent (1.5%) per month, or the highest rate allowed by law, whichever is lower, from the date payment is due to the date payment is received. You understand that failure to pay all such amounts when due shall constitute grounds for termination of this Agreement as provided herein, notwithstanding the provisions of this Section.

G. Application of Payments.

Notwithstanding any designation by You, We may, in Our sole discretion, apply any payments received from You to any past due indebtedness for Royalty Fees or Marketing Fund Contributions, Support Fees, purchases from Us or Our affiliates, or any other indebtedness of You to Us or Our affiliates.

H. You May Not Withhold.

You may not withhold payment of any Royalty Fee, Marketing Fund Contribution, amount due for purchases from Us or Our affiliates, or any other amount due to Us or Our affiliates on the grounds of alleged non-performance or breach of any of Our obligations under this Agreement or any related agreement. You agree that such claims will, if not otherwise resolved by Us, be submitted to arbitration as required in Section 17 of this Agreement.

I. Taxes.

We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property or other taxes, whether levied upon You or the Retail Store (except any taxes We are required by law to collect from You with respect to purchases from Us or Our affiliates). Payment of any and all such taxes are Your responsibility.

J. Modifications.

We shall be entitled from time to time to change or modify the System, including, but not limited to, the addition of Products for resale, the adoption or use of new or modified Marks or copyrighted materials, and modification of methods for selling the Products. You agree to accept and use within a reasonable period of time any changes or modifications as if they were part of the System at the time of execution of this Agreement and to make such expenditures for changes or modifications as We may reasonably require.

4. **SITE ACQUISITION, DEVELOPMENT AND OPENING OF RETAIL STORE.**

A. Lease of Premises.

If You have suggested a site for the Retail Store which we have approved before the execution of this Agreement, then the Site will be set forth in Section A of this Agreement. If

you have not suggested a site for the Retail Store which We have approved before the execution of this Agreement, then You agree to locate, within sixty (60) days of the Effective Date of this Agreement, a site acceptable to Us for the operation of the Retail Store. Any site You propose must be within the Territory. Upon location of a site which You believe to be suitable for development as a Woodcraft Retail Store, You agree to submit to Us for review and approval complete site documentation, including any proposed lease or purchase agreement. We will use reasonable efforts to evaluate and provide notice of Our acceptance or non-acceptance of a proposed site within twenty (20) days after We receive complete site documentation and any other information that we may reasonably request. We will not unreasonably withhold Our approval of a proposed site that meets Our site selection criteria.

B. Site Acceptance.

You agree that You will not execute a lease or purchase contract for a proposed site until We have approved such site in writing. You acknowledge and agree that Our approval of any proposed site does not constitute an express or implied assurance, representation or warranty of any kind as to the suitability of the proposed site for a Retail Store or for any other purpose or of the financial success of operating the Retail Store at the site. You and the landlord must sign Our form of Conditional Assignment of Lease which is attached as Exhibit C to this Agreement. It is of the essence of this Agreement that You select a site for the Retail Store, obtain Our prior written approval and execute a lease approved by Us (or provide proof of ownership) for the Site within ninety (90) days from the Effective Date of this Agreement. If you do not secure a Site within the time prescribed and following the procedures specified in this Section, then such failure to do so will be a material breach of this Agreement which, unless We waive the breach, will entitle Us to terminate this Agreement immediately on notice to You, with no opportunity to cure. If We terminate the Agreement for this reason, then all of the funds You have paid to Us will be considered earned by Us, except that We will return to You 75% of the Initial Franchise Fee (or 50% if We have furnished the Initial Training Program to You).

C. Site Development.

We will provide You with a sample layout for the interior of a typical Retail Store and a set of standard preliminary plans and specifications for the interior design, layout and decor of the Retail Store. You must employ a qualified licensed architect or engineer to prepare final plans and specifications adapting Our standard plans and specifications to the Site and to applicable laws, lease requirements and restrictions. You shall submit all modified plans and specifications to Us for approval. You shall not begin development of the Retail Store until We approve Your final plans and specifications in writing. You must obtain all necessary permits, zoning classifications, licenses and certifications required for the construction, signage, occupancy and operation of the Retail Store and certify in writing to Us that all such items have been obtained.

D. Construction and Build Out Obligations.

You agree to use a licensed general contractor reasonably satisfactory to Us to perform construction and build out work of the Site. You must promptly begin construction and build out after the Site is obtained, and continue uninterrupted until all necessary work is completed in

accordance with the approved plans and specifications. We shall have the right at all reasonable times to inspect the Site to ensure it complies with the final plans and specifications approved by Us. We have the right, but not the obligation, to conduct a final inspection of the completed Retail Store. We may require any corrections and modifications We consider necessary to bring the Site into compliance with the plans and specifications We approved. If you do not promptly correct any unauthorized variation from the approved plans and specifications, this will be grounds for termination of this Agreement.

E. Equipment, Fixtures, Furnishings and Signs.

We will furnish You specifications for furniture, fixtures and equipment required to be utilized by You in the operation of the Retail Store. You must obtain Our prior written consent prior to making any changes. All exterior and interior signs used in connection with the Retail Store must conform to Our sign criteria as to appearance, size, design, location and color.

F. Retail Store Opening.

Time is of the essence in connection with the construction and build out of the Site. You shall open the Retail Store to the public no later than sixty (60) days from the day You obtain possession of the Site. You must use the Site only for the operation of the Retail Store.

G. Retail Store Maintenance and Updates.

You agree to maintain the Retail Store and the site it occupies in a clean and orderly condition, and in excellent repair. You agree, at Your expense, to perform any required maintenance or repairs, as We may reasonably direct by written notice to You, in a timely manner. Without limiting the foregoing, You agree to refurbish the Retail Store to Our standards and specifications after the Retail Store has been in operation for five (5) years. Refurbishing may include upgrades in interior and exterior signage, floor covering, wall covering, interior décor features and lighting.

H. Relocation.

Once the Retail Store is established in accordance with this Agreement, You may relocate the Retail Store only upon Our prior written consent. We will not unreasonably withhold Our approval of such relocation if: (i) You have provided Us with at least ninety (90) days prior written notice of Your intent to relocate; (ii) You are not in default under this Agreement; (iii) You have reimbursed Us for Our costs in connection with the relocation; and (iv) the new site is within the Territory. We will provide You with written notification of Our decision regarding relocation of the Retail Store. Upon approval by Us, You must relocate and begin operation of the Retail Store within one hundred and eighty (180) days.

5. MARKS.

A. Ownership and Goodwill.

The Marks are Our and Our affiliates' exclusive property. You acknowledge that Your right to Use the Marks is derived solely from this Agreement and is limited to the conduct of

business by You pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by Us during the term of the Franchise. Any unauthorized Use of the Marks by You is a breach of this Agreement and an infringement of Our rights in and to the Marks. All Usage of the Marks by You and any goodwill arising from Your Use of the Marks shall inure solely and exclusively to Our and Our affiliates benefit. This Agreement does not confer any goodwill or other interests in the Marks upon You. You shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks. All provisions of this Agreement applicable to the Marks apply to any additional trademarks, service marks and/or commercial symbols authorized for use by and licensed to You by Us at any time during the term of this Agreement.

B. Limitations on Your Use of the Marks.

You agree that the Retail Store herein franchised shall be named WOODCRAFT without any suffix or prefix attached hereto and that You shall use and display the Marks as We may from time to time prescribe or approve. You agree not to use any Mark or any variation thereof (a) as part of any corporate or trade name; (b) in connection with the sale of any unauthorized product or service; (c) as part of a domain name or electronic address of any Website; (d) in any manner not authorized by Us. You agree to display the Marks and only the Marks in connection with the operation of the Retail Store as authorized by Us. If required to do so, You shall file a notice of intent to conduct business under the name WOODCRAFT and obtain such fictitious or assumed name registrations as may be required under applicable law. Promptly upon the expiration or termination of this Agreement for any reason whatsoever, You shall execute and file such documents as may be necessary to revoke or terminate such registrations, You hereby irrevocably appoint Us as Your Attorney-in-fact to do so for or on Your behalf.

C. Notification of Infringement and Claims.

You agree to immediately notify Us in writing of any known apparent infringement or challenge based upon or arising from any attempt by any person or legal entity to use the Marks or any colorable imitation thereof. You shall not directly or indirectly communicate with any person other than Us or Our counsel in connection with any such infringement, challenge or claim. We shall have the sole discretion to take any action as We deem appropriate and the right to exclusively control any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising out of such infringement, challenge or claim or otherwise relating to any Mark. We shall have the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Marks and shall exercise such right in Our sole discretion. In any defense or prosecution of any litigation relating to the Marks undertaken by Us, You agree to cooperate with Us and execute any and all documents and take all actions as may be desirable or necessary, in the opinion of Our counsel, to carry out such defense or prosecution.

