

THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM GREENVILLE COUNTY
Court of Common Pleas
R. Scott Sprouse, Circuit Court Judge

Appellate Case No. 2017-00260

ARCpoint of Tallahassee, Inc., Greg Bowman
d/b/a Bowman Lab Solutions, Inc. d/b/a
ARCpoint Labs of Nashville; Gary Patrone d/b/a
On Trac Holdings, Inc. d/b/a ARCpoint Labs of
Tempe, ARCpoint Labs of Mesa, ARCpoint Labs
Of Phoenix – Black Canyon, Employer's Choice
Testing, LLC, Michael Gammel d/b/a Blue
Lizard, Inc., Florence Ods, Inc., Myrtle Beach
Ods, Inc., 3 Sons Ventures, Inc.; Jumpr2,
Incorporated, Neil Seltz and Lesly Datlow d/b/a
Shamey, LLC,

Respondents,

v.

ARCpoint Franchise Group f/k/a Accudiagnostics,
LLC and ARCpoint Occupational Solutions, LLC,

Appellants.

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Compel Arb.**ARCPOINT FRANCHISE GROUP, LLC****FRANCHISE AGREEMENT**

This Franchise Agreement, made this 25th day of June, 2013, is by and between ARCpoint Franchise Group, LLC, a South Carolina limited liability company, having its principal place of business at 220 North Main St, Suite 325, Greenville, South Carolina 29601 ("Franchisor"), and the below named franchisee, ("Franchisee").

WITNESSETH:

WHEREAS, Franchisor and its Affiliate have developed and are in the process of further developing a System identified by the trademark "ARCpoint" and/or ARCpoint Labs relating to the establishment, development and operation of "ARCpoint Businesses" that provide affordable, full-service drug screening, DNA testing and other logistical solutions for a wide variety of client organizations including businesses, schools, government and private individuals; and

WHEREAS, the distinguishing characteristics of the System include, among other things, uniform standards and procedures for business operations; procedures and strategies for sales, marketing, advertising and promotions; business techniques; the Marks; the Manual; training courses, all of which Franchisor may improve, further develop or otherwise modify from time to time; and

WHEREAS, Franchisor grants to certain qualified persons and business entities the right to own and operate a single ARCpoint Business under the System and using the Marks; and

WHEREAS, Franchisee desires to operate an ARCpoint Business, has applied for a Franchise and its application has been approved by Franchisor in reliance upon all of the representations made therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations and service and the necessity of operating its Franchised Business in strict conformity with Franchisor's System.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

I. DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

"Affiliate" means any entity that controls, is controlled by, or is under common control with Franchisor.

Capitalized terms not defined upon first use are defined in Section I.

"Agreement" means this agreement entitled "ARCpoint Franchise Group, LLC Franchise Agreement" and all instruments supplemental hereto or in amendment or confirmation hereof;

"Approved Location" means the site for the operation of the Franchised Business selected by Franchisee and approved in writing by Franchisor;

"Approved Supplier(s)" has the meaning given to such term in Section 13.1;

"Protected Territory" has the meaning given to such term in Section 2.5;

"Competitive Business" means any business that offers (or grants franchises or licenses to others to operate a business that offers) drug screening, wellness, clinical, or other testing services or Advanced Regulatory Compliance, including drug testing policies for all federal modalities (which includes but is not limited to The Federal Motor Carrier's Safety Administration "FMCSA" and The Department of Transportation "DOT"), the same as or similar to those provided by ARCpoint Businesses or in which Confidential Information could be used to the disadvantage of Franchisor, its Affiliate(s) or its other franchisees; provided, however, that the term "Competitive Business" shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest;

"Confidential Information" means any trade secret and any information or matter that is or may be used to gain a competitive advantage over Franchisor or any of its Affiliates and is not generally known by the public, whether or not in written or tangible form and regardless of the media (if any) on which it is stored, relating to the System (including knowledge and experience in operating an ARCpoint Business, product specifications, operational and production techniques and methods, record keeping and reporting methods, accounting systems, management and personnel training techniques, sales and promotion techniques, policies, procedures, standards, specifications for signs, displays, business forms and stationery, the Manual, research and development, lists of franchisees and suppliers, suggested pricing and cost information) and any other information or material identified to Franchisee by Franchisor as confidential;

"Cross-Territorial Sales" service of any customer or client inside or outside of your Territory, or inside the Territory or area that has been assigned to another franchisee, us, or our Affiliates.

"Designated Manager" if Franchisee is a legal business entity, (such as a corporation, limited liability company and other legal business entity), "Designated Manager" means the individual holder of a legal interest in Franchisee, designated by Franchisee as having primary responsibility for managing the day-to-day affairs of the Franchised Business, and if Franchisee is an individual and not a business entity, the Designated Manager shall be Franchisee;

"Effective Date" means the date on which Franchisor and Franchisee fully execute this Agreement is fully executed, thereby commencing its effectiveness and term;

"Franchise" means the right granted to Franchisee by Franchisor to use the System and the Marks;

"Franchise Fee" has the meaning given to such term in Section 3.1;

"Franchised Business" means the ARCpoint Business to be established and operated by Franchisee pursuant to this Agreement;

"Franchisee" means the individual or entity defined as "Franchisee" in the introductory paragraph of this Agreement;

"Franchisor" means ARCpoint Franchise Group, LLC; a South Carolina limited liability company;

"Generally Accepted Accounting Principles" or **"GAAP"** means the standards, conventions and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements;

"Gross Sales" means the aggregate of all revenue from the sale of services and products from all sources in connection with the Franchised Business whether or not collected by Franchisee and whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance, but excluding (a) all refunds made in good faith, (b) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, (c) and the value of any allowance issued or granted to any customer of the Franchised Business that is credited by Franchisee in full or partial satisfaction of the price of any services and products offered in connection with the Franchised Business;

"Incapacity" means the inability of Franchisee or any holder of a legal or beneficial interest in Franchisee to operate or oversee the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

"Internet" means any one (1) or more local or global interactive communications media that is now available, or that may become available, and includes sites and domain names on the World Wide Web;

"Local Advertising" has the meaning given to such term in Section 11.2

"Manual" means the ARCpoint Operations Manual and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and managers' manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor;

"Ad Fund" has the meaning given to such term in Section 11.1;

"Ad Fund Fee" has the meaning given to such term in Section 3.5;

"Marks" means the service mark "ARCpoint", "ARCpoint Labs" (stylized trademark application filed 4-9-12), and such other trade names, trademarks, service marks, trade dress, designs,

graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with ARCpoint Businesses;

“National/Regional/State (“NRS”) Accounts” refers to certain clients that meet specific criteria detailed in the Operations Manual. The minimum requirement, and baseline definition of this type of account is: a company, organization, or client that requires services at multiple locations, or that require providing services to a number of people so that it extends beyond your ability to directly service the account. The multiple locations could all be inside the boundaries of one or more territories you own, or both inside and outside of one or more territories you own, which may or may not extend into another franchisee’s territory.

“Third party administrator (“TPA”) means a service agent that provides or coordinates one or more drug and/or alcohol testing services to employers under either a Drug-Free Workplace program or DOT guidelines. TPAs typically provide or coordinate the provision of a number of such services and perform administrative tasks concerning the operation of the employers' drug and alcohol testing programs. TPAs are not “employers” for purposes of our definition.

“Royalty Fee” has the meaning given to such term in Section 3.4; and

“System” means the uniform standards, methods, procedures and specifications developed by Franchisor and as may from time to time be added to, changed, modified, withdrawn or otherwise revised by Franchisor, in its sole discretion, for the operation of an ARCpoint Business.

2. GRANT OF FRANCHISE; APPROVED LOCATION

2.1 Grant

Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts, upon the terms and conditions herein contained, a revocable, limited license to operate one (1) ARCpoint Business using the System and Marks.

2.2 Approved Location

Franchisee shall select an Approved Location within the Protected Territory according to the process described in Section 5.1, the Operations Manual and any other writing by Franchisor.

2.3 Sub-franchising/Agents

Franchisee shall not sublicense the use of the System or Marks to any person or entity. Except as may be permitted pursuant to Section 18, Franchisee shall not grant any person or entity the right to perform any part of Franchisee’s rights or obligations hereunder.

2.4 Protected Territory

2.4.1 So long as this Agreement is in full force and effect and Franchisee is not in default under any of the terms hereof, and is able and willing to provide necessary products or services under this Agreement, subject to Franchisor’s reservation of rights set forth in Section 2.5,

Franchisor shall not establish, own or operate, or license any other person to establish, own or operate, any other ARCpoint Business or other substantially similar business within Franchisee's "Protected Territory" as set out below and further designated and defined in the Schedule of Territory Zip Codes attached as Schedule 1.

Des Plaines (Chicago North)

2.5 Franchisor's Rights

2.5.1 Franchisee acknowledges that if he is in default of the Franchise Agreement, or is unable or unwilling to provide necessary products or services under this Agreement, Franchisor expressly retains all rights and discretion with respect to the Marks and System, including the right to:

2.5.1.1 establish, own or operate, and license others to establish, own or operate, ARCpoint Businesses inside and/or outside of the Protected Territory as Franchisor deems appropriate;

2.5.1.2 establish, own or operate, and grant others the right to establish or operate, other businesses offering the same or similar products utilizing the Marks or other trade names, trademarks and service marks at locations inside and/or outside of the Protected Territory;

2.5.1.3 service accounts within your Protected Territory, or allow other ARCpoint Businesses or third parties to service these accounts;

2.5.2 Franchisor retains the right to purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to the Franchised Business (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Protected Territory. If Franchisor purchases or acquires franchises or licenses, Franchisor may, in its sole discretion, act as franchisor or licensor with respect to such franchisees or licensees wherever located, pursuant to the individual franchise or license agreement(s) between Franchisor and such franchisee(s) or licensee(s). If Franchisor purchases or acquires such businesses within the Protected Territory which are not franchised or licensed, Franchisor may, in its sole discretion:

2.5.2.1 offer the franchisee the right of first refusal to purchase any competing business in the franchisee's Protected Territory or to sell any such businesses to Franchisee or to any third party at the business's fair market value to be operated as a ARCpoint Business; or

2.5.2.2 offer the Franchisee the opportunity to operate such business(s) in partnership with Franchisor (or an Affiliate) under the business(s) existing trade name or a different trade name.

2.5.3 Franchisor may be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises, and/or licenses Competitive Businesses within the Protected Territory;

2.5.5 Franchisor can solicit, market, advertise, and provide ARCpoint-authorized products and services to a designated National/Regional/State ("NRS") accounts whose principal residence (or

principal business office if the client is a business entity) is located within the Protected Territory through Franchisor's TPA Program; and

2.5.6 Franchisor may engage in any activities not expressly forbidden by this Agreement.

2.6 Marketing and Solicitation Restrictions

2.6.1 National/Regional/State ("NRS") Accounts

Franchisor reserves the right to maintain control over certain accounts designated as National/Regional/State ("NRS") Accounts, and to market directly to, solicit, and establish NRS accounts for the benefit of the entire system.

Franchisee shall notify Franchisor of any potential clients that meet the following baseline definition of an NRS account: a company, organization, or client that requires services at multiple locations, or that require providing services to a number of people so that it extends beyond your ability to directly service the account. These multiple locations could all be inside the boundaries of one or more territories owned by Franchisee, or both inside and outside of one or more territories owned by Franchisee, which may or may not extend into another Franchisee's territory.

Franchisor shall further analyze the client's needs, per the criteria in the Operations Manual, and determine if the account will be designated an NRS account. All NRS accounts will be handled through Franchisor, as Third Party Administrator ("TPA").

Any type of organization can be designated as an NRS account, including, but not limited to, private and publicly held corporations, educational institutions, governmental agencies, non-profit organizations, other third party administrators, or referral agencies.

2.6.2 Cross-Territorial Protocol

Franchisee has the right to pursue all potential clients within the boundaries of the Protected Territory. Should Franchisee's client have additional locations or employees located anywhere outside of the Protected Territory, Franchisee's actions regarding that client shall be governed by Franchisor's mandatory Cross-Territorial Sales Protocol, as currently written in the Operations Manual, and as modified from time to time by Franchisor.

Franchisor's Cross-Territorial Sales Protocol addresses Franchisee's rights and limitations as they apply to the marketing or advertising to, solicitation of, or service of any customer or client inside or outside of the Protected Territory, or inside the Protected Territory or area that has been assigned to another Franchisee, Franchisor, or Affiliates, and provides, in part, the following:

2.6.2.1 Franchisee is strictly prohibited from directly marketing to, or soliciting customers, through the use of ARCpoint trademarks, or other channels of any nature, whose principal business office (or principal residence, if the client is an individual) is outside of Franchisee's Territory, without Franchisor's written permission, which will only be given in extremely compelling situations.

2.6.2.2 Franchisee may not advertise in a form of media specifically designed to be seen exclusively or predominantly in a territory other than one owned by Franchisee own (e.g.: advertising in a newspaper whose majority of subscribers live outside of your territory). Advertising done via the

internet, facilitated by Franchisor's approved vendors does not fall within this category of prohibited advertising.

2.6.2.3 Franchisee may only advertise and market to current or potential clients or customers, through media that is primarily directed to clients, customers, or potential clients of Franchisee's Territory. Further guidelines regarding Advertising and Marketing may be found in Item 11.

2.6.2.4 If Franchisee establishes a relationship with a customer or client within Franchisee's Territory, and that customer or client has additional locations (or employees) outside of Franchisee's Territory, and would like you to maintain those additional locations/employees as well:

2.6.2.4.1 If the client falls under the baseline definition as set out in this Agreement, Franchisee shall notify the Franchisor immediately and Franchisor shall determine if the account shall be designated as NRS, per the criteria set out in the Operations Manual. If Franchisor designates account as NRS, the Franchisee and Franchisor shall adhere to the guidelines set out in the Operations Manual regarding account administration and revenue sharing.

2.6.2.4.2 If Franchisor does not designate the Franchisee's client as NRS, but there are client locations/employees in another franchisee's (or Affiliate's) territory, Franchisee shall give the other franchisee the first right of refusal to provide collection services for the client, and shall pay for these services the then-current, system-wide, collection fee, as set out in the Operations Manual.

2.6.2.4.3 If the other franchisee refuses to provide collection service for the client, or the client is not located within a current franchisee's territory, Franchisee has the right to seek collection services through another third party provider, however, Franchisee shall not service that client directly by traveling to the client, outside of Franchisee's territory.