D. Indemnification.

We do not warrant that any trademark claim or registration presently is, will be or will remain valid. We agree to indemnify You against and to reimburse You for all damages for

which You are held liable arising out of Your Use of the Marks which is deemed to constitute trademark infringement, unfair competition or dilution; provided however, You must have timely notified Us of any such proceeding and have used the Marks in accordance with the terms of this Agreement.

E. Discontinuing Use of Mark.

If it becomes advisable at any time, in Our sole discretion, for You to modify or discontinue the Use of any of the Marks or to Use one or more additional or substitute trademarks or service marks, You agree to promptly do so within a reasonable time after notice from Us to do so, and We shall have no liability or obligation whatsoever with respect to Your modification or discontinued use of any Mark or expenses incurred therewith.

F. Our Right of Inspection.

In order to preserve the validity and integrity of the Marks and copyrighted material licensed herein and to assure that You are properly employing the same in the operation of the Retail Store, We, or Our representatives, shall have the right of entry and inspection and to confer with Your employees and clients to make certain that the services meet the performance standards We have established.

6. TRAINING AND OPERATION ASSISTANCE.

A. Initial Training.

After You secure the Site and at least four weeks before opening of the Retail Store, You must attend and successfully complete an initial training program (the "Initial Training Program"). We will provide the Initial Training Program to You without an additional charge. You are responsible for all travel and living expenses in connection with attending the Initial Training Program. The Initial Training Program shall consist of approximately eight to nine (8-9) days (Monday thru Friday) of training at our corporate headquarters in Parkersburg, West Virginia. The Initial Training Program is designed to provide instruction on various aspects of the day to day operations of a WOODCRAFT Retail Store. If We reasonably conclude that You have failed to attend or successfully complete the Initial Training Program, We may terminate this Agreement and, if so, then all funds You paid to Us will be considered earned by Us, except that We will return 50% of the Initial Franchise Fee which You paid to acquire the Franchise. Any general manager hired by You subsequent to the commencement of operation of the Retail Store must attend and successfully complete the next scheduled Initial Training Program. You shall pay an additional fee of \$3,000 to Us for the training of Your general manager. You are required to pay all travel and living expenses in connection with Your general manager's attending the Initial Training Program.

B. On-Site Assistance.

For approximately seven to eight (7-8) days in conjunction with the opening of the Retail Store, We will provide a representative to assist in the operation of the Retail Store. Our representative will assist You in training Retail Store personnel and establishing standard

operating procedures for the Retail Store. We will not charge You for the services of Our representative.

C. Additional Training.

We may, from time to time, at Our discretion, make available to You additional training programs or courses during the term of this Agreement. We have the right to make attendance mandatory with respect to certain training courses and optional with respect to other training courses. We will not charge for mandatory courses but may, in Our discretion, charge a reasonable fee for optional training courses. With respect to either mandatory or optional training courses, You are required to pay all travel and living expenses incurred in connection with attendance at such courses.

D. Guidance and Assistance.

We may, from time to time, at Our discretion, cause Our field representative to visit Your Retail Store for the purpose of rendering guidance and assistance and/or training, with respect to the Retail Store, its operation and performance. In addition, You shall have the right to inquire of Our headquarters staff with respect to problems relating to the operation of the Retail Store, by telephone or correspondence, and We shall use best efforts to diligently respond to such inquiries, in order to assist You in the operation of the Retail Store.

E. Operations Manual.

While this Agreement is in effect, We will loan You one (1) copy of the Manual which may consist of one or more handbooks or manuals and may be in the form of printed text, computed disks, or other electronically Retail Stored media, and video tapes. The Manual includes, in part, mandatory and suggested standards, operating procedures, specifications, technical advice, and rules and regulations for operating the Retail Store. The Manual shall, at all times, remain Our sole property and shall promptly be returned upon expiration or termination of this Agreement. We have the right to add to or otherwise modify the Manual from time to time to reflect changes in the specifications, standards and operating procedures; however, no such addition or modification shall alter Your fundamental status and rights under this Agreement. You must keep Your copy of the Manual current. We may make additions or modifications without prior notice to You. You agree to immediately, upon notice, adopt any such changes by inserting all modified pages and (at Our option) destroying or returning to Us all superseded material. You shall treat all information contained in the Manual as confidential and shall not, at any time, copy or otherwise reproduce any part of the Manual. In the event of a dispute about the contents of the Manual, the master copies maintained by Us at Our principal office shall be controlling.

7. CONFIDENTIAL INFORMATION.

We possess (and will continue to develop and acquire) certain confidential information which includes (without limitation) (i) methods, techniques, formats, specifications, procedures, information, systems, sales and marketing techniques and programs, and knowledge of and experience in the development and operation of WOODCRAFT Retail Stores (ii) advertising,

marketing and promotional programs for WOODCRAFT Retail Stores; (iii) specifications for and suppliers of certain equipment, materials and supplies, including the Products, used to operate WOODCRAFT Retail Stores; (iv) the customer list and customer database whether existing or generated in connection with the operation of a WOODCRAFT Retail Store (the "Confidential Information"). We will disclose certain Confidential Information to You in the Initial Training Program, the Manual and in guidance furnished to You during the term of the Franchise. You acknowledge that the Confidential Information is proprietary and includes trade secrets of Ours, and that you will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Retail Store during the term of this Agreement. You further acknowledge and agree that the Confidential Information is disclosed to you only on the condition that you agree to: (i) use the Confidential Information only in operating the Retail Store and not in any other business or capacity; (ii) keep all Confidential Information absolutely confidential during and after the term of this Agreement; (iii) make no unauthorized copies of any materials containing in whole or part the Confidential Information whether via electronic medium or in written or other tangible form; and (iv) adopt and implement all reasonable procedures periodically prescribed by Us to prevent unauthorized use or disclosure of Confidential Information including, without limitation, restrictions on disclosure to employees and use of non-disclosure and non-competition provisions in employment agreements with employees who may have access to the Confidential Information. "Confidential Information" does not include any information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or information which You obtained prior to its being provided to You directly or indirectly by Us or any of our affiliates.

You agree that We shall have the perpetual right to use and authorize other Woodcraft franchisees to use, all ideas, concepts, methods and techniques relating to the development and/or operation of a Woodcraft Retail Store conceived or developed by You and/or Your employees during the term of this Agreement.

8. MARKETING.

Recognizing the value of marketing, and the standardization of marketing programs to the furtherance of the goodwill and public image of the System, We and You agree as follows:

A. Grand Opening Advertising.

You agree to expend the sum of \$25,000 for grand opening advertising and promotion. You agree to make this expenditure using the advertising and promotion material, media, and other public relations activities that We require or approve, in the Manual or otherwise.

B. Local Advertising.

You agree to spend each month after beginning operations of the Retail Store, a percent of Your Gross Revenues on local advertising and promotion in Your local trade area ("Local Advertising"). This amount shall be equal to (i) 5% of Your prior month's Gross Revenues for the first year of operation (ii) the percentage as specified below based on the Retail Store's prior annual Gross Revenues for the second and each subsequent year of operation.

<u>Annual</u> <u>Gross Revenues</u>	<u>Local</u> <u>Advertising</u>
0 – 1.3 million	5.0%
1.3 – 1.5 million	4.75%
1.5 – 1.7 million	4.5%
1.7 – 1.9 million	4.25%
1.9 million and above	4.0%

You agree to provide Us with copies of all requested statements, invoices and checks evidencing the expenditures of the required sums for Local Advertising. You must submit to Us for prior approval all advertising and promotional materials to be used for Local Advertising, unless such materials have been approved before or they consist only of materials We provide. If You do not receive Our approval within five (5) business days after We receive the materials, they shall be deemed not to have received the required approval. The submission of advertising to Us for approval does not affect Your right to determine the prices You sell any Products.

C. Yellow and White Page Advertising.

You agree to list the Retail Store in all alphabetic directories ("White Pages") serving the Territory and advertise the Retail Store continually in all classified directories ("Yellow Pages") serving the Territory under the heading "Woodworking Tools" or such other heading designated by Us, and in the form and size we specify in the Manual or otherwise. If We request, You agree to include the addresses and telephone numbers of other Woodcraft Retail Stores in the body of

Your Yellow Pages advertisement and as additional lines in the White Pages listing, which costs will be paid on a pro-rata basis by participating franchisees.

D. Co-Operative Advertising.

We may, from time to time, establish (and may then discontinue or modify) one or more regional advertising cooperatives for a geographic area which encompasses two or more Woodcraft Retail Stores (each an "Advertising Cooperative"). We will furnish You with written notice of the establishment of any Advertising Cooperative for the Territory. The notice will specify the date You are to begin contributions and the amount of the contributions. Contributions may be a flat fee or calculated as a percentage of Gross Revenues. We may modify the amount of your required contributions to an Advertising Cooperative from time to time; provided however, that as Section 8.B provides, you will in no event be required to spend more than 5% of your monthly Gross Revenues in any combination of expenditures that we designate for Local Advertising and Co-Operative Advertising. Any Advertising Cooperative will be governed by bylaws in a form designated or approved by us.

The Advertising Cooperative may expend its funds for any and all of the following purposes: (i) development of advertising ideas and concepts; (ii) development of market research and merchandising programs; (iii) preparation of advertising campaigns; (iv) development of promotional ideas and strategies; (v) preparation of collateral creative materials; (vi) preparation of advertisements; (vii) placing and paying for regional marketing and advertising; (viii) employing advertising agencies to assist in these activities and securing other technical and professional advice in connection with the above; (ix) other public relations; and, (x) administration of the Cooperative, including legal and accounting services. It will not be a requirement that expenditures made by an Advertising Cooperative be proportionate to Your contributions or those of any other franchisee.

Your failure to make any required payments to any Advertising Cooperative will be a material breach of this Agreement which, unless you cure the breach as provided in Section 14.C, will result in this Agreement being terminated immediately.

E. Woodcraft Marketing Fund.

We have established a marketing and advertising fund (the "Woodcraft Marketing and Advertising Fund" or "Fund") and as Section 3.C provides, You are required to contribute, each week, an amount equal to (i) one percent (1%) of Gross Revenues for the first two years after the Effective Date and (ii) one and one-half percent (1½%) of Gross Revenues thereafter for the term of this Agreement. Your contribution shall be made at the same time and in the same manner as the Royalty Fee. We have the right to maintain and administer the Fund in Our sole discretion in accordance with the following provisions:

We intend to use the Fund for national and/or regional marketing activities to promote the System (including, without limitation, the cost of preparing and conducting television, radio, magazine, newspaper and Internet advertising campaigns) and related business purposes including employing advertising agencies to assist in these activities. We may charge the Fund

fees at reasonable market rates for administrative or marketing services provided by Us. We will not use the Fund to offer to sell franchises to prospective franchisees.

If less than the total of all contributions to the Fund are expended during any fiscal year, such excess may be accumulated for use during subsequent years. In addition, the Fund may borrow from Us or other lenders to cover deficits in any fiscal year.

We will endeavor to manage the Fund in a way that benefits the System and increases public recognition of the Products, including Branded Products, and services offered as part of the System. However, We cannot, and do not, ensure that any particular franchisee will benefit directly or pro rata from the placement of advertising or from any expenditure by the Fund. All contributions by franchisees to the Fund shall be maintained in a separate account from Our general operating account. Although We intend the Fund to be of perpetual duration, We maintain the right to terminate the Fund and return all unexpended funds to You and other franchisees on a pro rata basis based on contributions for the last 12 months prior to the Fund being terminated. An accounting of the operation of the Fund shall be prepared annually and shall be made available to You and other franchisees upon request. All Woodcraft Retail Stores which We or Our affiliates own or operate will be required to contribute to the Fund on the same basis as Woodcraft franchisees. In addition, We or Our affiliates will contribute on the same basis as Woodcraft franchisees based on sales of Products through the Internet and catalogue sales. The Fund is not a trust and we are not a fiduciary with respect to the Fund. You authorize Us to collect for remittance to the Fund any advertising or promotional monies offered by any supplier based upon purchases by You or otherwise.

F. Internet and Website Use.

We retain the sole right to advertise the System and to sell the Products or any other products and services on the Internet. In addition, We retain the right to establish, operate and modify from time to time any website using the Marks. We currently operate a Website at the uniform resource locator ("URL") www.woodcraft.com which provides information about the System and the Products that We and Our franchisees provide. We also provide an interior page containing information on affiliate and franchisee-owned Woodcraft Retail Stores. You agree not to register any of the Marks or any abbreviation, acronym or other variation that could be confusingly similar to any of the Marks as an Internet domain name.

9. ACCOUNTING AND RECORDS.

A. Recordkeeping.

You shall establish and maintain a bookkeeping, accounting and record keeping system conforming to the requirements prescribed by Us, including without limitation the use and retention of sales records, point of sale data, purchase orders, invoices, payroll records, check stubs, sales tax records and returns, cash receipts and disbursements, general journals, general ledgers, bank statements and deposit slips. You authorize Us to retrieve such information as We may require directly from Your computer and You agree to cooperate with Us with regard to Our retrieval of such information.

B. Annual Reports.

You will supply to Us on or before the twenty-fifth (25th) day of each month, in the form prescribed by Us, a profit and loss statement and balance sheet for the last preceding calendar month. Additionally, You shall, at your expense, submit to US within ninety (90) days of the end of each fiscal year during the term of this Agreement, a profit and loss statement for such fiscal year and a balance sheet as of the last day of such fiscal year. Such financial statements shall be prepared in accordance with generally accepted accounting principles by an independent public accountant. We will keep Your financial data confidential except to the extent that We decide, or are required, to make an "earnings claim" under applicable franchise disclosure laws.

C. Other Reports.

You shall submit to Us, for review or auditing, such other forms, reports, records, information and data as We may reasonably designate, in the form and at the times and places reasonably required by Us, upon request and as specified from time to time in the Manual or otherwise in writing.

D. Our Audit Rights.

We or Our designee shall have the right at all reasonable times, both during and after the term of this Agreement, to inspect, copy, and audit Your books, records and federal and state tax returns, and such other forms, reports, information and data as We reasonably may designate, applicable to the operation of the Retail Store. If an inspection or audit discloses an understatement of Gross Revenues, You shall pay Us, within 10 days after receipt of the inspection or audit report, the deficiency in the Royalty Fee and Marketing Fund Contributions plus interest (at the rate and on the terms provided in Section 3.F) from the date originally due until the date of payment. If an inspection or audit is made necessary by Your failure to furnish reports or supporting records as required under this Agreement, or to furnish such reports, records or information on a timely basis, or if an understatement of Gross Revenues for the period of any audit is determined by such audit or inspection to be greater than five percent (5%), You shall reimburse Us for the cost of such audit or inspection including, without limitation, the charges of attorneys and independent accountants, and the travel expenses, room and board and compensation of Our employees or designees involved in the audit or inspection. The foregoing remedies shall be in addition to Our other remedies and rights under this Agreement or applicable law.

10. OPERATION OF THE RETAIL STORE.

A. Compliance With System Standards.

The Marks and System licensed to You represent valuable goodwill distinctive of Our business and reputation. We will promulgate, from time to time, uniform standards of quality and service regarding the business operations of the Retail Store so as to protect (for the benefit of all franchisees and Us) the goodwill and uniformity represented and symbolized by the Marks and System. To insure that all franchisees will maintain the uniform requirements and quality standards for goods and services associated with Woodcraft Retail Stores and with the Marks and

System, You will maintain the uniformity and quality standards reasonably required by Us for all products and services and agree to the following provisions:

B. Managerial Responsibility.

During the term of the Agreement, the parties who have signed this Agreement will personally manage and operate the Retail Store, unless We approve the appointment of a general manager to exercise full-time management and control. In addition, any general manager You may propose to manage and operate the Retail Store must successfully complete the Initial Training Program.

C. Inventory Levels.

At all times throughout the term of this Agreement, You shall purchase and maintain in inventory an adequate and representative inventory of Products, including Branded Products, as are needed to meet reasonably anticipated consumer demand.

D. Woodcraft Brand Products.

You shall purchase Branded Products solely and exclusively from Us, Our affiliates(s) or as We designate. The purchase price of Branded Products shall be at Our then-current prices which may be changed or modified from time to time without prior notice. All Branded Products supplied by Us or Our affiliate shall be at prices which are competitive with industry pricing. All prices shall be F.O.B. shipping point and You shall be responsible for any freight, insurance, shipping and related costs. We may arrange for shipping as an accommodation to You. We will use best efforts, to supply Your requirements for Branded Products in sufficient quantities to meet Your needs for the Retail Store, provided that We shall not be liable to You on account of any delay or failure in the manufacture, delivery or shipment of Branded Products, or other items. In the event from time to time that the available supply of any Branded Product is inadequate to fulfill the needs or orders of all Woodcraft Retail Stores, We shall make such allocations of Branded Products as We may decide in good faith.