2.6.2.5 If Franchisee receives a lead for, or a direct request for the performance of service or sale of goods, from a client whose principal business office (or principal residence, if the client is an individual) is outside of Franchisee's Territory, (even if that territory is unassigned to another franchisee) Franchisee shall refer those leads to Franchisor for a determination of how the client will be serviced. Franchisee shall not be entitled to compensation for leads outside of Franchisee's Territory.

2.6.2.6 If Franchisee establishes a relationship with a client inside Franchisee's Territory, which has additional locations/employees outside of the Protected Territory, which are not currently located inside another franchisee's Territory (non-protected Territory), and has been determined by Franchisor not fall under the NRS program, if in the future, the non-protected Territory is sold to a franchisee, the protocol for dealing with those particular locations/employees shall change accordingly. Once sold, Franchisor reserves the right to determine all issues with regard to the status of business inside that Territory, with input from the ARCpoint National Franchisee Advisory Council ("NAC"). Franchisee may be granted a share of the revenue, all of the revenue, or none of the revenue.

2.6.3 If at any point a disagreement between you and another franchisee occurs that cannot be resolved without outside assistance, the ARCpoint National Franchise Advisory Council ("NAC") will be asked to assess the situation and to provide input to us for resolution. We will give due consideration to all input from the council(s) but we retain the ultimate decision-making authority and responsibility for all of these matters. If we submit a matter for approval by the NAC, and the matter is approved by a majority vote, it

will be fully binding on you. We have the right to change, dissolve, or merge the Council.

3. FRANCHISE FEES

3.1 Franchise Fee

Upon execution of this Agreement, Franchisee shall pay a fee ("Franchise Fee") to Franchisor of FORTY THOUSAND DOLLARS (\$ 40,000.00). The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable, except under certain conditions set forth under Section 8.5. The Franchise Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including general sales and marketing expenses, training, legal, accounting and other professional fees and is non-refundable except as described below.

Franchisee shall pay an Initial Franchise Fee for a single territory in the amount of \$45,000, which grants Franchisee the right to use the System and operate the Franchised Business at and from the Franchise Site Franchisee selects and Franchisor approves and to use and display the Marks, but only in operation of the Franchised Business. The Initial Franchise fee shall be paid in a lump sum upon the execution of the Franchise Agreement and is non-refundable except as described below. We do not finance any portion of the any fees.

3.2 Franchise Fee- Multiple Territories

A Franchisee who purchases multiple franchise territories at the same time and enters into a Multi-Unit Executive Development Addendum ("MUEDA") (Attachment E), shall pay franchise fees as follows:

- (a) First territory \$45,000
- (b) Second territory \$40,000
- (c) Third territory \$35,000
- (d) Fourth+ territories \$30,000

3.3 Initial Training Fees

Franchisee shall pay a one-time initial training fee of \$12,500. Franchisees acquiring multiple territories at the same time shall not pay initial training fees contained in other Franchise Agreements signed under the current Multi-Unit Executive Development Addendum. The initial training fee covers all required training for both Franchisee/Designated Manager and one employee. Franchisee shall pay additional fees for training any and all additional employees, for any location established under the current Franchise Agreement or any Franchise Agreement signed under the current Multi-Unit Executive Development Agreement.

The Training Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable, except under certain conditions set forth under Section 8.5. The Training Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including general sales and marketing expenses, training, legal, accounting and other professional fees.

3.4 Royalty Fee

Each month, Franchisee shall pay to Franchisor without offset, credit or deduction of any nature, so long as this Agreement shall be in effect, a monthly fee ("Royalty Fee") equal to seven percent (7%) of Gross Sales for the preceding month, or a monthly minimum of THREE HUNDRED FIFTY DOLLARS (\$350.00) per month, whichever is greater. However, if Franchisee's Gross Sales are less than \$5,000 in any of the first three calendar months (counting partial months) in which Franchisee is open for business, Franchisee will not be required to pay the minimum royalty fee on Gross Sales for those months.

Franchisee's first royalty fee therefore, is due on the 10th of the month following the first month of reaching Gross Sales of \$5,000, or on the 10th of the fifth calendar month, in which Franchisee is open for business, whichever occurs first. Franchisee shall pay the Royalty Fee and submit the Gross Sales Report from the previous month's sales (as required by Section 12.2 below), on or before the 10th of each month. Even if royalty fees are not required to be paid on Franchisee's gross sales for the first three calendar months in which Franchisee is open for business, Gross Sales Reports shall still be filed for each month, beginning with the first calendar month open (even if a partial month).

Franchisee shall pay the Royalty Fee directly to Franchisor. Franchisor requires Franchisee, within the first 10 days of opening for business, to sign all documents necessary with Franchisee's bank, to allow Franchisor to receive all royalty payments via electronic transfer, as set forth in Section 3.8, on the 10th of each month. As noted in Section 12.6 of the Franchise Agreement, Franchisee is subject to random financial audits by Franchisor.

3.5 National Marketing /Advertising Fund ("Ad Fund")

Each month, Franchisee shall pay to Franchisor without offset, credit or deduction of any nature, so long as this Agreement shall be in effect, a monthly fee ("Ad Fund Fee") equal to 2 percent (2%) of Gross Sales for the preceding month, or a monthly minimum of ONE HUNDRED DOLLARS (\$100.00) per month, whichever is greater. However, if Franchisee's Gross Sales are less than \$5,000 in any of the first three calendar months (counting partial months) in which Franchisee is open for business, Franchisee will not be required to pay the minimum Ad Fund fee on Gross Sales for those months.

Franchisee's first Ad Fund fee therefore, is due on the 10th of the month following the first month of reaching Gross Sales of \$5,000, or on the 10th of the fifth calendar month in which Franchisee is open for business, whichever occurs first. Franchisee shall pay the Ad Fund Fee and submit the Gross Sales Report from the previous month's sales (as required by Section 12.2 below), on or before the 10th of each month. Even if Ad Fund fees are not required to be paid on Franchisee's gross sales for the first three calendar months in which Franchisee is open for business, Gross Sales Reports shall still be filed for each month, beginning with the first calendar month open (even if a partial month).

Franchisee shall pay the Ad Fund Fee directly to Franchisor. Franchisor requires Franchisee, within the first 10 days of opening for business, to sign all documents necessary with Franchisee's bank, to allow Franchisor to receive all Ad Fund Fees via electronic transfer, as set forth in Section 3.8. As noted in Section 12.6 of the Franchise Agreement, Franchisee is subject to random financial audits by Franchisor.

3.6 Local Advertising and Marketing Investment Program

Franchisee shall participate in an on-going Local Advertising and Marketing Investment Program. This program begins with an Initial Launch Period lasting from just before the business opens, through the first year of operation, wherein you will be required to spend approximately \$20,000 for the Program. Of the \$20,000, \$7,500 will be paid directly to Franchisor to pay specific mandatory expenditures on Franchisee's behalf, with the remainder of \$12,500 to be expended directly by Franchisee, at Franchisor's direction, at various times throughout this period, for specific mandatory expenses.

Beginning in the thirteenth (13th) month of operations, through the end of the franchise term, Franchisee shall be required to expend a minimum of \$750 per month on local marketing, advertising and promotion. (See also Section 11 below for a full discussion of Marketing and Advertising Programs).

3.7 Technology Fee

Franchisee shall pay directly to Franchisor an initial Technology Fee of \$1,500 and a monthly Technology Fee of TWO-HUNDRED FORTY-NINE DOLLARS (\$249.00) through electronic transfer on the 10th day of each month, beginning with the first month of operations. This fee helps fund ongoing maintenance, support and development of computer technology and use of our customized drug testing software. Included in the fee is the ability to process up to 20,000 tests per year on the drug testing software. Should you go over 20,000 tests per year, you will pay an additional \$95 per month, which is based on our current cost of services. Should our cost increase during your term, that increase will be passed along to you and we will account for same.

3.8 Electronic Transfer of Franchisee Payments

Franchisee is required to make all Royalty Fees, Ad Fund Contributions, Computer Technology Fees, amounts due for purchases by Franchisee from Franchisor, and other amounts due to Franchisor through an Electronic Funds Transfer ("EFT"). Franchisee shall, within the first 10 days of operations, sign all documents necessary, with their financial institution, to establish the monthly electronic transfer of all Royalty Fees, Ad Fund Contributions, and Computer Technology Fees, to Franchisor. Each month, Franchisee shall insure there are sufficient funds in their business bank account sufficient to cover amounts owed to Franchisor at least 48 hours prior to the date such amounts are due. Additionally, If Franchisee is ever late making a payment, or their bank account does not have sufficient funds to transfer to Franchisor for the monthly payments, Franchisor has the right to require all future payments by Franchisee be made by cashier's check, money order, or any other form of payment Franchisor specifies. Any fees incurred by Franchisor due to Franchisee's late payment will be charged back to Franchisee. Once established, Franchisee shall not disallow any required monthly payments to Franchisor, without Franchisor's written consent.

3.9 Taxes

Both Franchisee and Franchisor shall each pay all Federal, State, and other taxes as they are legally bound to do.

3.10 Interest

A late fee of \$100 will be added to all Royalty Fees or Marketing Fund Contributions due on revenues collected directly by Franchisee, and any other amounts due from Franchisee, that are not received by Franchisor within five (5) days after the due date. Additionally, all Royalty Fees or Marketing Fund Contributions due on revenues collected directly by Franchisee, and any other amounts due from Franchisee, that are not received by Franchisor within five (5) days after the due date, shall bear interest at the rate of eighteen percent (18%) per annum (or the highest rate allowed by the state where you are located if less than 18%) from the date payment is due to the date payment is received by Franchisor. Further, Franchisee shall pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and past due Royalty Fees, Marketing Fund Contributions or any other amounts due Franchisor, including reasonable accounting and legal fees.

3.11 Application of Payments

Notwithstanding any designation by Franchisee, Franchisor shall have the sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fees, Marketing Fund Contributions, purchases from Franchisor or any other amount owed to Franchisor.

4. TERM AND RENEWAL

4.1 Initial Term

This Agreement shall be effective and binding for an initial term of ten (10) years from the Effective Date, unless sooner terminated pursuant to Section 15.

4.2 Renewal Term

Subject to the conditions below, Franchisee has the right to renew this Franchise Agreement at the expiration of its term and successive Franchise Agreements at the end of their terms, subject to the terms and conditions to qualify for a renewal in future Franchise Agreements. Presently, to qualify for a renewal, each of the following conditions shall have been fulfilled and remain true as of the last day of the term of this Agreement:

4.2.1 Franchisee has, during the entire term of this Agreement, substantially complied with all material provisions of this Agreement;

4.2.2 Franchisee has access to and, for the duration of the renewal term, the right to remain in possession of the Approved Location, or a suitable substitute location approved by Franchisor, which is in full compliance with Franchisor's then-current specifications and standards;

4.2.3 Franchisee has, at its expense, made such capital expenditures as were necessary to maintain uniformity with any Franchisor-required System modifications such that the Franchised Business reflects Franchisor's then-current standards and specifications;

4.2.4 Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor (or any Affiliate), and has timely met these obligations throughout the term of this Agreement;

4.2.5 Franchisee is not in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor;

4.2.6 Franchisee has given written notice of renewal to Franchisor not less than nine (9) months nor more than twelve (12) months prior to the end of the initial term;

4.2.7 Franchisee has executed Franchisor's then-current form of the Franchise Agreement, (with appropriate modifications to reflect the fact that the Franchise Agreement relates to the grant of a renewal franchise), which franchise agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee or Marketing Fund Contribution; provided, however, that Franchisee shall not be required to pay the then-current Franchise Fee, initial advertising start-up fees, initial training fee, technology set-up fee (other than the actual costs of any changes to technology), and any other initial fees that Franchisor deems unnecessary for an existing Franchisee;

4.2.8 Franchisee has complied or agrees to comply with Franchisor's then-current training qualifications for a new franchisee, except that Franchisee shall not pay any fees associated with this training other than travel expenses and any actual costs Franchisor realizes for the training; and

4.2.9 Franchisee has executed a general release, in a form the same as or similar to the General Release attached as Exhibit A, of any and all claims against Franchisor, its Affiliate(s) and its officers, directors, legal representatives, shareholders managers, members, partners, owners, employees and agents (in their corporate and individual capacities), except to the extent prohibited by the laws of the state where the Franchised Business is located.

5. APPROVED LOCATION

5.1 Selection of Site

If an Approved Location for the Franchised Business has not been determined as of the Effective Date, Franchisee shall promptly select a site for the Franchised Business and shall notify Franchisor of such selection per Franchisor's guidelines outlined in the Operations Manual. Franchisor shall evaluate the site and notify Franchisee of its approval or disapproval of the site within a reasonable time (no more than thirty (30) days) of receiving notice of the site from Franchisee. If Franchisor approves of such selection, the site will be designated as the Approved Location. If Franchisor does not approve of such selection, Franchisee shall select a new site. Franchisor shall provide Franchisee with general guidelines to assist Franchisee in selecting a site suitable for the Approved Location. Franchisor has the right to approve or disapprove a proposed location based on such factors as it deems appropriate, including the condition of the premises, demographics of the surrounding area, proximity to potential clients, proximity to other ARCpoint Businesses, lease requirements, proximity to major roads and overall suitability. Franchisee shall not locate the Franchised Business on a selected site without the prior written approval of Franchisor. Franchisor does not represent that it or any of its employees have special expertise in selecting sites. Neither Franchisor's assistance nor approval is intended to indicate or indicates that the

Franchised Business will be profitable or successful at the Approved Location. Franchisee is solely responsible for finding and selecting the Approved Location.

5.2 Failure to Select Site

Should Franchisee fail to select a site for the Franchised Business, which meets with Franchisor's approval within 90 days after execution of the Franchise Agreement, Franchisee must submit to Franchisor, in writing, a request for an extension of time to find a suitable site, and such request will not be unreasonably denied. However, Franchisor has the right to terminate the Franchise Agreement if, Franchisee has not submitted a site for approval, nor requested an extension within 120 days of signing the Franchise Agreement.

If this Agreement is terminated pursuant to this Section 5.2, Franchisor may return to Franchisee twenty five percent (25%) of the Franchise Fee paid by Franchisee upon Franchisor's receipt of a general release, the same as or similar to the General Release attached as Exhibit 1, releasing any and all claims against Franchisor, any Affiliate and their officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities).