We shall provide Your customers with a limited warranty for each Branded Product upon such terms as We may establish from time to time. We make no representations or warranties concerning Products other than Branded Products but will pass on such manufacturers' warranties as may be made available by, and to the extent permitted by, the manufacturers.

If You fail to abide by the material terms of this Agreement, including its failure to pay in full all amounts owed to Us or our affiliates when due, in addition to whatever other remedies may be available to Us, including the termination of this Agreement as set forth in Section 14, We shall have the right to suspend further shipments of Branded Products and/or any other products or services to You until the default has been cured.

E. Inventory and Operating Supplies.

In addition to the Branded Products, all services and products used in the operation of the Retail Store including, but not limited to, inventory, stationery, business forms, calling cards and

other materials shall comply with Our specifications and quality standards and, if required by Us, shall be purchased only from “Approved Suppliers” that We designate or approve. For certain proprietary items, We or Our affiliate[s] may be an Approved Supplier. We will provide You, in the Manual or other written or electronic form, with a list of the approved services and/or products and, if required, a list of Approved Suppliers for some or all of these services and/or products, and shall from time to time issue revisions thereto. If You desire to Use any service and/or product that We have not approved (for services or products that require supplier approval), You shall first send Us sufficient information, specifications and/or samples for Us to determine whether the service or product complies with Ours standards and specifications or the proposed supplier meets Our criteria. We may charge a reasonable fee for inspection and/or testing, and will decide within a reasonable time after receiving the required information whether You may purchase the service or product from such proposed supplier. Approval of a supplier may be conditioned on requirements related to, among others, the frequency of delivery, standards of service, consistency, reliability and general reputation. We reserve the right to review from time to time Our approval of any suppliers and may revoke Our approval of any supplier who fails to meet Our criteria.

F. Computer System.

You must purchase, use, maintain and update computer hardware and software (including point-of-sale, back-office and other systems) which meet our specifications as they evolve over time (“Computer System”). You must maintain your Computer System on-line to provide full access for computer systems used by Us and you must promptly update and otherwise change your computer hardware and software systems as We require from time to time, at your expense. You agree to pay all amounts charged by any supplier or licensor of the Computer System used by You, including charges for use, maintenance, support and/or update of the hardware or software.

G. Compliance with Laws.

You agree, at Your expense, to comply with all applicable federal, state, local and municipal laws, ordinances, rules and regulations affecting the operation of the Retail Store and, including applicable health and safety standards. You will timely obtain all permits, certifications or licenses necessary for the full and proper conduct of the Retail Store, including licenses to do business, fictitious name registrations and sales tax permit clearances.

H. Payment of Liabilities.

You agree to timely pay all of obligations and liabilities due and payable to Us, suppliers, lessors and creditors. You agree to execute any and all documents reasonably requested by Us, including letters of credit, security agreements, and financing statements, to insure payment of amounts due to Us for direct purchases of any items used in the development or operation of the Retail Store.

I. Standardization.

You will require Your employees to wear such uniforms as may be designated by Us and will comply with such programs of standardization as We may from time to time develop to promote the common business image and to protect the goodwill associated with the Marks and System.

J. Personnel.

You or Your general manager (if applicable) will, at all times when the Retail Store is open for business, be responsible for the operations of the Retail Store. You will employ and maintain a sufficient number of adequately trained, competent and courteous employees to provide efficient service to Your customers, and set and pay their wages, commissions and incentives with no liability to Us.

K. Hours of Operation.

The Retail Store will be open for business for such days and hours as we may reasonably designate.

L. Notification of Proceedings.

You will notify Us in writing within five (5) days of the commencement of any action, suit or proceeding and of the issuance of any order, injunction or award of any court, agency or other governmental authority which may adversely affect the operation or financial condition of the Retail Store.

M. Customer Service and Warranty Programs.

You will insure that all customer complaints will be dealt with promptly and courteously. You will provide to all Retail Store customers those warranties and guarantees prescribed by Us. For Branded Products, You will provide such warranties and guarantees to customers on forms provided by Us.

N. Products and Services Sold by You.

You agree to offer and sell all products and services which are part of the System, and all other products and services which We in the future incorporate into the System. You agree to offer and sell only those products and services authorized by Us. We will periodically provide You with lists of approved products for sale and for use in the provision of services hereunder. We will designate the amount of opening inventory of required Products, supplies, equipment and services for the Retail Store. You agree to purchase this opening inventory before commencement of operations of the Retail Store.

O. Compliance With Good Business Practices and Laws.

You, and the Retail Store You operate, shall, in all dealings with customers, suppliers and the general public adhere to the highest standards of honesty, integrity, fair dealing and ethical

conduct. You agree to refrain from any business or advertising practice which may be injurious to the Retail Store, the Franchise, the goodwill associated with the Marks and other franchisees.

11. INSURANCE.

A. Insurance.

You are responsible for all loss or damage arising from or related to Your development and operation of the Retail Store, and for all demands or claims with respect to any loss, liability, personal injury, death, property damage, or expense whatsoever occurring upon the premises of, or in connection with the development of the Retail Store. You shall procure and maintain in full force and effect throughout the term of this Agreement, at Your sole expense, the following insurance in addition to any other insurance that may be required by applicable law, any lender or lessor.

- (1) Comprehensive general liability insurance, including coverage for bodily injury, personal injury, products liability, blanket contractual liability, broad form property damage, non-owned automobiles, completed operations and property damage on an occurrence basis with policy limits of not less than One Million Dollars (\$1,000,000.00);
- (2) Property Insurance written on an "All Risks" policy for fire and related peril (including floods and earthquakes where applicable) with limits of insurance of not less than the full replacement value of the Retail Store, its furniture, fixtures, equipment, inventory and other tangible property.
- (3) Workers' Compensation and Employer's Liability coverage that complies with the statutory requirements of the state in which the Retail Store is located;
- (4) Builder's All Risks insurance in connection with any construction, renovation, refurbishment, or remodeling of the Retail Store.

All policies You are required to maintain shall contain a separate endorsement naming Us as an additional insured. All policies shall be written by an insurance carrier or carriers approved by Us that has received and maintains an "A+" or better rating by Best's Insurance Rating Service. No policy of insurance shall be subject to cancellation except upon thirty (30) days written notice to Us.

You agree to provide Us annually with a certificate of insurance with the original policy attached showing full compliance with the requirements of this Section. Should You, for any reason, not procure and maintain such insurance coverage as required by this Agreement, We shall have the right and authority (without, however, any obligation to do so) to immediately

procure such insurance coverage and to charge same to You together with a reasonable fee for expenses incurred by Us in connection with such procurement.

12. RELATIONSHIP OF PARTIES/INDEMNIFICATION.

A. Independent Contractor.

It is understood and agreed that You are an independent contractor and in no way authorized to make any contract, warranty or representation or create any obligation on behalf of Us. Nothing in this Agreement is intended by the parties hereto to create a fiduciary relationship between them nor to make either party an agent, legal representative, joint venturer, partner or employee of the other for any purpose whatsoever. You agree to identify Yourself in all dealings with third parties including customers, suppliers, employees and before the public as an independent contractor operating the Retail Store pursuant to a franchise from Us. You shall take such affirmative action as may be necessary and as We may reasonably require including, without limitation, exhibiting a notice of that fact in a conspicuous place at the Retail Store and on all forms, business cards, stationery, advertising and other materials as We may require from time to time.

B. Indemnification.

You agree to protect, defend, indemnify and hold Us and each of Our current and former directors, officers, employees, agents, subsidiaries and affiliates, their present and former directors, officers, employees and agents (the "Indemnified Persons") harmless from all claims, actions, liability, damages, costs and expenses, including, but not limited to, court costs, legal expenses and reasonable attorneys' fees (whether or not a civil action has been commenced) which any of them may suffer, sustain or incur by reason of, arising out of or connected with Your activities hereunder; provided however, no indemnity shall be given with respect to any claim arising by reason of Our gross negligence or intentional acts. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration of termination of this Agreement.

13. TRANSFERS.

A. By Us.

This Agreement and all rights hereunder is fully assignable by Us without Your consent and shall be binding on and inure to the benefit of Our successors and assignees. We shall have no liability for the performance of any obligations contained in this Agreement after the effective date of such transfer or assignment.