5.3 Lease of Approved Location

After the designation of the Approved Location, Franchisee shall execute a lease for, or a binding agreement to purchase, the Approved Location, the terms of which must have been previously approved by Franchisor. Franchisor shall not unreasonably withhold its approval. Franchisor's review of a lease or purchase agreement, or any advice or recommendation offered by Franchisor, shall not constitute a representation or guarantee that Franchisee will succeed at the Approved Location nor constitute an expression of Franchisor's opinion regarding the terms of such lease or purchase agreement. Franchisee acknowledges and agrees that Franchisee shall solely rely on its review and their attorneys review of any such lease. Franchisor shall be entitled to require that nothing therein contained is contradictory to, or likely to interfere with, Franchisor's rights or Franchisee's duties under this Agreement. Any default for which the lease may be terminated shall also be deemed a default hereunder and the time to cure the same shall expire when the lease is terminated. At Franchisor's option, the lease shall contain such provisions as Franchisor may reasonably require, including, but not limited to:

5.3.1 a provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest without payment of any assignment fee or similar charge and without any increase in rent or other fees upon termination or expiration of the Franchise grant. The lessor agrees that, before the effective date of any assignment of the lease to Franchisor (or its designee), Franchisee shall be solely responsible for all obligations, debts and payments under the lease;

5.3.2 a provision expressly permitting the lessor of the premises to provide Franchisor all sales and other information lessor may have obtained or received relating to the operation of the Franchised Business, as Franchisor may request;

5.3.3 a provision requiring the lessor to provide Franchisor with a copy of any written notice of deficiency sent by the lessor to Franchisee, and granting to Franchisor, in its sole discretion

and sole option, the right (but not the obligation) to cure any deficiency under the lease should Franchisee fail to do so within fifteen (15) days after the expiration of the period in which Franchisee may cure the default;

5.3.4 a provision requiring the lessor to provide Franchisor (at the same time lessor provides to Franchisee) a copy of all lease amendments and assignments, and a copy of all letters and notices lessor sends to Franchisee relating to the lease or the leased premises;

5.3.5 a provision permitting Franchisor to enter the leased premises to make any modifications or alterations necessary in Franchisor's sole discretion to protect the System and the Marks without being guilty of trespass, or other tort or other crime;

5.3.6 a provision allowing Franchisee to display the Marks in accordance with the specifications required by the Manual, subject only to the provisions of applicable law;

5.3.7 a provision prohibiting the premises from being used for any purpose other than the operation of the Franchised Business;

5.3.8 a provision stating that any default under the lease shall constitute a default under this Agreement;

5.3.9 a provision stating that upon default of this Agreement, Franchisor or its nominee has the right to take possession of the premises and operate the Franchised Business;

5.3.10 a provision allowing Franchisor, upon expiration and non-renewal or termination of the lease, to enter the premises and remove any signs containing the Marks and trade fixtures; and

5.3.11 a provision stating that lessor shall not amend or otherwise modify the lease in any manner that would affect any of the foregoing provisions to be included in the lease set forth above without Franchisor's prior written consent.

5.4 Development of Approved Location

Franchisor shall make available to Franchisee, at no charge to Franchisee, specifications for the development of an ARCpoint Business, which may include specifications for exterior and interior design and layout, fixtures, equipment, décor and signs. Such specifications are subject to alteration as may be necessary in Franchisor's sole discretion. Franchisee shall cause the Approved Location to be developed, equipped and improved in accordance with such specifications within ninety (90) days after the Effective Date. In connection with the development of the Approved Location, Franchisee shall:

5.4.1 employ a competent licensed architect, or general contractor or engineer to prepare, for Franchisor's approval, preliminary plans and specifications for improvement of the Approved Location adapted from the specifications furnished by Franchisor;

5.4.2 obtain all zoning classifications and clearances that may be required by state and local laws, ordinances or regulations, and submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications;

5.4.3 obtain all building, utility, sign, health, and business permits and licenses, and any other permits and licenses required for the build-out and operation of the Franchised Business and certify in writing and provide evidence to Franchisor that all such permits and certifications have been obtained;

5.4.4 employ a qualified, licensed general contractor, approved by Franchisor to complete construction of all required improvements to the Approved Location;

5.4.5 purchase and install all equipment, signs, furniture and fixtures, including any point-of-sale and computer equipment, required for the operation of the Franchised Business; and

5.4.6 obtain at least one (1) telephone number and one (1) fax number solely dedicated to the Franchised Business.

5.5 Opening

5.5.1 Before opening the Franchised Business and commencing business, Franchisee must:

5.5.1.1 fulfill all of the obligations pursuant to the other provisions of this
Section 5;

5.5.1.2 complete required training to the satisfaction of Franchisor;

5.5.1.3 furnish Franchisor with copies of all insurance policies required by this Agreement, or such other evidence of insurance coverage and payment of premiums as Franchisor may request;

5.5.1.4 pay in full all amounts due to Franchisor;

5.5.1.5 do all things necessary, as detailed in the Operations Manual, to hire and train the personnel necessary or required for the operation of the Franchised Business, purchase the necessary supplies and equipment, buy the necessary licenses, and otherwise prepare the business for opening;

5.5.1.6 obtain Franchisor's permission and approval of an opening date; Franchisor shall not unreasonably withhold consent to open. Permission to open shall be based on Franchisor's determination that Franchisee is ready to open and satisfactorily prepared to operate; and

5.5.1.7 if Franchisee is a business entity, cause to be printed on the face of each of its stock certificates or other ownership interest certificates a statement in form satisfactory to Franchisor that such ownership interest is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement.

5.5.2 Franchisee shall comply with these conditions and be prepared to open and continuously operate the Franchised Business within five (5) months after the Effective Date. Time is of the essence.

5.5.3 If Franchisee is unable to commence the operation of the Franchised Business due to circumstances beyond Franchisee's reasonable control, then Franchisee may be entitled to such additional time as may be reasonably required and as to which Franchisor may consent.

5.6 Failure to Open

Should Franchisee fail to commence operations of the Franchised Business within five (5) months after the Effective Date, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 5.6, Franchisor shall retain the entire Franchise Fee paid by Franchisee. The Franchise Fee retained shall be specifically understood and agreed by the parties to be in consideration of the services provided, time expended, work performed, and other efforts of Franchisor up to the date of Franchisee's failure to timely commence operations of the Franchised Business and shall not be construed as nor considered to be a penalty.

5.7 Use of Approved Location

Franchisee shall not use the Approved Location for any purpose other than for the operation of an ARCpoint Business in full compliance with this Agreement and the Operations Manual, unless approved in writing by Franchisor.

5.8 Relocation

Franchisee shall not relocate the Franchised Business without the prior written consent of Franchisor, which may be withheld or delayed at Franchisor's sole discretion. If the lease for the Approved Location expires or is terminated without the fault of Franchisee or if the Franchised Business's premises is destroyed, condemned or otherwise rendered unusable, or as otherwise may be agreed upon in writing by Franchisor and Franchisee, Franchisor may, in its reasonable discretion, allow Franchisee to relocate the Franchised Business. Any such relocation shall be at Franchisee's sole expense, and shall proceed in accordance with the requirements set forth in Sections 5.1 through 5.5. Franchisor has the right to charge Franchisee for any costs incurred by Franchisor in providing assistance to Franchisee, including legal and accounting fees. Notwithstanding the foregoing, Franchisor has no obligation to provide relocation assistance. If Franchisor and Franchisee do not agree upon a substitute site within ninety (90) days after the lease expires or is terminated or the Approved Location is rendered unusable, this Agreement will terminate as provided in Section 15.2.1.1.

6. MARKS

6.1 Ownership

Franchisee acknowledges that Franchisor and its Affiliate are the exclusive owners of the Marks and that Franchisee's right to use the Marks is derived solely from this Agreement, is nonexclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee's use of the Marks, and any goodwill created thereby, shall inure to the benefit of Franchisor. Franchisee shall not at any time acquire rights in the Marks by virtue of any use it may make of the Marks. This Agreement

does not confer any goodwill, right, title or interest in the Marks to Franchisee. Franchisee 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.

6.2 Limitations on Use

Franchisee shall not use any Mark or portion of any Mark as part of any business entity name. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious, assumed name, or "doing business as" (dba) registrations as may be required under applicable law to do business as a Franchised Business. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisor. Franchisee shall include on its letterhead, forms, cards and other such identification a prominent notice stating that the Franchised Business is Franchisee's "Independently Owned and Operated ARCpoint Franchise."

6.3 Notification of Infringements and Claims

Franchisee shall immediately notify Franchisor of any infringement of the Marks or challenge to its use of any of the Marks or claim by any person of any rights in any of the Marks. Franchisee shall not communicate with any person other than Franchisor and Franchisor's counsel in connection with any such infringement, challenge or claim; provided, however, Franchisee may communicate with Franchisee's counsel at Franchisee's expense. Franchisor shall have sole discretion to take such action as deemed appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks. Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may in the opinion of Franchisor's counsel, be necessary or advisable to protect and maintain Franchisor's interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor's interest in the Marks.

6.4 Indemnification for Use of Marks

Franchisor shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar proceeding disputing Franchisee's authorized use of any Mark, provided that Franchisee has timely notified Franchisor of such proceeding and has complied with this Agreement and Franchisor's directions in responding to such proceeding. At Franchisor's option, Franchisor or its designee may defend and control the defense of any proceeding arising directly from Franchisee's use of any Mark. This indemnification shall not include the expense to Franchisee of removing signage or discontinuance of the use of the Marks. This indemnification shall not apply to litigation between Franchisor and Franchisee wherein Franchisee's use of the Marks is disputed or challenged by Franchisor. This indemnification shall not apply to any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee's use of the Marks.

6.5 Discontinuance of Use

If it becomes necessary, in Franchisor's sole discretion, for Franchisee to modify or discontinue use of any of the Marks, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions within ten (10) business days after notice to Franchisee by Franchisor and subject to the limitations in Section 10.3. Franchisor shall not be required to reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute Mark.

6.6 Right to Inspect

To preserve the validity and integrity of the Marks and any copyrighted materials licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the Franchised Business, Franchisor and its designees have the right to enter and inspect the Franchised Business and the Approved Location at all reasonable times and, additionally, have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, accessories, products, supplies, reports, forms and documents and related data to ensure that Franchisee is operating the Franchised Business in accordance with the quality control provisions and performance standards established by Franchisor. Franchisor and its agents shall have the right, at any reasonable time, to remove sufficient quantities of any product or other inventory items offered for retail sale, used in the preparation of products offered for retail sale or used in rendering services, to test whether such products or items meet Franchisor's then-current standards. Franchisor or its designee has the right to observe Franchisee and its employees during the operation of the Franchised Business and to interview customers and employees and to photograph or videotape the premises.

6.7 Franchisor's Sole Right to Domain Name

Franchisee shall not establish, create or operate an Internet site or website using a domain name or uniform resource locator containing the Marks or the words "ARCpoint", "ARCpoint Labs", or any variation thereof or any domain name that would be confusingly similar. Franchisor has the exclusive right to advertise on the Internet and create websites using or containing the "ARCpoint" name and any other Mark. Franchisor is the sole owner of all right, title and interest in and to such domain names, as Franchisor shall designate in the Manual.

7. CONFIDENTIAL INFORMATION

7.1 Requirement of Confidentiality

Franchisor shall disclose Confidential Information to Franchisee during the training program, through the Manual, and as a result of guidance furnished to Franchisee during the term of this Agreement. Franchisee shall not acquire any interest in the Confidential Information, other than the right to utilize it in the development and operation of the Franchised Business and in performing its duties during the term of this Agreement. Franchisee acknowledges that the use or duplication of the Confidential Information in any other business venture would constitute an unfair method of competition. Franchisee acknowledges that the Confidential Information is proprietary, includes

Franchisor's trade secrets and is disclosed to Franchisee solely on the condition that Franchisee (and all holders of a legal or beneficial interest in Franchisee and all officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), of Franchisee) (a) shall not use the Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the Confidential Information. Franchisee shall enforce this Section as to its employees, agents and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of Confidential Information by any of them.

7.2 Additional Developments

All ideas, concepts, techniques or materials concerning the Franchised Business, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Franchisor and will be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation will be due to Franchisee or its owners or employees therefore and Franchisee agrees to assign to Franchisor all right, title and interest in any intellectual property so developed. At Franchisor's discretion, such items may be incorporated into the System. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, Franchisee shall assign ownership of that item, and all related rights to that item, to Franchisor and must sign whatever assignment or other documents Franchisor requests to show Franchisor's ownership or to assist Franchisor in obtaining intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor's efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

7.3 Exclusive Relationship

Franchisee acknowledges that Franchisor would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among ARCpoint franchisees if owners of ARCpoint Businesses and members of their immediate families and households were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of this Agreement, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee (or any member of their immediate families and households), nor any officer, director, executive, manager or member of the professional staff of Franchisee, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall:

7.3.1 Divert or attempt to divert any business, customer, referral source or supplier of the Franchised Business to any Competitive Business in the United States.

7.3.2 Do or perform any other act injurious or prejudicial to Franchisor; or

7.3.3 Engage in any Competitive Business anywhere in the United States without the express written consent of Franchisor; or

7.3.4 Solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisor to compete against, or terminate or modify his, her or its employment or business relationship with Franchisor.

7.4 Nondisclosure and Non-Competition Agreements with Certain Individuals

Franchisor has the right to require Franchisee and any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff of Franchisee to execute a standard form nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Attachment B, upon execution of this Agreement or prior to each such person's affiliation with Franchisee. Upon Franchisor's request, Franchisee shall provide Franchisor with copies of all nondisclosure and non-competition agreements to be signed pursuant to this Section. Said agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein.

7.5 Reasonableness of Restrictions

Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that without their inclusion; Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, the System and the Marks and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable.

8. TRAINING AND ASSISTANCE

8.1 Initial Training

Franchisor's training fee includes all required training for Franchisee/Designated Manager and one employee. Additional expenses apply for additional employees. Franchisor shall make available to Franchisee an in-depth training program that covers material aspects of the operation of the franchised business, including, but not limited to, drug and alcohol, DNA, and clinical testing, Advanced Regulatory Training ("ARC"), corporate wellness program, marketing, sales, legal and compliance issues, and accounting, and on-the-job training at Franchisee's business location. Franchisor reserves the right to deliver all training (other than on-the-job training) via inter-active, web-based, or video-based methods.

Classroom training is held at Franchisor's corporate headquarters in Greenville, South Carolina, or any another location Franchisor may designate, and up to 5 optional days of real-time observation and learning at are held at Affiliate, ARCpoint Labs of Greenville, or an approved franchise location. Franchisee is solely responsible for all training fees and costs for additional employees at the noted rates, and travel costs and living expenses for Franchisee and Franchisee's employee.

Training is completed in 5 phases, and must be completed to Franchisor's satisfaction: 1) Opening Training (approximately 3 hours) - begins within 10 days of signing the Franchise Agreement,

provides Franchisee, via telephone, email, and various other online resources, information and assistance with site selection, and various other instructions on business set-up including access to the Operations Manual, 2) ARCpoint Video Training Series (approximately 14 hours) – instruction and examination regarding drug, alcohol, and DNA testing and collection procedures and the methodologies involved in each, 3) ARCpoint University – (approximately 40 hours) takes place at Franchisor headquarters and includes live instruction on all remaining material aspects of operating the franchised business, including clinical testing, corporate wellness program, marketing, sales, legal and compliance issues, and accounting. Franchisee must satisfactorily complete this portion of the training no more than 2 to 4 weeks prior to opening your franchised business, 4) ARC Training (approximately 12 hours) – The Advanced Regulatory Compliance training covers: drug testing policies for all federal modalities, full consortium management training, Compliance, Safety, Accountability (“CSA”) training (the Federal Motor Carrier’s Safety Administration’s [“FMCSA”] grading system), the “ins and outs” of a Department of Transportation (“DOT”) audit, driver qualification files (“DQF”), DOT-mandated Supervisor “Signs and Symptoms” training, and hours-of-service requirements for FMCSA. The timing for beginning this training depends on both Franchisee’s comfort level and readiness to move forward in this area, and Franchisor’s assessment of Franchisee’s readiness. Once Franchisee satisfactorily completes the ARC program to become ARCpoint-certified Franchisee shall be permitted to perform any of the covered services, and train all additional Franchisee employees in these areas of regulatory compliance, 5) On-the-job Training (approximately 40 hours) – One member each, from Franchisor’s operations and sales teams, or a select mentor franchisee, will visit Franchisee’s location, within approximately three months of Franchisee’s business opening, at a mutually-agreeable time, to focus on operational organization and sales approach. The Operations visit covers 16 hours of training over the course of 2 days and the Sales visit covers 24 hours of training over the course of 3 days. Prior to the operations visit, Franchisee shall purchase, and have available at this training, a franchisor-approved Breath Alcohol Device and will only be certified on this device. Franchisee shall reimburse Franchisor for any direct costs and expenses incurred by Franchisor at the point of cancellation, if Franchisee unilaterally cancels or re-schedules this training. Franchisee shall also pay the noted hourly rate, during any on-the-job training, in which Franchisor’s services are requested or utilized for more than the number of hours included in the training fee.

8.2 General Guidance

Franchisor shall offer general guidance to Franchisee by telephone conference, e-mail, facsimile, blog, intranet, and other methods as Franchisor sees reasonable and necessary. Franchisor shall offer advice and guidance on a variety of business matters, including; authorized services or products, operational methods, system changes, best practices, protocols, accounting procedures, and marketing and sales strategies. Franchisor shall not charge a fee for the normal use of this service; provided, however, that Franchisor retains the right to charge a fee or refuse any particular request for this service should Franchisee, in Franchisor’s discretion, be deemed to be utilizing this service too frequently or in an unintended manner. Advice and guidance are based on our staff’s knowledge of the industry and our Affiliate’s experience in operating a drug and clinical/wellness testing businesses. Franchisor’s advice or guidance to Franchisee relative to prices for services and products that, in Franchisor’s judgment, constitutes good business practice is based upon the experience of Franchisor’s Affiliate in operating a business similar to ARCpoint Businesses, the experience of Franchisor’s franchisees in operating ARCpoint Businesses and an analysis of costs and prices charged for competitive services and products. Franchisee shall have the sole right to determine the prices to be charged by the Franchised Business.

8.3 Additional Assistance

Should Franchisee request additional on-site assistance, or assistance other than the training, general assistance and guidance provided under this Agreement, to facilitate the opening or continued operation of the franchised business, and Franchisor deems it necessary and reasonable to comply with such request, Franchisor shall provide such additional assistance at the noted rate.

8.4 Visits to Franchised Business

Franchisor or Franchisor's representative, at Franchisor's discretion, may, but is not required, to visit the Franchised Business from time to time for the purposes of auditing various aspects of the operation and management of the Franchised Business. Franchisor and Franchisor's representatives who visit the Franchised Business may prepare, for the benefit of both Franchisor and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of the Franchised Business. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements in a timely manner.

8.5 Failure to Complete Initial Training Program

If Franchisor determines, in its sole discretion, that Franchisee or its Designated Manager (See definition Section 1 above) is unable to satisfactorily complete the training program in the manner and within the time-frame described above, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 8.5, Franchisor will return to Franchisee twenty five percent (25%) or \$11,250 of the Franchise Fee paid by Franchisee upon Franchisor's receipt of a general release, the same as or similar to the General Release attached as Exhibit A, satisfying the requirements of Section 17.2.3. For a multiple territory purchase pursuant to a MUEDA, Franchisor shall refund 15% of the initial Franchise Fee paid on the second and subsequent territories. If Franchisee is a business entity and the Designated Manager fails to complete the initial training program to Franchisor's reasonable satisfaction, in Franchisor's sole discretion, Franchisee may be permitted to select a substitute manager and such substitute manager must complete the initial training to Franchisor's reasonable satisfaction. Franchisee may be required to pay Franchisor's then-current rates for additional training, if any, for providing the substitute manager an initial training program.

8.6 New Designated Manager

If Franchisee is a business entity and, after beginning operations, Franchisee names a new Designated Manager (as long as the new Designated Manager meets the requirements in Section 1 above), the new Designated Manager must complete Module I training to Franchisor's satisfaction prior to assuming managerial responsibility for the franchised business and must attend Module Two training as determined by Franchisor, based upon the number of months the franchised business has been in operation. Franchisee is solely responsible for all training fees and costs for the new Designated Manager which shall equal the then-current rate for Franchisee's additional attendees/employees. Franchisee shall be responsible for all travel costs, living expenses and employees' salaries incurred in connection with the Designated Manager's attendance at such training.

8.7 Franchisee Meetings

From time to time Franchisor may provide, and if it does, shall require that the Franchisee or the Designated Manager attend, annual meetings, conferences, or seminars ("meetings") during the term of this Agreement. These meetings shall be for Franchisee's benefit so as to meet and network with other Franchisees, learn new industry practices, stay up-to-date on competitive challenges and opportunities, etc. Franchisor may charge a reasonable fee for attendance at such meetings to help defray costs. Franchisor shall not require the Franchisee or Designated Manager to attend more than one meeting in any calendar year and collectively not more than three (3) days in any calendar year. Franchisee shall be responsible for all travel costs, living expenses and employees' salaries incurred in connection with the Franchisee or Designated Manager's attendance at such meeting(s).

9. OPERATIONS MANUAL ("Manual")

9.1 Loan by Franchisor

While this Agreement is in effect, Franchisor shall loan to Franchisee one (1) copy of the Manual or grant Franchisee access to an electronic or online copy of the Manual, or such other versions as Franchisor may specify. Franchisee shall conduct the Franchised Business in strict accordance with the provisions set forth in the Manual. The Manual may consist of one (1) or more separate manuals and other materials as designated by Franchisor and may be in written, electronic form or other form as specified by Franchisor. The Manual shall, at all times, remain the sole property of Franchisor and shall promptly be returned upon expiration or termination of this Agreement, in a manner as specified by Franchisor.

9.2 Revisions to the Manual

Franchisor has the right to add to or otherwise modify the Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor; provided, however, that no such addition or modification shall materially alter Franchisee's fundamental status and rights under this Agreement. Franchisor may make such additions or modifications known to Franchisee via email, letter, blog, intranet, internet, or any other reasonable method, without prior notice to Franchisee. Franchisee shall immediately, upon notice, adopt any such changes and shall ensure that if a hard copy is retained on file with Franchisee, its copy of the Manual is up-to-date at all times. If a dispute as to the contents of the Manual arises, the terms of the master copy of the Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

9.3 Confidentiality of Manual

The Manual contains proprietary information of Franchisor and its contents shall be kept confidential by Franchisee both during the term of the Franchise and subsequent to the expiration and non-renewal or termination of this Agreement. Franchisee shall at all times ensure that its copy of the Manual is available at the Approved Location in a current and up-to-date manner. If in paper form or stored on computer-readable medium, Franchisee shall maintain the Manual in a locked receptacle at the Approved Location, or if in electronic form, Franchisee shall maintain the Manual in a password-protected file. Franchisee shall only grant authorized personnel, as defined in the Manual, access to the key or combination of such receptacle or the password to such file (or Internet site, if the Manual is maintained on-line by Franchisor in a password-protected site). Franchisee shall not disclose, duplicate or otherwise use any portion of the Manual in an unauthorized manner.

10. FRANCHISE SYSTEM

10.1 Uniformity

Franchisee acknowledges and agrees that Franchisee's operation and maintenance of the Franchise in accordance with Franchise procedures is essential to preserve the goodwill of the Marks and all ARCpoint/ARCpoint Labs businesses. Therefore, at all times during the term of this Agreement, Franchisee agrees to operate and maintain the Franchised Business in strict compliance with all requirements, specifications, standards and operating procedures and rules as set forth in this Agreement, the Manual or other communications supplied to Franchisee by Franchisor and which Franchisor may periodically modify and supplement them during the term of this Agreement.

10.2 Provisions of Agreement

Franchisee agrees that Franchise Procedures prescribed from time to time in the Operations Manual, or otherwise communicated to Franchisee in writing or other tangible form, constitute provisions of this Agreement as if fully contained in this document. All references to this Agreement include Franchise Procedures as periodically modified.

10.3 Modification of the System

Franchisor has the right to change or modify the System from time to time including, without limitation, the adoption and use of new or modified Marks or copyrighted materials, and computer hardware, software, equipment, inventory, procedures, protocols, training systems, supplies or sales and marketing materials and techniques. Franchisee shall accept and use any such changes in, or additions to, the System as if they were a part of this Agreement as of the Effective Date. Franchisee shall make such expenditures as such changes, additions or modifications in the System may reasonably require; provided, however, Franchisee shall not be required to implement or conform to any such changes, additions or modifications if the cost to do so would exceed (a) ONE DOLLAR (\$1.00) during the first (1st) year of the term of this Agreement; (b) TEN THOUSAND DOLLARS (\$10,000.00) in the aggregate during the entire initial term of this Agreement (which amounts may be increased consistent with increases to the Consumer Price Index, [U.S. City Average, all items, 1982-84=100], as published by the United States Department of Labor, Bureau of Labor Statistics ["CPI-U"]); or (c) ONE DOLLAR (\$1.00) during the final year of the term of this Agreement if Franchisee provides written notice of its intention not to renew the Franchise. Any required expenditure for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 13.2. Notwithstanding the foregoing, Franchisee shall be required to make any and all improvements or modifications whenever such are required by law, regulation, agency decision or court order.

10.4 Variance

Franchisor has the right, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the

demographics of the trade area, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of any particular ARCpoint Business. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance hereunder.

11. MARKETING AND PROMOTIONAL ACTIVITIES

11.1 National Marketing/Advertising Fund ("Ad Fund")

Franchisee shall contribute 2% of gross sales or a minimum of \$100.00, whichever is greater (as set out in Section 3.5 above) to Franchisor's system-wide "Ad Fund". Franchisor established the Ad Fund to develop a system-wide advertising, promotion and marketing program to enhance the ARCpoint and ARCpoint Labs Brand and Marks. Franchisor shall administer the Ad Fund as follows:

(a) Franchisor shall maintain sole control over all creative concepts, materials, branding standards, and determine placement and allocation of advertisements. Franchisor shall determine the media to be used, which may vary from time to time, depending on a variety of factors, including, but limited to, the national economy, industry regulation regarding marketing and advertising, and research and advice from outside professionals. Franchisor does not guarantee that any one particular franchisee will benefit directly or in proportion to their contribution from the activities of the Ad Fund.

(b) Franchisor shall use Franchisee contributions to meet any cost of developing, producing, maintaining, administering, and directing consumer advertising. Franchisor, in its sole discretion may use the Ad Fund for any of, but not limited to the following: the cost of developing local marketing and advertising promotional materials, creating and implementing various Internet and other electronic media strategies, developing and maintaining the corporate website, creating advertising campaigns, implementing public relations activities, developing national, regional, or third party administration accounts, attending consumer or other end-user trade shows, employing advertising agencies, or other advertising and marketing professionals to assist in these efforts and others such as brand development and conducting a variety of market research. Franchisor in its sole discretion may use your contributions to pay for the services of a national or regional marketing or advertising agency.

(c) Franchisor shall maintain your Ad Fund contributions in a separate account from general operating funds and shall not use them for any of our general operating expenses, except (per FTC Guidelines) for reasonable administrative costs and overhead related to the administration of the Ad Fund. Franchisor shall not use Ad Fund contributions for the direct solicitation of franchise sales.

(d) Franchisor expects to use all contributions in the fiscal year they are made and intends for the Ad Fund to be perpetual, but maintains the right to terminate it if necessary. Franchisor shall not terminate the Ad Fund until all contributions have been used for advertising, marketing, and promotional purposes, or have been returned to our franchisees on a *pro rata* share.

(e) Franchisor shall have an accounting of the Ad Fund prepared each year and will provide Franchisee with a copy if requested. During the last fiscal year ending December 31, 2012, the Ad Fund spent 18% of its income on the production of advertisements and other promotional materials, 28% for sales support, subscriptions, and media placement, 52% for technology and software services, and 2% for general and administrative expenses. We may require that the annual accounting be reviewed or audited and reported on by an independent certified public accountant at the expense of the

national advertising marketing fund. The Ad Fund is not a trust and we assume no fiduciary duty in administering the national advertising marketing fund.

(f) If Franchisee is in default of any of Franchisee's obligations to Franchisor and/or the Ad Fund, or this Agreement is otherwise subject to termination, Franchisee shall have no rights with respect to the Ad Fund, and Franchisor may deny access to any and all programs and/or materials created by and benefits of, the Ad Fund.

(g) Franchisor has formed a National Franchisee Advisory Council ("NAC") Franchisor reserves the right to form and periodically meet with, a council(s) of ARCpoint franchisees ("Franchisee Advisory Council") to provide us input. We will give due consideration to all input from the council(s) but we retain the ultimate decision-making authority and responsibility for all of these matters. If we submit a matter for approval by the Franchisee Advisory Council, if one is formed, and that matter is approved by a majority vote of the Franchisee Advisory Council, that approval will be fully binding on you.

11.2 Local Advertising and Marketing Investment Program

Franchisee shall participate in an on-going Local Advertising and Marketing Investment Program, beginning just prior to Franchisee's business opening. This program is divided into an Initial Launch Period lasting through Franchisee's first year of operation, followed by Required and Perpetual Monthly Expenditures.

Initial Launch Period - begins just prior to business opening and lasting through Franchisee's first year of operation, wherein Franchisee shall invest a total of approximately \$20,000. This investment will be administered as follows:

Franchisee shall pay directly to Franchisor, within 10 days after signing the Franchise Agreement, the amount of \$7,500, to be dispersed by Franchisor to pay specific mandatory expenditures on Franchisee's behalf.