B. By You.

The rights and duties as set forth in this Agreement are personal to You. We have entered into this contract with You in reliance upon Your business skill, financial capacity, personal character, experience and demonstrated or purported ability in operating a retail business specializing in the sale of woodworking tools. Accordingly, neither You nor any person

possessing an interest in You (if You are not an individual) shall be permitted without Our written consent to sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in (i) this Agreement; (ii) the ownership in You (if You are not an individual); or (iii) the assets of the Retail Store (a "Transfer"). Any purported Transfer, without Our prior written consent, shall be null and void and shall constitute a material breach of this Agreement, for which We shall be entitled to terminate this Agreement without notice or opportunity to cure. We will not unreasonably withhold Our consent to a proposed Transfer which meets all of the following conditions:

- (1) All monetary obligations owed to Us or Our affiliates shall be fully paid and satisfied;
- (2) All other outstanding obligations relating to the Retail Store or incurred in connection with this Agreement shall be assumed by the transferee;
- (3) The transferee shall demonstrate to Our reasonable satisfaction that it meets Our qualifications as to business experience, reputation, aptitude and financial resources necessary to operate the Retail Store;
- (4) You execute a General Release, in the form of Exhibit B, of any and all claims you may have against US and our Affiliates and their respective officers, directors, shareholders, agents, attorneys, employees and representatives arising out of or related to this Agreement;
- (5) You or the transferee shall have paid to Us a transfer fee of 50% of then-current Franchise Fee;
- (6) The transferee satisfactorily completes the Initial Training Program required of new franchisees, at transferees sole cost and expense including, but not limited to, travel and living expenses; and
- (7) At Our option, the transferee and its owners execute and agree to be bound by Our then-current form of franchise agreement and any ancillary agreements as are then customarily used by Us, the provisions of which may differ materially from any and all of those contained in this Agreement;

C. Transfer to a Corporation or Limited Liability Company.

Notwithstanding the provisions of Section 13.B., We agree that if You wish to transfer all of Your interest to a corporation or limited liability company, then We will not unreasonably withhold Our consent if all the following conditions are met:

1. The transferee corporation or limited liability company must be newly organized and its charter must provide that its activities are confined exclusively to the operation of the Retail Store.

- (1) You must be the controlling owner of more than 50% of the outstanding stock in a corporation or membership interest in a limited liability company and act as the principal officer.
- (2) You and the other owners of such corporation or limited liability company will execute a personal guaranty of such corporation's or limited liability company's obligations under this Agreement, in the form of Exhibit D to this Agreement.
- (3) Each stock certificate of such corporation or other certificate evidencing ownership of a limited liability company shall state such certificate is subject to the restrictions on transfer contained in this Agreement.

D. Your Death or Disability.

Upon Your death or permanent disability or, if You are a corporation or limited liability company, the death or permanent disability of the owner of more than 50% of the stock or membership interest of You, the executor, administrator, conservator or personal representative of such person shall assign this Agreement or Your interest to a third party approved by Us. Such assignment shall occur within a reasonable period not to exceed six (6) months after Your death or permanent disability. Such transfer shall be subject to all the terms and conditions contained in Section 13.B. Failure to transfer Franchisee's interest within this time period shall constitute a breach of this Agreement. Pending disposition, We shall have the right to approve the management of the Retail Store.

E. Effect of Consent to Transfer.

Our consent to a transfer of this Agreement or any interest in You, the Retail Store, or the assets of the Retail Store shall not constitute a waiver of any claims We may have against You, nor shall deemed a waiver of Our right to demand exact compliance with any of the terms or conditions of this Agreement by the transferee.

F. Our Right of First Refusal.

If You at any time decide to sell, transfer or assign any right or interest under this Agreement, any interest in You, the Retail Store, or the assets of the Retail Store, You must obtain a bona fide, executed, written offer from a responsible and fully disclosed purchaser and must submit an exact copy of the offer to Us. We shall have the right, exercisable by written notice delivered to You within thirty (30) days from the date of delivery of the offer to Us, to purchase such interest for the price and on the terms and conditions contained in the offer,

provided that We may substitute cash for any non-monetary form of payment proposed in the offer. Should We exercise Our right of first refusal, You shall provide Us with a minimum of thirty (30) days to prepare for closing. We shall be entitled to all customary representations and warranties, closing documents, and post-closing indemnifications. If We do not exercise Our right of first refusal, You may complete the sale to the purchaser pursuant to and on the terms of the offer, subject to Our right to approve the transfer contained in Section 13.B of this Agreement. If the sale to the purchaser is not completed within one hundred twenty (120) days after of delivery of the offer to Us, or if there is a material change in the terms of the offer, then We shall have again the right of first refusal herein provided.

14. DEFAULT AND TERMINATION.

A. By You.

If You are in substantial compliance with this Agreement and We materially breach this Agreement and fail to cure within a reasonable time after written notice thereof is delivered to Us, You may terminate this Agreement. Such termination shall be effective thirty (30) days after delivery to Us of written notice that such breach has not been cured and You elect to terminate this Agreement.

B. By Us Following Expiration of Cure Period.

Except for those items listed in Section 14.C below, You will have 30 days after written notice of default from Us within which to cure any default and provide Us evidence of the cure. If any such default is not cured within that time, this Agreement shall terminate without further notice to You effective immediately upon expiration of the 30 day period, unless We notify You otherwise in writing. Notwithstanding the foregoing, if the default cannot be corrected within 30 days, You shall have such additional time to correct the default as reasonably required (not to exceed 60 days) provided that You begin taking the actions necessary to correct the default during the 30 day cure period and diligently and in good faith pursue those actions to completion. You shall be in default if You fail to comply with any provision of this Agreement or any mandatory specification, standard or operating procedure prescribed by Us.

C. By Us Without Cure Period.

In addition to the grounds for termination that may be stated elsewhere in this Agreement, We may terminate this Agreement upon delivery of notice of termination to You, without opportunity to cure if You commit any of the following breaches:

- (1) You fail to: (i) obtain a suitable site for the operation of the Retail Store; (ii) obtain lawful possession of the site in the time provided in this Agreement; (iii) develop the Site in accordance with this Agreement; (iv) commence operation of the Retail Store within the time provided in this Agreement; or (v) fail to complete the Initial Training Program in a manner satisfactory to Us;
- (2) You abandon, surrender or transfer control of the operation of the Retail Store without Our prior written approval;
- (3) You have made any material misrepresentation or omission in the application for the Franchise;
- (4) You are convicted of or plead guilty to no contest to a felony or to another crime or offense that may adversely affect the reputation of You, or the Retail Store or the goodwill associated with the Marks or if You engage in any conduct which is injurious or prejudicial to the goodwill associated with the Marks or the System or which adversely affects the reputation of Us or any Woodcraft Retail Store;
- (5) You make any unauthorized use or disclosure of or duplicate any of the Confidential Information, make any unauthorized use of the Marks or use, duplicate or disclose any portion of the Manual;
- (6) You lose the right to possession of the Site and do not relocate the Retail Store to another site in accordance with this Agreement;
- (7) You, or any person which guarantees Your obligations under this Agreement (“Guarantor”) become insolvent or make an assignment for the benefit of its creditors, or if a petition in bankruptcy is filed by You or a Guarantor, or such a petition is filed against and consented to by You or a Guarantor, or if You or a Guarantor is adjudicated a bankrupt, or if a bill in equity or other proceeding for the appointment of a receiver of You or a Guarantor or other custodian for its business or assets is filed and is consented to by You or a Guarantor, or if proceedings for composition with creditors under any state or federal law should be instituted by or against You or a Guarantor;
- (8) You violate the restrictions of Sections 7 or 16 of this Agreement;

- (9) You fail to report accurately the Gross Revenues of the Retail Store or fail to make payments of any amounts due Us or Our affiliates for any Royalty, Marketing Fund Contribution, purchases from Us or Our affiliates or any other amounts due to Us or Our affiliates, and do not correct such failure within ten (10) days after written notice thereof;
- (10) You knowingly maintain false books or records, or knowingly submit any substantially false report to Us;
- (11) You cause or permit to exist a default under the lease or sublease for the site and fail to cure such default within the applicable cure period set forth in the lease or sublease;
- (12) You fail on three (3) or more separate occasions within any period of twelve (12) consecutive months to comply with this Agreement or any mandatory specification, standard or procedure We prescribe, whether or not such failures to comply are corrected and whether or not notice of such default is given;
- (13) A threat or danger to public health or safety results from the construction, maintenance or continued operation of the Retail Store;
- (14) You refuse Us permission to inspect the Retail Store, or Your business, books, records or other documents pursuant to this Agreement;

15. RIGHTS AND OBLIGATIONS OF PARTIES UPON TERMINATION OR EXPIRATION.

Upon termination or expiration of this Agreement, all rights granted hereunder to You shall immediately cease and:

1. You agree to promptly pay all sums including Royalty Fees, Marketing Fund Contributions, amounts owed for purchases by You from Us or Our affiliates, and other amounts owed to Us and Our affiliates under the terms of this Agreement. In the event of termination for any default by You, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Us as a result of the default.