The remainder of Franchisee's required initial expenditure, in the approximate amount of \$12,500, shall be expended directly by Franchisee at Franchisor's direction, at various times throughout the Initial Launch Period, for specific mandatory advertising and marketing expenses.

Franchisee shall be required to sign contracts with certain approved vendors and pay them directly, but, at Franchisor's direction, Franchisee shall remit payment to Franchisor for any and all expenditures that vendors require Franchisor to pay directly

Required and Perpetual Monthly Expenditures - Beginning in the thirteenth (13th) month of Franchisee's operations, through the end of Franchisee's term, Franchisee shall expend a minimum of \$750 per month toward local marketing, advertising and promotion as described below. Franchisee shall, at Franchisor's direction, continue many of the expenditures from the initial launch period, with the same vendors, in addition to other local vendors Franchisee may choose and which Franchisor may approve.

Franchisor reserves the right to collect the required minimum monthly

expenditure of \$750 from, and implement for, Franchisee, a local advertising plan, or collect this expenditure from Franchisee and contribute it to the Ad Fund with no credit given Franchisee toward Franchisee's required monthly payment to that fund.

All local advertising shall be conducted in the manner, style, media, and format, conforming to our Brand Standards, and shall be approved in advance by Franchisor as set out in the Operations Manual. Franchisor shall provide Franchisee access to all advertising and marketing materials, assist in tailoring those products to Franchisee's business needs, and provide guidance in Franchisee's local advertising program. Franchisee shall not utilize advertising materials or venues unless first approved by Franchisor, in writing. Franchisor shall retain property right in all Copyrights in any and all promotional materials that Franchisee develops, or are developed for Franchisee.

Franchisee shall engage in system-approved, continuous and on-going, monthly, Search Engine Optimization (SEO) activities as prescribed by Franchisor, by the approved vendor, or from time to time in the Operations Manual and elsewhere. Should Franchisee fail to maintain this activity, Franchisor reserves the right to administer SEO on Franchisee's behalf, and seek reimbursement for all expenses to do so, including reasonable expenses for administering the activity.

Franchisee must account to Franchisor, in any manner prescribed, for all amounts expended for local advertising. Franchisor reserves the right to collect the minimum required monthly local advertising expenditure from, and implement for Franchisee, a local advertising plan. Further, should Franchisee fail to expend the minimum monthly amount on local advertising, Franchisor reserves the right to collect this amount from Franchisee and contribute it to the Ad Fund without giving Franchisee credit toward the required monthly payment to that fund.

Local advertising, marketing, and promotion expenses shall include only those out-of-pocket costs directly associated with the pre-approved development, production, placement, procurement of printed materials or advertising space or time dispersed or disseminated in by Franchisee in Franchisee's Protected Territory in this Franchise Agreement. Directly-associated, out-of-pocket costs for payment of marketing or advertising professionals, postage, printing, copying, long-distance phone calls, attendance or participation in local events meant to promote the business (including any hosted at Franchisee's business), and any other pre-approved costs and expenses shall also be included as out-of-pocket costs. Any costs or expenses not specifically listed must be pre-approved by Franchisor.

11.3 Internet Advertising and Marketing

- (a) Franchisee is restricted from establishing a presence on, or marketing using, the Internet without Franchisor's consent. Franchisor has an Internet website at the uniform

resource locator www.arcpointlabs.com and includes at the ARCpoint website an interior page containing all basic and system-wide standard information about Franchisee's franchised business, with set-up fees for this page being included in Franchisee's Local Advertising and Marketing Investment Program. Any requested additions or modifications to this page shall be made to, and pre-approved by, Franchisor with any expenses associated therewith being paid by Franchisee.

(b) Franchisor shall retain sole control and rights to, and final approval of, all Internet and other electronic media advertising and marketing done through use of Franchisor marks and otherwise, including but not limited to the use of websites, domain names, uniform resource locator's (URL's), linking, back-linking, search engines (and search engine optimization techniques), banner ads, meta-tags, auction sites, e-commerce and co-branding arrangements, coupon sites, etc. These rights also include Franchisor's control and rights to Franchisee's usernames and passwords for all advertising, social media and other activities utilizing Franchisor's marks on the internet. Franchisor's protocols for Internet Marketing are contained in the Operations Manual.

(c) Franchisee may be requested to provide content for Franchisor's Internet marketing and Franchisee must follow Franchisor's intranet and Internet usage rules, policies and requirements, and Naming Convention, which may change from time to time as the nature of the Internet itself does.

(d) Franchisee must comply with Franchisor requirements (as described in the Operations Manual or otherwise in writing) with respect to the transmission of all emails in connection with the Franchised Business and in connection with discussing, advertising, or disseminating any information, or otherwise having a presence, on the Internet, or in any other media, regarding the Franchised Business. These activities include participation in any Internet "blogs" or social networking sites. Any similar activities which are not expressly permitted in the Operations Manual or otherwise in writing, or for which Franchisee have not previously received Franchisor approval, will be subject to Franchisor approval of advertising as described above.

(e) Franchisee is restricted from utilizing the franchised business name for any marketing, advertising, promotional, or other purpose, in any media (including signage) without Franchisor's prior written consent. Franchisor will assign the name for Franchisee's franchised business, pursuant to Franchisor's Naming Convention, upon Franchisee's signing a lease for, or purchasing Franchisee's business location, within the protected territory Franchisee has purchased. Currently, the franchised business name will depend upon the actual physical address for Franchisee's location and cannot be modified for any reason. Any name or label associated with the protected territory as set out anywhere in this Franchise Agreement, is not guaranteed to be Franchisee's franchised business name and may not be used for any purpose whatsoever other than to denote Franchisee's protected territory in this agreement. Franchisor Naming Convention is contained in the Operations Manual and shall not be deviated from in any manner whatsoever without Franchisor's prior written consent.

12. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS

12.1 Records

During the term of this Agreement, Franchisee shall maintain full, complete and accurate

books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Manual or otherwise in writing. Franchisee shall retain during the term of this Agreement, and for three (3) years thereafter, all books and records related to the Franchised Business including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law. Franchisor retains the right to outsource all accounting functions to a third party at negotiated prices.

12.2 Gross Sales Reports

Franchisee shall maintain an accurate record of Gross Sales and shall deliver to Franchisor a signed and verified statement of Gross Sales ("Gross Sales Report") for each month in a form and through a method that Franchisor approves or provides in the Manual. The Gross Sales Report for the preceding month must be provided to Franchisor by the close of business on the tenth (10th) day of each month. If the tenth (10th) day of the month falls on a Sunday, Franchisee shall submit the Gross Sales Report on the eleventh (11th) day of the month. Notwithstanding the timely filing of the monthly Gross Sales Report, Franchisee shall pay Royalty Fees as set out in Section 3.4 above and shall incur interest and late fees pursuant to Section 3.10 above.

12.3 Financial Statements

Franchisee shall supply monthly to Franchisor on or before the end of the following month in a form approved by Franchisor, a balance sheet as of the end of the preceding month and an income statement for the preceding month and the fiscal year-to-date. Franchisee shall, at its expense, submit to Franchisor within forty-five (45) days after the end of each calendar year, an income statement for the calendar year just ended and a balance sheet as of December 31 of such year. Such financial statements shall be prepared in accordance with Generally Accepted Accounting Principles ("GAAP") applied on a consistent basis. If required by Franchisor, such financial statements shall be reviewed or audited by a certified public accountant. Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Manual or otherwise in writing.

12.4 Other Reports

Franchisee shall submit to Franchisor copies of all state sales tax returns required to be filed with the appropriate governmental agency and such other records as Franchisor may reasonably request from time to time or as specified in the Operations Manual. Franchisor shall have the right to release financial and operational information relating to the Franchised Business to Franchisor's current or prospective lenders or investors. Franchisee shall certify as true and correct all reports to be submitted pursuant to this Agreement.

12.5 Computer System

Franchisee shall purchase, install and use computer systems including at least one laptop, consisting of hardware and software in accordance with Franchisor's specifications. Franchisee shall use the computer system to maintain its business records, customer information and sales and other

financial information in a format that may be specified by Franchisor in the Manual or by other written communication. Franchisor shall, at all times, have full access to all of Franchisee's computer and sale data and systems and all related information by means of direct access, either in person or by telephone, modem or Internet to permit Franchisor to verify Franchisee's compliance with its obligations under this Agreement.

12.6 Right to Inspect

Franchisor or its designee has the right, during normal business hours, to examine copy and audit the books, records and tax returns of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of eighteen percent (18%) per annum (or the highest rate allowed by the law of the state where Franchisee is located, whichever is higher). If an audit discloses an underpayment of three percent (3%) or more of the amount due for any period covered by such audit, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have. If no discrepancies are found then Franchisor shall incur the cost for the audit.

12.7 Release of Records

At Franchisor's request, Franchisee shall authorize and direct any third parties, including accounting professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Gross Sales, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor. Franchisor shall accept copies of documents provided under third party supervision.

13. STANDARDS OF OPERATION

13.1 Authorized Products, Services and Suppliers

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality services and products to its customers. Accordingly, Franchisee shall provide only those services, sell only those products and use only those vendors or suppliers, supplies, signs, equipment and other products that Franchisor approves in advance (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. If required by Franchisor, any such products and/or services shall be purchased or distributed only from "Approved Suppliers" that Franchisor designates or approves (which might include, or be limited to, Franchisor or its Affiliate). Franchisee shall not provide or offer for sale through the Franchised Business or from the Approved Location any services or products that Franchisor has not first approved.

13.1.2 Franchisor shall provide Franchisee, in the Operations Manual, or other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, signs, equipment and other approved or specified products, and Franchisor may from time to time issue revisions to such list. If Franchisor or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor or an Affiliate. If Franchisee desires to offer for sale or use any product that Franchisor has not approved (for products that require supplier approval), Franchisee shall provide that supplier with Franchisor's contact information to enable vendor to furnish Franchisor sufficient information, specifications and/or samples for Franchisor, pursuant to the procedure set out in the Operations Manual, to determine whether the product complies with standards and specifications, or whether the supplier meets its Approved Supplier criteria. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor, in its discretion, deems confidential.

13.1.3 Notwithstanding anything contrary in this Agreement, Franchisor has the right to review from time to time its approval of any products or suppliers. Franchisor may revoke its approval of any product or supplier at any time, and in its sole discretion, by notifying Franchisee or the supplier. Franchisee shall, at its own expense, promptly cease using any products disapproved by Franchisor and shall promptly cease purchasing from suppliers disapproved by Franchisor.

13.1.4 Franchisor has the right to designate certain services and products, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. Franchisor has the right, in its sole discretion from time to time, to give its consent to one (1) or more franchisees to provide certain services or use certain products not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 10.4 and shall not create any rights in Franchisee to provide the same services or use the same products.

13.1.5 Franchisor may receive volume rebates, markups, and other tangible monetary amounts from suppliers or in connection with the furnishing of supplies or suppliers to Franchisee.

13.1.6 Franchisee shall comply with all terms, conditions, and obligations of all contracts and arrangements with suppliers, including contracts and arrangements negotiated by Franchisor or third parties as part of a network or multiple-franchise supply and distribution arrangement, and Franchisee's contracts with and obligations to suppliers. Franchisee shall promptly pay all suppliers in accordance with the agreed-upon terms. In the event Franchisee fails to promptly pay one or more suppliers as required, Franchisor may, but is not required to, pay such suppliers on behalf of Franchisee, and Franchisee shall promptly reimburse Franchisor for such payment following notice from Franchisor, or Franchisor may obtain payment through electronic fund transfer procedures.

13.2 Appearance and Condition of the Franchised Business

Franchisee shall maintain the premises of the Franchised Business and any vehicles, furniture, fixtures, equipment and signage in "like new" condition. The expense of such maintenance

shall be borne by Franchisee and shall be in addition to any required System modifications as described in Section 10.3.

13.3 Ownership and Management

The Franchised Business shall, at all times, be under the direct full time day to day supervision of Franchisee or Franchisee's Designated Manager as defined in Section 1 of this Agreement, and cannot be initially operated by an absentee owner. The Franchisee or Designated Manager shall devote his or her full-time efforts to the management of the day-to-day operation of the Franchised Business. "Full-time" means the expenditure of at least thirty-five (35) hours per week, excluding vacation, sick leave and similar absences, unless otherwise approved in writing by Franchisor. Franchisee shall immediately notify Franchisor should the identity of its Designated Manager change.

13.4 Contributions and Donations

In order to protect the Marks, Franchisee must obtain Franchisor's prior written consent (via email is allowed) before making any contributions or donations of items, services or funds to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any organization). Franchisor may withhold any such consent in its sole and absolute discretion.

13.5 Licenses and Permits

Franchisee shall secure and maintain in force all required licenses, permits and certificates necessary for the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations. Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Franchised Business. Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Franchised Business.

13.6 Notification of Proceedings

Franchisee shall notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee or the Franchised Business, and of the issuance of any order, writ, injunction, judgment, award or decree which may affect the operation or financial condition of the Franchised Business and provide a copy of any documentation of any such commencement of a suit or proceeding or any order, writ, injunction, award or decree not more than five (5) days after notice of such commencement or issuance. Franchisee shall deliver to Franchisor not more than five (5) days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation.

13.7 Compliance with Good Business Practices

Franchisee acknowledges that the quality of customer service and every detail of appearance and demeanor of Franchisee and its employees is material to this Agreement and the relationship created hereby. Therefore, Franchisee shall endeavor to maintain high standards of quality and service in the operation of the Franchised Business. Franchisee shall at all times give prompt, courteous and efficient service to customers of the Franchised Business. The Franchised Business shall in all dealings with its customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee did not fairly handle a customer complaint, Franchisor has the right to intervene and satisfy the customer. Franchisor has the right to terminate this Agreement for repeated violation of this Section. Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in servicing a customer of the Franchised Business pursuant to this Section.

13.8 Uniforms

Franchisee shall abide by any uniform requirements stated in the Operations Manual. Uniforms, if required, must be purchased from an Approved Supplier, if such is designated, or if none, then a supplier who meets Franchisor's specifications and quality standards for uniforms.

13.9 Best Efforts

Franchisee shall use its best efforts to promote and increase the sales and recognition of services offered through the Franchised Business. Franchisee shall require all of Franchisee's employees, managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all services and products provided as part of the System.