- (1) You shall cease to operate the Retail Store and shall not thereafter, directly or indirectly, represent to the public or hold Yourself out as a present or former WOODCRAFT franchisee.

- (2) You shall return the Manual, other Confidential Information and materials provided to You by Us relating to the operation of the Retail Store.
- (3) You shall cancel any assumed or fictitious name or equivalent registration filed with any state, city or county authority which contain the name "WOODCRAFT" or any Mark and You shall provide Us with satisfactory evidence of compliance with this obligation within thirty days after expiration or termination.
- (4) You shall, at Our option, assign to Us all right, title and interest in and to any telephone numbers relating to the Retail Store and You shall notify the telephone company and all listing agencies of the termination or expiration of Your right to use any telephone number and any regular, classified or other telephone directory listing associated with the Marks and to authorize a transfer to Us or a third party designated by Us.
- (5) You shall abide by the covenants not to compete and confidentiality provisions set fourth in Section 16 of this Agreement.
- (6) In the event We do not elect to exercise Our option to acquire the lease for the Site under the Condition Assignment of Lease, then, to the extent, if any, You are permitted to conduct any business at the Site, you shall promptly make such modifications or alterations to the premises at your expense (including, at Our option, the assignment of the telephone number and directory listings to Us) as may be necessary to distinguish the appearance of the Site from that of other Woodcraft Retail Stores, and You shall make such specific additional changes thereto as We may reasonably request for that purpose. In the event You fail or refuse to comply with the requirements of this Section 15, We shall have the right to enter upon the Site without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at Your expense, which expense You agree to pay upon demand.

- (7) We shall have the option, to be exercised within thirty days after termination or expiration hereof, to purchase from You any or all of the furnishings, equipment, signs, fixtures, Products or supplies related to the operation of the Retail Store. The purchase price for the Branded Products shall be at ninety percent (90%) of the current wholesale price. For all other assets, the purchase price shall be at fair market value. If We and You cannot agree on the fair market value of any item within 15 days after the exercise of the option, an independent appraiser shall be designated by Us and You and the appraiser's determination shall be binding. If You and We cannot agree on an appraiser within 15 days, each party shall designate an independent appraiser, and the two designated independent appraisers shall select a third independent appraiser. The determination of fair market value of the third appraiser so chosen shall be binding. If We elect to exercise any option to purchase herein provided, the closing shall take place within thirty (30) days after the purchase price has been established. We shall have the right to set off all amounts due from You, if any, against the payment price of such items. Prior to closing, We and You shall comply with all applicable legal requirements, of the state in which the Retail Store is located and the bulk sales provisions of any applicable tax laws of the state and municipality in which the Retail Store is located. If We exercise this option to purchase, We shall have the right to appoint a manager to maintain the operation of the Retail Store pending the closing of such purchase. At closing, You shall deliver instruments transferring to Us: (i) good and marketable title to the assets free and clear of all liens and encumbrances (other than liens and security interests acceptable to Us); (ii) all licenses and permits for the Retail Store that may be assigned or transferred, with appropriate consents; and (iii) the lease or sublease for the Retail Store premises, with appropriate consents. If You are not able to provide Us with clear title to the purchased assets, or if there are other unresolved issues, the closing shall be accomplished through an escrow.

16. **COVENANTS.**

A. **Best Efforts.**

Except as otherwise approved in writing by Us, You covenant that during the term of this Agreement, You will devote full time energy and best efforts to the management and operation of the Retail Store.

B. **Covenant Not to Compete During Term of Franchise.**

You acknowledge that You will receive certain Confidential Information which consists of trade secrets and confidential and proprietary information and know-how as described in Section 7 of this Agreement. You further acknowledge and agree that We would be unable to protect the Confidential Information against unauthorized Use or disclosure and would be unable to encourage a free exchange of ideas if You and other franchisees were permitted to hold interests in other related businesses, except as otherwise approved in writing by Us, You covenant that during the term of this Agreement, You will not, either directly or indirectly, for ourselves, or through, on behalf of, or in conjunction with, any person, persons, or legal entity:

- (1) Divert or attempt to divert any business or customer of the Retail Store to any competitor by inducement or otherwise, or do perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System; and
- (2) Own, maintain, advise, operate, engage in, be employed by, make loans to, have any interest in or relationship or association with a Competitive Business. The term "Competitive Business" as used in the Agreement shall mean any business which operates, or grants franchises or licenses to others to operate, a business specializing in offering woodworking tools or any related products or services.

C. **Covenant Not to Compete After Termination or Expiration of the Franchise.**

You covenant that You shall not, without Our prior written consent, for a continuous, uninterrupted period of two (2) years commencing upon the date of: (a) a transfer permitted under Section 13.B of this Agreement; (b) expiration of this Agreement; or (c) termination of this Agreement (regardless of the cause for termination); either directly or indirectly, through, on behalf of, or in conjunction with any person, persons, or legal entity (including a legal entity which owns, are owned by, or are under common ownership with You), own, maintain, advise, operate, engage in, lease to, be employed by, make loans to, or have any interest in or relationship or association with a Competitive Business which is located: (i) at the Site or (ii) within the Territory or (iii) within a ten mile radius of any other Woodcraft Retail Store.

Sections 16.B and 16.C shall not apply to the beneficial ownership by You of less than a five percent of the outstanding equity securities of any company registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

D. Independent Covenants.

The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision hereof. If all or any portion of a covenant in this Section 16 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which We are a party, You expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 16.

E. Reduction of Covenants by Us.

You agree and acknowledge that We shall have the right, in Our sole discretion, to reduce the scope of any covenant or any portion thereof set forth in Sections 16.B and 16.C hereof, without Your consent, effective immediately upon receipt by You of written notice thereof; and You agree that You will comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section G hereof.

F. Injunctive Relief.

You acknowledge that Your violation of the terms of this Section 16 would result in irreparable injury to Us for which no adequate remedy at law may be available, and agree to pay all court costs and reasonable attorneys' fees incurred in obtaining any injunctive or other equitable or legal relief with respect to such conduct or action.

17. ENFORCEMENT.

A. Severalty and Substitution of Valid Provisions.

The provisions of this Agreement are considered severable. If any court, agency or other tribunal with proper jurisdiction in a proceeding to which we are a party holds, in final ruling, that any part of this Agreement is invalid or conflicts with any applicable law, that ruling will not affect have any effect upon any other portions of this Agreement; all of which will remain binding on the parties and be given full force and effect.

If any provision of this Agreement is inconsistent with any law applicable to this Agreement or the Franchise which requires a greater advance notice of termination or nonrenewal than is required under this Agreement, then both parties will comply with the requirements of that law as if they were substituted for the inconsistent provision(s) of or added to this Agreement. If any law applicable to this Agreement or the Franchise makes any provision of this Agreement (including any provision in the Manual and any mandatory specification, standard or operating procedure We prescribe) invalid or unenforceable, then We will have the right, in Our sole discretion, to modify that provision to the extent necessary to make it valid and

enforceable. You agree to be bound by each provision of this Agreement to the greatest extent to which you may lawfully be bound.

B. Waiver.

If at any time We or You do not exercise a right available under this Agreement or do not insist on the other party's compliance with any one or more terms of the Agreement, or if a custom or practice develops between You and Us which is inconsistent with this Agreement, We or You will not have waived the right to exercise the right or to demand compliance with that term or any of the other terms of this Agreement at a later time. Similarly, the waiver of any particular breach or series of breaches under this Agreement or of any term in any other agreement between You and Us will not affect our rights with respect to any later breach.

C. Cumulative Remedies.

The rights and remedies that this Agreement grants to either party are cumulative and the exercise of any right or remedy will not prohibit either party from exercising any other right or remedy provided under this Agreement or permitted by law or equity.

D. Arbitration.

Except for controversies, disputes or claims related to or based on Your use of or the validity or ownership of the Marks or Your unauthorized use or disclosure of any Confidential Information, all controversies, disputes or claims between Us (and Our affiliates and Our and their respective shareholders, officers, directors, agents and employees) and You (Your owners, affiliates and employees, if applicable) arising out of or related to this Agreement or any other agreement between You and Us or any alleged breach hereof will be submitted for arbitration to the Office of the American Arbitration Association closest to Our then-current principal business address. Except as otherwise provided in this Agreement, such arbitration proceedings shall be heard by one arbitrator in accordance with the then existing commercial arbitration rules of the American Arbitration Association. Arbitration proceedings shall be held at a suitable location to be chosen by the arbitrator which is within ten (10) miles of Our then-existing principal business address. All matters within the scope of the Federal Arbitration Act (9 U.S.C. Sections 1 et seq.) will be governed by it and not by any state arbitration law. We and You agree that arbitration shall be conducted on an individual, not a class-wide basis.

E. Governing Law/Consent to Jurisdiction.

ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED EXCLUSIVELY BY THE FEDERAL ARBITRATION ACT (9 U.S.C. SECTIONS 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.) OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE AND THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF WEST VIRGINIA, WITHOUT REGARD TO ITS CONFLICT OF LAW PRINCIPLES, EXCEPT THAT ANY LAW REGULATING THE SALE OF FRANCHISES, GOVERNING THE RELATIONSHIP OF THE PARTIES TO A CONTRACT INVOLVING

THOSE RIGHTS, BUSINESS OPPORTUNITIES OR SIMILAR RIGHTS TO RELATING TO UNFAIR TRADE PRACTICES WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH.

SUBJECT TO SECTION 17.D OF THIS AGREEMENT, YOU SUBMIT TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS OF GENERAL JURISDICTION IN THE STATE OF WEST VIRGINIA. YOU WAIVE ANY AND ALL OBJECTIONS YOU MAY HAVE AS TO VENUE IN ANY OF SUCH COURTS.

F. Binding Effect.

This Agreement is binding on and will inure to the benefit of our successors and assigns and will be binding on and inure to the benefit of your permitted successors, assigns, heirs, executors and administrators.

G. Entire Agreement.

This Agreement, including the introduction and exhibits to it, constitutes the entire agreement between You and Us, and there are no other oral or written understandings, representations or agreements between You and Us, concerning the subject matter of this Agreement. No representation has been made by Us (or any of our employees, agents or salespersons) and relied on by You as to the future or past income, expenses, sales volume or potential profitability, earnings or income of the Retail Store other than the information provided in Item 19 of Our Uniform Franchise Offering Circular. Except with respect to our right periodically to modify the Manual and standards and operating procedures relating to the Retail Store, this Agreement may be modified only by a written agreement signed by both You and Us.

H. Construction.

All headings of the various sections and paragraphs of this Agreement are for convenience only and do not affect the meaning or construction of any provision. All references in this Agreement to the singular usage will be construed to include the plural and the masculine and neuter usages to include each other and the feminine. Of two or more persons are the franchisee under this Agreement, their obligations and liabilities under this Agreement will be joint and several. A reference to "You" or "Your" includes each individual who is the franchisee under this Agreement. Except where this Agreement expressly requires that We reasonably approve or not unreasonably withhold our approval of any of your actions to requests, we have the absolute right to refuse any of you requests or to withhold our consent to any of your actions or omissions.

I. Multiple Originals.

The parties may execute multiple copies of this Agreement, and each executed copy will be deemed an original.

J. Injunctive Relief.

Notwithstanding anything to the contrary contained in Section 17.D, We and You have the right in a proper case to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction.

K. Waiver of Punitive Damages and Jury Trial.

Except for Your obligation to indemnify Us and claims We bring against You for Your unauthorized use of the Marks or unauthorized use or disclosure of any Confidential Information, We and You waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between Us and You, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains.

We and You each irrevocably waive its respective rights to trial by jury with respect to any claim, proceeding or counterclaim, whether at law or in equity, brought by either of us, of any kind arising out of, under, in connection with or relating to this Agreement, any related documents, the relationship between Us and You.

L. Limitations of Claims and Damages.

Except for indemnification under this Agreement, any and all claims arising out of or relating to this Agreement or the relationship between Us and You will be barred unless a legal action or arbitration proceeding is commenced within one (1) year from the date You or We knew or, in the exercise of reasonable diligence, should have known of the facts giving rise to such claims.

M. No Withholding Payments Due to Us.

You agree that You will not withhold payment of any amounts owed to Us or Our affiliates on the grounds of Our alleged nonperformance of any of Our obligations under this Agreement or for any other reason whatsoever.

N. Notices and Payments.

All written notices and reports permitted or required to be delivered by the provisions of this Agreement will be deemed delivered at the following times: (a) the time delivered by hand; (b) one (1) business day after transmission by facsimile or other electronic system with proof of delivery or after placement with a commercial courier service for next business day delivery; or (c) three (3) business days after placement in the United States Mail by registered or certified mail, return receipt requested, postage prepaid. Any notice to Us will be addressed to Us at:

Woodcraft Franchise, LLC
1177 Rosemar Road
Parkersburg, West Virginia 26102-0245
Attention: William T. Carroll

with a copy to:

Marcus, Perres & Boxerman, LLP
19 South LaSalle Street, Suite 1500
Chicago, Illinois 60603
Attention: O. Terry Shaver, Esq.

Any notice to You will be address to You at:

Attention: _____

with a copy to:

Attention: _____

18. REPRESENTATIONS.

You represent, acknowledge and warrant to Us (and You agree that these representations, acknowledgements and warranties shall survive termination of this Agreement) that:

A. This Agreement involves significant legal and business risks. We do not guarantee Your success. You have read this Agreement in its entirety, conducted an independent investigation of the business contemplated by this Agreement, have been thoroughly advised with regard to the terms and conditions of this Agreement by legal counsel or other advisors of Your choosing, recognizing that the nature if the business conducted by Us may change over time, has had ample opportunity to investigate all representations made by or on behalf of Us, and has had ample opportunity to consult with current and former franchisees of Ours. The prospect for success of the business undertaken by You is speculative and depends to a material extent upon Your personal commitment, capability and direct involvement in the day-to-day management of the business.

B. We make no express or implied warranties or representations that You will achieve any degree of success in the development or operation of the Retail Store and that success in the development and operation of the Retail Store depends ultimately on Your efforts and abilities and on other factors, including, but not limited to, market and other economic conditions, Your financial condition and competition. You acknowledge that You are entering into this Agreement as a result of Your own independent investigation and not as a result of any

representation made by Us or any of Our shareholders, directors, officers, employees, agents representatives, independent contractors or franchisees which are contradictory to the terms set forth in this Agreement or the Franchise Offering Circular required to be given to Franchisee pursuant to applicable law.

C. We have entered, and will continue to enter into, agreements with other franchisees. The manner in which we enforce Our rights, and the franchisees' obligations under any of those other agreements shall not affect Our ability to enforce Our rights or Your obligations under this Agreement.

D. We may change or modify the System, from time to time, including the Manual, and You will be required to make such expenditures as such changes or modifications in the System may require.

E. You have full authority to enter into this Agreement and other agreements contemplated by the parties. Execution of this Agreement or such other agreements by You does not and will not conflict with or interfere with, directly or indirectly, intentionally or otherwise, with the terms of any other agreement with any other third party to which You are a party.

F. All information You provided to Us in connection with Your franchise application and Our grant of this Franchise is truthful and accurate.

G. You acknowledge receipt of Our Franchise Offering Circular at least 10 business days prior to execution of this Agreement or payment of any monies to Us and receipt of this Agreement in the form actually executed at least 5 business days prior or the date of its execution.

H. You have not received from Us or Our affiliates, or anyone acting on their behalf, any representation of Your potential sales, expenses, income, profit or loss and You have not received from Us or Our affiliates, or anyone acting in their behalf, any representations other than those contained in Our Franchise Offering Circular.

[SIGNATURE PAGE FOLLOWS

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

ATTEST:

WOODCRAFT FRANCHISE, LLC:

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

ATTEST/WITNESS:

FRANCHISEE:

EXHIBIT A TO THE FRANCHISE AGREEMENT

TERRITORY

The Territory referred to in Section 1.B of the Franchise Agreement shall be as follows:

EXHIBIT B TO THE FRANCHISE AGREEMENT

GENERAL RELEASE

THIS GENERAL RELEASE (“Release”), dated this _____ day of _____, 20____ is executed and delivered by the undersigned parties, _____ (“Franchisee”) and WOODCRAFT FRANCHISE, LLC, a Delaware limited liability company (the “Franchisor”).