13.10 E-Mail

Franchisee shall, at all times and at Franchisee's expense, maintain an e-mail address and account for communicating with Franchisor. Franchisee will use the ARCPpoint domain with first initial and last name @arcpointlabs.com as their e-mail address. Franchisor initiates, activates, and maintains full ownership and control of this email address and may set protocols and procedures for Franchisee to follow regarding use of this email address and any other email address assigned to the Franchised Business. Additional email addresses shall be assigned to the Franchised Business at Franchisor's discretion and per Franchisor's protocol and procedures as outlines in the Operations Manual or other written communications. Neither Franchisee nor any other person employed by the Franchised Business will be allowed to communicate with vendors, customers, or potential customers or any other person or entity on behalf of the Franchised Business using an email address that was not initiated or activated by and under Franchisor's full control. Franchisor reserves the right to suspended Franchisee's email upon default under any provision herein.

13.11 National/Regional/State ("NRS") Accounts

Franchisor shall have the right to designate certain of Franchisee's clients as NRS accounts, if they meet specific criteria detailed in the Operations Manual. Franchisor shall further evaluate a client account for NRS designation if it first meets a specific baseline definition: a company, organization, or client that requires services at multiple locations, or that require providing services to a number of people so that it extends beyond your ability to directly service the account. Franchisor's Operations Manual provides additional examples and definitions of an NRS account.

Franchisee shall notify Franchisor of all potential clients that fall meet the baseline definition of a NRS account. Franchisor shall further analyze the account, per the criteria in the Operations Manual, to determine if the account will be designated NRS. Franchisor shall administer all NRS accounts through the Third Party Administrator ("TPA") program as further set out in the Operations Manual.

Franchisor reserves the right to market directly to, solicit, and establish NRS accounts for the benefit of the entire system, no matter the location, provided the account meets the criteria as set out in the Operations Manual.

14. INSURANCE

14.1 Types and Amounts of Coverage

At its sole expense, Franchisee shall procure within sixty (60) days of the Effective Date, and maintain in full force and effect during the term of this Agreement, the types of insurance listed below. All policies, except those identified in Section 14.1.2, shall expressly name Franchisor as an additional insured or loss payee and shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns. Franchisee must also require any physicians and/or other health care providers, that provide services to the franchised business, and who are required by law to carry medical malpractice insurance, to provide Franchisee with written documentation of their current medical malpractice insurance coverage. Franchisee shall furnish this documentation to Franchisor, upon demand.

In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:

14.1.1 "all risk" property insurance coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Franchised Business. Franchisee's property insurance policy shall include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost;

14.1.2 workers' compensation insurance that complies with the statutory requirements of the state in which the Franchised Business is located and employer liability coverage with a minimum limit of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) or, if higher, the statutory minimum limit as required by state law;

14.1.3 comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Franchised Business, or Franchisee's conduct of business pursuant to this Agreement, with a minimum liability coverage of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence or, if higher, the statutory minimum limit required by state law;

14.1.4 errors and omissions insurance, whether as a stand-alone policy or as part of the comprehensive general liability insurance, against claims for negligence in connection with the performance of ARCpoint services, including specimen collection, analysis and testing and test or result reporting, with a minimum liability coverage of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence or, if higher, the statutory minimum limit required by state law;

14.1.5 business interruption insurance in amounts and with terms acceptable to Franchisor;

14.1.6 automobile liability insurance for owned or hired vehicles with a combined single limit of at least ONE MILLION DOLLARS (\$1,000,000.00) or, if higher, the statutory minimum limit required by state law; and

14.1.7 such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 20.3.

14.2 Future Increases

Franchisor has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances.

14.3 Carrier Standards

Such policies shall be written by an insurance company licensed in the state in which Franchisee operates, and having at least an "A" Rating Classification and within the Financial Size Category "IX" or higher, each as indicated in A.M. Best's Key Rating Guide. Although A.M. Best groups "A" and "A" in the same classification, Franchisor demands an "A" rating.

14.4 Evidence of Coverage

Franchisee's obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 20.3. Franchisee shall provide, annually, copies of their insurance policies showing compliance with the foregoing requirements. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days prior written notice to Franchisor and shall reflect proof of payment of premiums.

14.5 Failure to Maintain Coverage

Should Franchisee not procure and maintain insurance coverage as required by this Agreement, Franchisor has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

15. DEFAULT AND TERMINATION

15.1 Termination by Franchisee

If Franchisee is in full compliance with all of the terms of this Agreement and Franchisor materially breaches this Agreement and fails to commence reasonable efforts to cure such breach within thirty (30) days after receiving written notice identifying the claimed breach, Franchisee may elect to terminate this Agreement unless the breach cannot reasonably be cured within such thirty (30) days. If the breach cannot reasonably be cured in such thirty (30) days, Franchisee may elect to terminate this Agreement only if Franchisor does not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish Franchisee reasonable proof of such efforts.

15.2 Termination by Franchisor

15.2.1 Franchisor has the right to terminate this Agreement, without any opportunity to cure by Franchisee, if Franchisee:

15.2.1.1 fails to timely select an approved site for or establish and equip and commence operations of the Franchised Business pursuant to Section 5;

15.2.1.2 fails to satisfactorily complete the training program pursuant to Section 8;

15.2.1.3 made any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement;

15.2.1.4 is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business;

15.2.1.5 after notices to cure fails to refrain from activities, behavior or conduct likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business;

15.2.1.6 discloses, duplicates or otherwise uses in an unauthorized manner any portion of the Manual or any other Confidential Information;

15.2.1.7 if required by Franchisor, fails to have any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and all employees of Franchisee, execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Attachment 2, upon execution of this Agreement or prior to each such person's affiliation with Franchisee or fails to provide Franchisor with copies of all nondisclosure and non-competition agreements signed pursuant to Section 7.4 if requested by Franchisor;

15.2.1.8 abandons, fails or refuses to actively operate the Franchised Business for five (5) or more consecutive days (unless the Franchised Business has not been operational for a purpose approved by Franchisor) or, if first approved by Franchisor, fails to promptly relocate the Franchised Business Office following the expiration or termination of the lease for the Approved

Location, the sale of the Approved Location, the destruction or condemnation of the Approved Location or any other event rendering the Approved Location unusable;

15.2.1.9 surrenders or transfers control of the operation of the Franchised Business without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in Franchisee of a deceased or incapacitated owner thereof, as herein required;

15.2.1.10 fails to maintain the Franchised Business under the primary supervision of a Designated Manager during the one hundred eighty (180) days following the death or Incapacity of Franchisee or any holder of a legal or beneficial interest in Franchisee, pursuant to Section 17.6;

15.2.1.11 submits to Franchisor on two (2) or more separate occasions at any time during the term of the Franchise any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to Franchisor by more than three percent (3%) for any accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;

15.2.1.12 is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless *supersedes* bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against its Approved Location or equipment is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed;

15.2.1.13 misuses or makes an unauthorized use of any of the Marks, Trade Secrets or Confidential Information or commits any other act which can reasonably be expected to impair the goodwill associated with any of the Marks;

15.2.1.14 fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee, Marketing Fund Contribution, amounts due for purchases from Franchisor and any Affiliate, or other payment when due to Franchisor or any Affiliate, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

15.2.1.15 continues to violate any health or safety law, ordinance or regulation, or operates the Franchised Business in a manner that presents a health or safety hazard to its customers, employees or the public;

15.2.1.16 engages in any activity exclusively reserved to Franchisor;

15.2.1.17 fails to comply with any applicable law or regulation within ten (10) days after being given notice of noncompliance;

15.2.1.18 repeatedly breaches this Agreement or repeatedly fails to comply with mandatory specifications, customer service standards or operating procedures prescribed in the Manual, whether or not previous breaches or failures are cured; or

15.2.1.19 defaults under any other agreement between Franchisor (or an Affiliate) and Franchisee, such that Franchisor or its Affiliate, as the case may be, has the right to terminate such agreement or such agreement automatically terminates.

15.2.2 Except as otherwise provided in Section 15.2.1, upon any other default by Franchisee or upon Franchisee's failure to comply with any mandatory specification, standard or operating procedure prescribed in the Manual or otherwise prescribed in writing, Franchisor has the right to terminate this Agreement by giving notice of such termination at least thirty (30) days before the effective date of the termination stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such default or failure before the effective date of termination, or provide proof acceptable to Franchisor that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is affected if such default or failure cannot reasonably be cured before the effective date of the termination.

15.2.2.1 within ten (10) days of receiving notice of Franchisee's failure to maintain insurance as specified in Section 14 of this Agreement.

15.3 Reinstatement and Extension

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, Franchisor may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

15.4 Right of Franchisor to Discontinue Sales to Franchisee

If Franchisor delivers to Franchisee a notice of termination pursuant to Section 15.2.2, in addition to Franchisor's other remedies, Franchisor and its Affiliate(s) reserve the right to suspend the sale of any services or products to Franchisee for which Franchisor or an Affiliate is an Approved Supplier until such time as Franchisee corrects the default.

15.5 Right of Franchisor to Operate Franchised Business

Following the delivery of a notice of termination pursuant to Section 15.2.2 if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume the operation of the Franchised Business until such time as Franchisee corrects the breach. Franchisor may charge a management fee as stated in the Manual from time to time, currently equal to Six HUNDRED DOLLARS (\$600.00) per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business.

16. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

16.1 Actions to be Taken

Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee shall:

16.1.1 immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

16.1.2 cease to use the Trade Secrets, Confidential Information, the System and the Marks including, without limitation, all signs, slogans, symbols, logos, advertising materials, stationery, forms and any other items which display or are associated with the Marks;

16.1.3 upon demand by Franchisor, at Franchisor's sole discretion, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease); its interest in the lease then in effect for the Approved Location to Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

16.1.4 take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "ARCpoint", "ARCpoint Labs", or any other Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

16.1.5 pay all sums owing to Franchisor and its Affiliate. In the event of termination for any default of Franchisee, such sums shall include, but shall not be limited to, all damages, costs and expenses, including reasonable attorneys' fees with respect to litigation, arbitration, appellate or bankruptcy proceedings, unpaid Royalty Fees, loss of future Royalty Fee payments incurred by Franchisor as a result of an early termination of this Agreement and any other amounts due to Franchisor or its Affiliate;

16.1.6 pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

16.1.7 immediately return to Franchisor the Manual and all other Confidential Information including records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property), and permanently remove from Franchisee's computer or computer data storage devices any electronic copy or backup of the Manual and all other Confidential Information;

16.1.8 assign all telephone listings and numbers for the Franchised Business to Franchisor and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Marks in any regular, classified or other telephone directory listing and shall authorize transfer of same to or at the direction of Franchisor; and

16.1.9 comply with all other applicable provisions of this Agreement.

16.2 Post-Termination Covenant Not to Compete

16.2.1 Franchisee acknowledges that the restrictive covenants contained in this Section are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

16.2.1.1 to protect the trade secrets of Franchisor;

16.2.1.2 to induce Franchisor to grant a franchise to Franchisee; and

16.2.1.3 to protect Franchisor against its costs in training Franchisee and its officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities).

16.2.2 Except as otherwise approved, of in writing by Franchisor, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, shall, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

16.2.2.1 within any territory operated by Franchisee at the time of termination, or 50 miles from the boundary of any such territory, engage in any Competitive Business without the express written consent of Franchisor; or

16.2.2.2 within any territory operated by Franchisee at the time of termination, or 50 miles from the boundary of any such territory, solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisor to compete against or terminate or modify her, his or its employment or business relationship with Franchisor.

16.2.3 In furtherance of this Section, Franchisor has the right to require certain individuals to execute standard form nondisclosure or non-competition agreements in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Attachment B.

16.3 Unfair Competition

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute

Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with Franchisor. This Section is not intended to grant Franchisee a right to operate other businesses and in no way is it intended to contradict Sections 16.1, 16.2, or Attachment B. If Franchisor elects not to receive an assignment or sublease of the Approved Location, Franchisee shall make such modifications or alterations to the Approved Location (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Approved Location. Franchisee shall make such specific additional changes to the Approved Location as Franchisor may reasonably request for that purpose including, without limitation, removal of all trade dress or other physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Approved Location for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

16.4 Franchisor's Option to Purchase Certain Business Assets

Franchisor has the right (but not the duty), for a period of thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Business including equipment, supplies and other inventory. The purchase price shall be equal to the assets' fair market value, as determined by an independent appraiser. If Franchisor elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price.

16.5 Survival of Certain Provisions

All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

17. TRANSFERABILITY OF INTEREST

17.1 Transfer by Franchisor

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by Franchisor and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor hereunder and Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement.

17.2 Transfer by Franchisee to a Third Party

The rights and duties of Franchisee as set forth in this Agreement, and the Franchise herein granted, are personal to Franchisee (or its owners), and Franchisor has entered into this Agreement in reliance upon Franchisee's personal or collective skill and financial ability. Accordingly, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee may sell, assign, convey,

give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the Approved Location used in operating the Franchised Business, its assets or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement. If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

17.2.1 Franchisee has complied with the requirements set forth in Section 18;

17.2.2 all obligations owed to Franchisor, and all other outstanding obligations relating to the Franchised Business, are fully paid and satisfied;

17.2.3 Franchisee (and any transferring owners, if Franchisee is a business entity) has executed a general release, in a form the same as or similar to the General Release attached as Exhibit A, of any and all claims against Franchisor, including its officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), in their corporate and individual capacities including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the Franchise; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law;

17.2.4 the prospective transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require in its sole discretion, to demonstrate ability to conduct the Franchised Business;

17.2.5 the transferee and, if Franchisor requires, all persons owning any interest in the transferee, have executed the then-current franchise agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee and Marketing Fund Contribution rates and other material provisions, and the franchise agreement then executed shall be for the term specified in such agreement;

17.2.6 the transferee has executed a general release, in a form the same as or similar to the General Release attached as Exhibit A, of any and all claims against Franchisor and its officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities, in their corporate and individual capacities, with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee;

17.2.7 Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise;

17.2.8 Franchisee, or the transferee, has paid to Franchisor a transfer fee in the amount of TWENTY THOUSAND DOLLARS (\$20,000).

17.2.9 the transferee, or all holders of a legal or beneficial interest in the transferee, has agreed to be personally bound jointly and severally by all provisions of this Agreement for the remainder of its term by executing a personal guaranty in such form as prepared by Franchisor;

17.2.10 Transferee has agreed to be bound to the obligations of the new franchise agreement and to guarantee the full performance thereof by the transferee, if required by Franchisor;

17.2.11 the transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the Approved Location) and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

17.2.12 Franchisee has, and if Franchisee is an entity, all of the holders of a legal and beneficial interest in Franchisee have, executed and delivered to Franchisor a nondisclosure and non-competition agreement in a form satisfactory to Franchisor, and in substance the same as the nondisclosure and non-competition covenants contained in Sections 7 and 16; and

17.2.13 Prior to assuming the management of the day-to-day operation of the Franchised Business, the transferee's Designated Manager shall complete, to Franchisor's satisfaction, a training program in substance similar to the initial training described in Section 8.1.

17.3 Transfer to a Controlled Entity

17.3.1 If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity which shall be entirely owned by Franchisee ("Controlled Entity"), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

17.3.1.1 the Controlled Entity is newly organized and its charter provides that its activities are confined exclusively to the operation of the Franchised Business;

17.3.1.2 Franchisee or all holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

17.3.1.3 all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the Controlled Entity shall be required to pay a transfer fee, as required, pursuant to Section 17.2.8;

17.3.1.4 the Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Franchised Business. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

17.3.1.5 all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;

17.3.1.6 each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

17.3.1.7 copies of the Controlled Entity's articles of incorporation or organization, bylaws, operating agreement, and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption.

17.3.2 The term of the transferred franchise shall be the unexpired term of this Agreement, including all renewal rights, subject to any and all conditions applicable to such renewal rights.

17.3.3 Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Franchised Business, shall not constitute a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

17.4 Franchisor's Disclosure to Transferee

Franchisor has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Franchised Business or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Franchised Business by an intended transferee identified by Franchisee.

17.5 For-Sale Advertising

Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Franchised Business, or in any communication media, any form of advertising relating to the sale of the Franchised Business or the rights granted hereunder.

17.6 Transfer by Death or Incapacity

17.6.1 Upon the death or Incapacity of Franchisee (if Franchisee is an individual) or any holder of a legal or beneficial interest in Franchisee (if Franchisee is a business entity), the appropriate representative of such person (whether administrator, personal representative or trustee) will, within a reasonable time not exceeding one hundred eighty (180) days following such event,

transfer such individual's interest in the Franchised Business or in Franchisee to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement, unless such assignment or transfer is to an immediate family member (brother, sister, spouse, son, daughter, mother, or father) of Franchisee (if Franchisee is an individual) or any holder of a legal or beneficial interest in Franchisee (if Franchisee is a business entity), or is prohibited by the laws of the state wherein Franchisee resided, with such choice law provision being applicable only for this Section 18.6. During that one hundred eighty (180) day period, the Franchised Business must be under the primary supervision of a Designated Manager who otherwise meets Franchisor's management qualifications.

17.6.2 Following such death or Incapacity of such person as described in Section 17.6, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume operation of the Franchised Business until the deceased or incapacitated owner's interest is transferred to a third party approved by Franchisor. Franchisor may charge a management fee as stated in the Manual from time to time, currently equal to SIX HUNDRED DOLLARS (\$600.00) per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business.

18. RIGHT OF FIRST REFUSAL

18.1 Submission of Offer

If Franchisee, or any of its owners, proposes to sell the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a *bona fide*, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Franchisor, except with regards to a sale or transfer to a family member. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

18.2 Franchisor's Right to Purchase

Franchisor shall, for thirty (30) days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to Franchisee. Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty (90) days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

18.3 Non-Exercise of Right of First Refusal

If Franchisor does not exercise this right of first refusal within thirty (30) days from the date of delivery of all such documents, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by Section 17. Should the sale fail to close within one hundred twenty (120) days after the offer is delivered to Franchisor, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section.

19. BENEFICIAL OWNERS OF FRANCHISEE

Franchisee represents, and Franchisor enters into this Agreement in reliance upon such representation, that the individuals identified in Attachment D are the sole holders of a legal or beneficial interest (in the stated percentages) of Franchisee.

20. RELATIONSHIP AND INDEMNIFICATION

20.1 Relationship

This Agreement does not appoint or make Franchisee an agent, legal representative, joint venture, partner, employee, servant or independent contractor of Franchisor for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the term of this Agreement, and any extension or successor hereof, Franchisee shall hold itself out to the public only as a franchisee and an owner of the Franchised Business operating pursuant to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice in the form specified in Section 6.2 (or as otherwise specified by Franchisor) on all forms, stationery or other written materials. Under no circumstances shall Franchisor be liable for any act, omission, contract, debt or any other obligation of Franchisee. In no event shall this Agreement or any conduct pursuant hereto make Franchisor a fiduciary with respect to Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Business. Any third party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone.

20.2 Standard of Care

This Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain Franchisor's written consent or permits Franchisee to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Franchisee or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation.

20.3 Indemnification

Franchisee shall hold harmless and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities, successors and assigns (collectively "Franchisor Indemnities") from and against all losses,

damages, fines, costs, expenses or liability (including reasonable attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon Franchisee's (a) ownership or operation of the Franchised Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or any Affiliate); (d) defamation of Franchisor or the System; (e) acts, errors or omissions committed or incurred in connection with the Franchised Business, including any negligent or intentional acts; or (f) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Confidential Information. The obligations of this Section 21.3 shall expressly survive the termination of this Agreement.

20.4 Right to Retain Counsel

Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnitee. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If Franchisor's exercise of its rights under this Section causes any of Franchisee's insurers to refuse to pay a third party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

21. GENERAL CONDITIONS AND PROVISIONS

21.1 No Waiver

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

21.2 Injunctive Relief

As any breach by Franchisee of any of the restrictions contained in Sections 6, 7, and 16 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be

entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated and Franchisee shall be responsible for Franchisor's reasonable attorneys' fees incurred in pursuing the same. Franchisor's right to seek injunctive relief will not affect the parties' waiver of jury trial and covenant to arbitrate all disputes in accordance with Section 22.7. Franchisor's rights herein shall include pursuing injunctive relief through arbitration or in the state or federal court.

21.3 Notices

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by Registered Mail, return receipt requested. All notices shall be sent to Franchisee at the address listed on page one (1) of this Agreement or such other address as Franchisee may designate in writing to Franchisor. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address:

ARCpoint Franchise Group, LLC
Attention: President
220 North Main St. Suite 325
Greenville, South Carolina 29601

21.4 Cost of Enforcement or Defense

If Franchisor or Franchisee is required to enforce this Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, in connection with such proceeding.

21.5 Unlimited Guaranty and Assumption of Obligations

All holders of a legal or beneficial interest in Franchisee of five percent (5%) or greater shall be required to execute, as of the date of this Agreement, the Unlimited Guaranty and Assumption of Obligations attached as Exhibit C, through which such holders agree to assume and discharge all of Franchisee's obligations under this Agreement and to be personally liable hereunder for all of the same.

21.6 Approvals

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties nor guarantees upon which Franchisee may rely, and assumes no liability nor obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

21.7 Entire Agreement

This Agreement, its exhibits and the documents referred to herein shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof, and shall supersede all prior agreements. No other representation, oral or otherwise, has induced Franchisee to execute this Agreement, and there are no representations (other than those within Franchisor's ARCpoint Disclosure Document), inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with respect to the matters set forth in or contemplated by this Agreement or otherwise. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties. Nothing in the Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

21.8 Severability and Modification

21.8.1 Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable, and if any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of nor affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement; provided, however, that if Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement. Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

21.8.2 Notwithstanding the above, each of the covenants contained in Sections 7 and 16 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Confidential Information or on competition to the maximum extent provided or permitted by law.

21.9 Construction

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

21.10 Force Majeure

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

21.11 Timing

Time is of the essence. Except as set forth in Section 21.10, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

21.12 Withholding Payments

Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to any Affiliate. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

21.13 Further Assurances

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

21.14 Multiple Originals

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

22. DISPUTE RESOLUTION**22.1 Choice of Law**

Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina (without reference to its conflict of laws principles), excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law, as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

22.2 Venue

Any action brought by either party, except those claims required to be submitted to arbitration, shall be brought, if at all, solely in the appropriate state or federal court located in or serving Greenville County, South Carolina. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. The parties hereby submit to service of process by registered mail, return receipt requested, or by any other manner provided by law. Franchisor may also bring claims for injunctive relief against the Franchisee where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

22.3 Cumulative Rights and Remedies

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

22.4 Limitations of Claims

Any claim concerning the Franchised Business or this Agreement or any related agreement will be barred unless an action for a claim is commenced within one (1) year from the date on which Franchisee or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

22.5 Limitation of Damages

Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other, and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees as provided in Section 21.4. Franchisee waives and disclaims any right to consequential damages in any action or claim against Franchisor concerning this Agreement or any related agreement. In any claim or action, whether through litigation or arbitration, brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Franchise Fee and Royalty Fee payments.

22.6 Waiver of Jury Trial

Franchisee and Franchisor each irrevocably waive trial by jury in any action, whether at law or equity, brought by either of them against the other.

22.7 Arbitration

This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained herein. Except for controversies or claims relating to the ownership of any of Franchisor's Marks, the unauthorized use or disclosure of Franchisor's Confidential Information or covenants against competition, all disputes arising out of or relating to this Agreement, to any other agreements between the parties, or with regard to any of the dealings between the parties, shall be settled by binding arbitration conducted in Greenville County, South Carolina, in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") then in effect. A single arbitrator agreed upon by the parties or otherwise appointed by the AAA shall conduct the proceedings. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

Franchisee acknowledges that it has read the terms of this binding arbitration provision and affirms that this provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on the part of Franchisor or any of Franchisor's agents or employees.

23. ACKNOWLEDGMENTS

23.1 Receipt of this Agreement and the Uniform Franchise Disclosure Document

Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Uniform Franchise Disclosure Document; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee further represents and acknowledges that it has received, at least fourteen (14) calendar days prior to the date on which this Agreement was executed, the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures.

23.2 Consultation by Franchisee

Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so.

23.3 True and Accurate Information

Franchisee represents that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

23.4 Risk

Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in an ARCpoint Business involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Franchisee. Franchisor makes no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

23.5 No Guarantee of Success

Franchisee represents and acknowledges that it has not received or relied on any guarantee, express or implied, as to the revenues, profits or likelihood of success of the Franchised Business. Franchisee represents and acknowledges that there have been no representations by Franchisor's directors, employees or agents that are not contained in, or are inconsistent with, the statements made in the Uniform Franchise Disclosure Document or this Agreement.

23.6 No Violation of Other Agreements

Franchisee represents that its execution of this Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party.

Signatures on following page

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

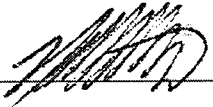
ARCPOINT FRANCHISE GROUP, LLC

By: 

Name: Felix Miranda

Title: Vto

FRANCHISEE: Neil Seltz

Signed: 

Name printed: Neil Seltz

Address: 56 Carter

Breckenridge, CO 80424

FRANCHISEE: Lesly Datlow

Signed: 

Name printed: Lesly Datlow Datlow 

Address: 56 Carter

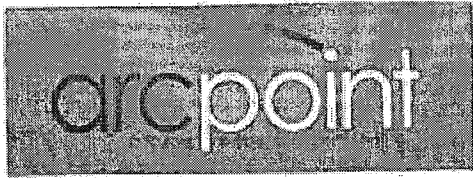
Breckenridge, CO 80424

Schedule 1

Schedule of Territory Zip Codes

The Protected Territory is defined as including the following zip codes:

Schedule 1



052 IL Chicago North

Franchise ID: IL002

03/07/12

Franchise	2011 Total Businesses	2011 Total Employees	2011 Targeted Businesses	2011 Targeted Employees	2011 Select SIC ¹ Businesses	2011 Select SIC Employees
IL003 Des Plaines	12,210	184,915	5,090	170,717	2,983	97,541
Total	12,210	184,915	5,090	170,717	2,983	97,541

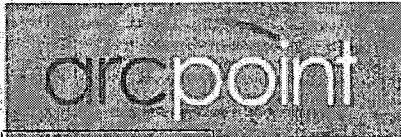
ROA 1766

Schedule I

		ZIP5	ZC_LABEL	TOTAL BUS	TOTAL EMP		TGT EMP	SIC BUS	SIC EMP
		60004	Arlington Heights	2,140	23,693	880	21,067	491	10,343
L003 Des Plaines	052 Chicago North	60005	Arlington Heights	2,135	29,382	888	26,894	526	16,072
L003 Des Plaines	052 Chicago North	60006	ARLINGTON HEIGHT	9	36	2	22	2	22
L003 Des Plaines	052 Chicago North	60016	Des Plaines	1,792	20,141	625	17,809	370	10,940
L003 Des Plaines	052 Chicago North	60017	DES PLAINES	5	10	0	0	0	0
L003 Des Plaines	052 Chicago North	60018	Des Plaines	2,201	50,090	1,107	47,916	604	24,014
L003 Des Plaines	052 Chicago North	60019	DES PLAINES	0	0	0	0	0	0
L003 Des Plaines	052 Chicago North	60056	Mount Prospect	1,756	25,876	686	23,738	410	13,237
L003 Des Plaines	052 Chicago North	60070	Prospect Heights	443	3,171	141	2,567	76	1,728
L003 Des Plaines	052 Chicago North	60090	Wheeling	1,729	32,516	821	30,704	504	21,185

ROA 1767

Schedule I



FRANCHISE	Franchise name
MARKET	Franchise market
ZIP5	USPS 5-digit zip code
ZC LABEL	USPS zip code label
TOT BUS	20 1 total business count
TOT EMP	2011 employees reported for total businesses
TGT BUS	2011 targeted businesses (having 5 or more employees)
TGT EMP	2011 employees reported within the targeted businesses
SIC BUS	2011 total businesses within select SIC categories
SIC EMP	2011 employees reported within the select SIC businesses

June 2011

ROA 1768

ATTACHMENT A TO THE FRANCHISE AGREEMENT**GENERAL RELEASE**

THIS GENERAL RELEASE is made and given on this ____ day of _____, 20____ by _____, ("RELEASOR"), in consideration of:

_____ the execution by ARCpoint Franchise Group, LLC, an South Carolina limited liability ("RELEASEE") of a successor franchise agreement or other renewal documents renewing the franchise (the "Franchise") granted to RELEASOR by RELEASEE pursuant to that certain franchise agreement (the "Franchise Agreement") between RELEASOR and RELEASEE; or

_____ RELEASEE'S consent to RELEASOR'S assignment of its rights and duties under the Franchise Agreement; or

_____ RELEASEE'S consent to RELEASOR'S assumption of rights and duties under the Franchise Agreement; or

_____ RELEASEE'S refund of twenty-five percent (25%) of the Franchise Fee RELEASOR paid to RELEASEE,

and other good and valuable consideration, the adequacy of which is hereby acknowledged, and accordingly RELEASOR hereby releases and discharges RELEASEE, RELEASEE'S officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), and RELEASEE'S successors and assigns, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASOR and RELEASOR'S heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE arising out of or related to the Franchise or the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR and RELEASEE.