RECITALS

WHEREAS, Franchisee and Franchisor have executed that certain Franchise Agreement, dated _____, _____ (the “Franchise Agreement”), pursuant to which Franchisee acquired from Franchisor, and Franchisor granted to Franchisee, the right to operate a Woodcraft Retail Store under a certain system and marks in accordance with the terms and conditions of the Franchise Agreement (the “Franchise”);

WHEREAS, as a condition to (renewing the initial term of the Franchise Agreement) (consenting to an assignment of the Franchise), Franchisor requires that Franchisee as “Releasor” execute and deliver this General Release to confirm the absence of any Claims by Releasor; and

WHEREAS, capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Franchise Agreement.

NOW, THEREFORE, the undersigned hereby agrees as follows:

1. **Release.** Releasor hereby releases and discharges Franchisor, its corporate parents, subsidiaries and affiliates; and the respective officers, directors, shareholders, agents, attorneys, employees and representatives of each (the “Releasee”) from any and all demands, causes of action, debts, damages, judgments, executions and claims whatsoever, in law or in equity, known or unknown, fixed or contingent (collectively, the “Claims”) which Releasor ever had or now has against Releasee including, without limitation, any and all Claims based on federal, state or local statute which may be held applicable; all actions for breach of contract or the covenant of good faith and fair dealing; and all tort claims.
2. **Successors.** This Release shall be binding upon Releasor and its respective successors and assigns.
3. **Further Assurances.** Releasee hereby agrees: (a) to furnish upon request such further information, (b) to execute and deliver such other documents and (c) to do such other acts and things as may reasonably be requested for the purpose of carrying out the intent of this General Release.
4. **Modification.** This Release may be modified only by a written instrument executed by Franchisor and Franchisee.

5. Waiver. If any provision of this Release is held to be illegal, invalid or unenforceable under present or future laws in any jurisdiction, that provision shall be ineffective to the extent of such illegality, invalidity or unenforceability in that jurisdiction and such holding shall not, consistent with applicable law, invalidate or render unenforceable such provision in any other jurisdiction, and the legality, validity and enforceability of the remaining provisions of this Release shall not in any way be affected or impaired thereby, and shall remain in full force and in effect in all jurisdictions .

IN WITNESS WHEREOF, the undersigned has executed this General Release effective as of the date first written above.

WOODCRAFT FRANCHISE, LLC:

By: _____

Print Name: _____

Title: _____

Date: _____

RELEASOR:

EXHIBIT C TO THE FRANCHISE AGREEMENT

CONDITIONAL ASSIGNMENT OF LEASE

THIS CONDITIONAL ASSIGNMENT OF LEASE ("Agreement") is made as of this _____ day of _____, 20__ by and between _____, a _____ ("Assignor"), **WOODCRAFT FRANCHISE, LLC**, a West Virginia corporation ("Assignee") and _____ ("Landlord").

WHEREAS, Assignor desires to construct, or have constructed by Landlord (whichever is applicable), and thereafter operate a Woodcraft Retail Store under a certain franchise agreement (the "Franchise Agreement") from Assignee; and

WHEREAS, as a condition to the grant of a Franchise Agreement to Assignor, Assignee requires that the Assignor enter into this Agreement.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Assignor hereby assigns all of its right, title and interest in and to the Lease to Assignee, as security for the stated obligations of the Assignee pursuant to the Franchise Agreement.

2. The Conditional Assignment of Lease contemplated hereunder is expressly conditioned upon, and shall not be effective and Assignee shall have no right to pursue any remedy hereunder unless and until:

(a) Default by Assignor under the terms of the Lease, which default is not cured by Assignor within the time limits provided therein; or

(b) Default by Assignor under the terms of the Franchise Agreement or under any document or instrument securing the Franchise Agreement, which default is not cured by Assignor within the time limits provided therein; or

(c) Voluntary institution of any insolvency or bankruptcy proceedings as a debtor or insolvent on the part of Assignor or involuntary insolvency or bankruptcy proceedings brought against Assignor which are not dismissed within 60 days of the filing thereof;

(d) Discontinuation by the Assignor of operation of a Woodcraft Retail Store on the Site, whether voluntarily or involuntarily; or

(e) Nonrenewal by Assignor of the Franchise Agreement.

3. During the term of the Lease, Landlord agrees to give Assignee written notice of all defaults of Assignor concurrently with the giving of such notice to Assignor. Landlord further agrees to give Assignee a 20 day period to cure such default, or the period provided to the Assignor in the Lease, whichever period shall be longer.

4. In the event Assignee expends sums to cure a default, Assignor shall promptly reimburse Assignee for the cost incurred by Assignee in connection with such performance, together with interest thereon at the rate of two percent per month, or the highest rate allowed by law. Nothing herein shall obligate Assignee to cure any such default, unless Assignee elects to assume the Lease pursuant to Section 5 below.

5. The date upon which the assignment shall be effective (the "Effective Date"), is the date upon which Landlord and Assignor receive written notice from Assignee that:

(a) Assignee will cure all prior defaults of Assignor in the Lease in which Landlord has given notice to Assignee pursuant to the provisions of paragraph 3 above, and that Assignee will assume the Lease; or

(b) The events described in either subsections 2(b), 2(c) or 2(d) above have occurred and that Assignee will assume the Lease.

6. As of the Effective Date, Assignee will assume all rights, duties, responsibilities and obligations of Assignor arising on or after the Effective Date pursuant to the terms and provisions of the Lease.

7. Landlord hereby consents to the terms and provisions of the Agreement, and to the assignment of the Lease to Assignee. Landlord agrees that after the Effective Date, Assignee may (i) enter into a sublease with any other franchisee of Woodcraft Franchise, LLC without Landlord's further consent, or (ii) further assign the Lease to a person, firm or corporation who shall agree to assume the Tenant's obligations under the Lease and who is reasonably acceptable to Landlord. Landlord further agrees that upon the happening of any such assignment, Assignee shall have no further liability or obligation under the Lease as Assignee, Tenant or otherwise, and that concurrent with such assignment, Landlord will enter into a replacement Conditional Assignment of Lease Agreement by and between Assignee and the new tenant.

8. Assignor agrees to indemnify and hold harmless Assignee from any loss, liability, cost or expense incurred or suffered by Assignee under this Agreement.

9. Assignor and Landlord agree not to allow any surrender, amendment, modification or termination of the Lease without the prior written consent of Assignee. Throughout the term of the Lease, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than 30 days prior to the last day said option must be exercised, unless Assignee otherwise agrees in writing. Upon Assignee's failure otherwise to agree in writing, and upon the failure of Assignor to elect to extend or renew the Lease, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal option in the name, place and stead of Assignor for the sole purpose of effecting such extension or renewal.

10. Assignor represents and warrants to Assignee that it has the full power and authority to assign the Lease and its interests therein and that Assignor has not previously assigned, transferred or pledged, and is not otherwise obligated to assign, transfer or pledge, any of its interests in the Lease or the leasehold estate created thereby.

11. All notices or demands required hereunder shall be made in writing and shall be deemed to be fully given when deposited in the U.S. certified mail, postage prepaid, return receipt requested or when sent Federal Express or similar courier to:

Assignee:

Woodcraft Franchise, LLC
1177 Rosemar Road
PO Box 245
Parkersburg, West Virginia 26102-0245
Attention: William T. Carroll

Assignor:

Landlord:

12. Should any one or more of the provisions hereof be determined to be illegal or unenforceable, all other provisions hereof shall be given effect separately therefrom and shall not be affected thereby.

[SIGNATURE PAGE FOLLOWS]

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

WITNESS/ATTEST:

ATTEST:

WITNESS/ATTEST:

ASSIGNOR:

By: _____

Title: _____

Date: _____

ASSIGNEE:

WOODCRAFT FRANCHISE, LLC:

By: _____

Title: _____

Date: _____

LANDLORD:

By: _____

Title: _____

Date: _____

EXHIBIT D TO THE FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTEE AND ASSUMPTION OF OBLIGATIONS (the "Guaranty") is given this
__ day of _____, 20_____, by _____

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "Agreement") by Woodcraft Franchise, LLC ("We," "Us" or "Our") and _____ ("Franchisee"), each of the undersigned hereby personally and unconditionally (1) guarantees to Us and Our successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that the Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (2) agrees to be personally responsible for, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities including. Each of the undersigned waives: (1) acceptance and notice of acceptance by Us of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (4) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this guarantee shall be joint and several; (2) he or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which We may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guarantee, which shall be continuing and irrevocable during the term of the Agreement.

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

GUARANTOR(S)

PERCENTAGE OWNERSHIP IN FRANCHISE

Name

Name

Name

Name