The general release required as a condition of sale shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

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

RELEASOR: _____
(type/print name)

By: _____

Name: _____

Title: _____

(or, if an individual)

Signed: _____

Name printed: _____

ACKNOWLEDGMENT

State of _____)
) ss
County of _____)

On this ____ day of _____, 20____ before me personally came _____, known to me to be the same person whose name is signed to the foregoing General Release, and acknowledged the execution thereof for the uses and purposes therein set forth, [and who did swear and say that he/she is the _____ (title) of _____ (company name), and he/she has the authority to execute said General Release].

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(NOTARIAL SEAL)

Notary Public
My Commission expires:

ATTACHMENT B TO THE FRANCHISE AGREEMENT**NONDISCLOSURE AND NON-COMPETITION AGREEMENT**

This "Agreement" made as of the 25th day of June, 2013, by and between Franchisee (d/b/a an ARCpoint Franchise), the below named Individual, and ARCpoint Franchise Group, LLC ("Franchisor" or "Company").

WITNESSETH:

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated June 25, 2013 ("Franchise Agreement") by and between Franchisee and ARCpoint Franchise Group, LLC ("Company"); and

WHEREAS, Franchisee desires Individual to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below; and

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said confidential materials; and

WHEREAS, Individual understands the necessity of not disclosing any such information to any other party or using such information to compete against Company, Franchisee or any other franchisee of Company in any business (i) that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) drug-screening or other testing services and services and products the same as or similar to those provided by Franchisee or (ii) in which Trade Secrets and other Confidential Information (as defined below) could be used to the disadvantage of Franchisee, or Company, any affiliate of Company or Company's other franchisees (hereinafter, "Competitive Business"); provided, however, that the term "Competitive Business" shall not apply to any business operated by Franchisee under a Franchise Agreement with Company.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

1. Trade Secrets and Confidential Information

a) For the purposes of this Agreement, a "Trade Secret" is information in any form (including, but not limited to, materials and techniques, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in ARCpoint Businesses that is not commonly known by or available to the public and that information: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

b) For the purposes of this Agreement "Confidential Information" means technical and non-technical information used in or related to ARCpoint Businesses that is not commonly known by or available to the public, including, without limitation, Trade Secrets and information contained in the Manual and training guides and materials. In addition, any other information identified as confidential when delivered by Franchisee shall be deemed Confidential Information. Confidential Information shall not include, however, any information that: (i) is now or subsequently becomes generally available to the public through no fault of Individual; (ii) Individual can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (iii) is independently developed without the use of any Confidential Information; or (iv) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

c) Any information expressly designated by Company or Franchisee as "Trade Secrets" or "Confidential Information" shall be deemed such for all purposes of this Agreement, but the absence of designation

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shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information. Individual understands Franchisee's providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Trade Secrets and other Confidential Information.

2. Confidentiality/Non-Disclosure

a) Individual shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any Trade Secrets or other Confidential Information. At all times from the date of this Agreement, Individual must take all steps reasonably necessary and/or requested by Franchisee to ensure that the Confidential Information and Trade Secrets are kept confidential pursuant to the terms of this Agreement. Individual must comply with all applicable policies, procedures and practices that Franchisee has established and may establish from time to time with regard to the Confidential Information and Trade Secrets.

b) Individual's obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Individual's relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Individual's obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venture, broker, distributor or the like in a ARCpoint Business.

3. No Harmful Acts

a) During the term of Individual's relationship with Franchisee, Individual shall not, directly or indirectly, do or perform any act injurious or prejudicial to Franchisee or Franchisor.

4. Non-Diversion

a) **In-Term.** During the term of Individual's relationship with Franchisee, Individual shall not, directly or indirectly, divert or attempt to divert any business or customer of Franchisee to any Competitive Business within the United States, by direct or indirect inducement or otherwise.

b) **Post-Term.** For a period of two (2) years after the expiration or termination of Individual's relationship with Franchisee, regardless of the cause of expiration or termination, Individual shall not, directly or indirectly, within any territory operated by Franchisee at the time of termination, or 50 miles from the boundary of any such territory, divert or attempt to divert any business or customer of Franchisee to any Competitive Business.

5. Non-Competition

a) **In-Term.** During the term of Individual's relationship with Franchisee, Individual shall not, directly or indirectly, engage in any Competitive Business anywhere in the United States without the express written Consent of Franchisor.

b) **Post-Term.** For a period of two (2) years after the expiration or termination of Individual's relationship with Franchisee, Individual shall not, directly or indirectly, within any territory operated by Franchisee at the time of termination, or 50 miles from the boundary of any such territory, engage in any Competitive Business without the express written consent of Franchisor.

6. Non-Solicitation

a) **In-Term.** During the term of Individual's relationship with Franchisee, Individual shall not, directly or indirectly, within the United States, solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisor, Franchisee, Company or any other ARCpoint Businesses to compete against, or terminate or modify his, her or its employment or business relationship with, Franchisee, Company or any other ARCpoint Businesses.

b) **Post-Term.** For a period of two (2) years after expiration or termination of Individual's relationship with Franchisee, regardless of the cause of termination, Individual shall not, directly or indirectly, within

any territory operated by Franchisee at the time of termination, or 50 miles from the boundary of any such territory, solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisee, Company or any other ARCpoint Businesses to compete against, or terminate or modify his, her or its employment or business relationship with, Franchisee, Company or any other ARCpoint Businesses.

7. Reasonableness of Restrictions

Individual acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisee, Company, and Company's Trade Secrets and other Confidential Information, the Company's business system, network of franchises and trade and service marks, and Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

8. Relief for Breaches of Confidentiality, Non-Solicitation and Non-Competition

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Company immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee and Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement without any requirement to show any actual damage or to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Company may have at law or in equity.

9. Miscellaneous

a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.

b) Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina (without reference to its conflict of laws principles). The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

c) Any action brought by any party, shall only be brought in the appropriate state or federal court located in or serving Greenville County, South Carolina. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Claims for injunctive relief may be brought by Company where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

d) Individual agrees if any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party shall be entitled to recover attorneys' fees, investigative fees, administrative fees billed by such party's attorneys, court costs and all expenses, including, without limitation, all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings incurred by the successful or prevailing party in that action or proceeding.

e) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisor and Franchisee, their affiliates, subsidiaries, successors and assigns.

f) The failure of either party to insist upon performance in any one (1) or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

g) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

h) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

i) This Agreement may be modified or amended only by a written instrument duly executed by Individual, Franchisee and Company.

j) The existence of any claim or cause of action Individual might have against Franchisee or Company will not constitute a defense to the enforcement by Franchisee or Company of this Agreement.

k) Except as otherwise expressly provided in this Agreement, no remedy conferred upon Franchisee or Company pursuant to this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy pursuant to this Agreement shall preclude any other or further exercise thereof.

INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.

IN WITNESS WHEREOF, Franchisee, Individual, and Franchisor have caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, all being done in duplicate originals with one (1) original being delivered to each party as of the day and year first above written.

INDIVIDUAL: N

Signature

Printed: Neil Seltz

INDIVIDUAL: Lesly Datlow

Signature

Printed Name: Lesly Datlow

ARCPOINT FRANCHISE GROUP, LLC

By:

Name:

Title:

ATTACHMENT C TO THE FRANCHISE AGREEMENT**UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS**

THIS UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this 25th day of June, 2013, by the below named Guarantor(s).

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date herewith ("Agreement") by ARCpoint Franchise Group, LLC ("Franchisor"), each of the undersigned hereby personally and unconditionally guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement. Each of the undersigned shall be personally bound by, and personally liable for, Franchisee's breach of any provision in the Agreement, including those relating to monetary obligations and obligations to take or refrain from taking specific actions or engaging in specific activities, such as those contemplated by Sections 7 and 16 of the Agreement. Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (d) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which it may be entitled.

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

This Guaranty represents the entire agreement and understanding of these parties concerning the subject matter hereof, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

Successors and Assigns; Death of Guarantor. This Guaranty shall be binding upon Guarantor and his or her heirs, executors, administrators, successors and assigns and shall inure to the benefit of Franchisor and its successors, endorsees, transferees and assigns. Without limiting any other provision hereof, Guarantor expressly agrees that Guarantor's death shall not serve as a revocation of or otherwise affect the guaranty made hereunder and that Guarantor's estate and heirs shall continue to be liable hereunder with respect to any Guaranteed Obligations created or arising after Guarantor's death.

The validity, interpretation and enforcement of this Guaranty and any dispute arising out of the relationship between Guarantor and Franchisor, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of South Carolina (without giving effect to principles of conflicts of law).

Guarantor hereby irrevocably consents and submits to the non-exclusive jurisdiction of the Courts of the State of South Carolina and the United States District Court located in or serving Greenville County, South Carolina and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Guaranty or any of the other Franchising Agreements or in any way connected with or related or incidental to the dealings of Guarantor and Franchisor in respect of this Guaranty or any of the other Franchising Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising and whether in contract, tort, equity or otherwise, and agrees that any dispute arising out of the relationship between Guarantor or

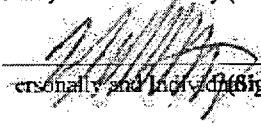
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Franchisee and Franchisor or the conduct of any such persons in connection with this Guaranty, the other Franchising Agreements or otherwise shall be heard only in the courts described above (except that Franchisor shall have the right to bring any action or proceeding against Guarantor or his or her property in the courts of any other jurisdiction which Franchisor deems necessary or appropriate in order to realize on any collateral at any time granted by Franchisee or Guarantor to Franchisor or to otherwise enforce its rights against Guarantor or his or her property).

IN WITNESS WHEREOF, this Guaranty has been entered into the day and year first before written.

PERSONAL GUARANTOR

Neil Seltz
Personally and Individually (Printed Name)

P 
Personally and Individually (Signature)

HOME ADDRESS

56 Carter
Breckenridge, CO 80424

TELEPHONE NO.: _____
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

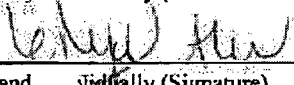
Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

PERSONAL GUARANTOR

Lesly Datlow
Person ally Individually (Printed Name)


Personally and Individually (Signature)

HOME ADDRESS

56 Carter
Breckenridge, CO 80424

TELEPHONE NO.: 312 217 1147
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: 100 %

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

ATTACHMENT D TO THE FRANCHISE AGREEMENT**HOLDERS OF LEGAL OR BENEFICIAL INTEREST
IN FRANCHISEE; OFFICERS, DIRECTORS, MANAGERS AND TRUSTEES****Holders of Legal or Beneficial Interest:**

Name: Neil Seltz
 Position/Title: owner
 Home Address: 56 Carter
Breckenridge, CO 80424

Telephone No.: _____
 E-mail address: _____
 Percentage of ownership: _____ %

Name: _____
 Position/Title: _____
 Home Address: _____

Telephone No.: _____
 E-mail address: _____
 Percentage of ownership: _____ %

Name: _____
 Position/Title: _____
 Home Address: _____

Telephone No.: _____
 E-mail address: _____
 Percentage of ownership: _____ %

Officers and Directors:

Name: _____
 Position/Title: _____
 Home Address: _____

Telephone No.: _____
 E-mail address: _____

Name: _____
 Position/Title: _____
 Home Address: _____

Telephone No.: _____

Name: Lesly Darlow
 Position/Title: owner
 Home Address: 56 Carter
Breckenridge, CO 80424

Telephone No.: _____
 E-mail address: _____
 Percentage of owners 100 %

Name: _____
 Position/Title: _____
 Home Address: _____

Telephone No.: _____
 E-mail address: _____
 Percentage of ownership _____ %

Name: _____
 Position/Title: _____
 Home Address: _____

Telephone No.: _____
 E-mail address: _____
 Percentage of ownership _____ %

Name: _____
 Position/Title: _____
 Home Address: _____

Telephone No.: _____
 E-mail address: _____

Name: _____
 Position/Title: _____
 Home Address: _____

Telephone No.: _____

FOR THE STATE OF ILLINOIS

This Addendum to the Franchise Disclosure Document and Franchise Agreement, made this ____ day of _____, 20____, is by and between ARCpoint Franchise Group, LLC and the below named Franchisee.

1. Due to Franchisor's financial condition, the Illinois Attorney General's Office has required and Franchisor has agreed to defer collection of the initial fees as described in Items 5 and 7 of the Disclosure Document and Section 3.1 of the Franchise Agreement until Franchisor has completed all of its pre-opening obligations to Franchisee and Franchisee is open for business.

2. In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Franchise Disclosure Document and the Franchise Agreement for ARCpoint Franchise Group, LLC is amended as follows:

Item 17 of the Disclosure Document and Section 15 of the Franchise Agreement shall be amended to add:

- The conditions under which the Franchise Agreement can be terminated and Franchisee's rights upon non-renewal, as well as the application by which Franchisee must bring any claims, may be governed by the Illinois Franchise Disclosure Act, 815 ILCS 705/19 and 705/20.

Item 17 of the Disclosure Document and Sections 22.1 and 22.2 of the Franchise Agreement shall be amended to add:

- The Franchise Agreement shall be governed by Illinois Law. Jurisdiction and venue for litigation shall be in Illinois. Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside the State is void; provided, however, that a Franchise Agreement may provide for arbitration in a forum outside of Illinois.

Item 17 of the Disclosure Document, Section 22.4 of the Franchise Agreement and Section 13.4 of the Executive Development Agreement are amended to add:

- No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after Franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or ninety (90) days after delivery to Franchisee of a written notice disclosing the violation, whichever shall first expire.

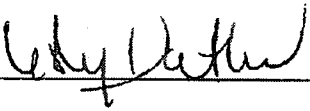
Section 23.6 of the Franchise agreement shall be deleted in its entirety.

3 Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code. Section 23.6 of the Franchise Agreement is amended accordingly.

4. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

ARCPOINT FRANCHISE GROUP, LLC:

Franchisee: 

By: _____

By: _____

Title: _____

Title: _____

Addendum to ARCpoint Franchise Agreement

This document is made on December 30, 2013, by and between Lesly Datlow ("Franchisee") and ARCpoint Franchise Group, LLC ("AFG") and modifies the following documents, also by and between Franchisee and AFG:

1. The Multiple Unit Executive Development Addendum ("MUEDA") dated July 16, 2013, with respect to three previous Franchise Agreements dated June 25, 2013,
2. The amended MUEDA, modified by Addendum dated October 17, 2013 between Franchisee and AFG, with respect to the June 25, 2013 Franchise Agreements and the October 17, 2013 Franchise Agreement, and
3. The three concurrent Franchise Agreements dated Dec 30, 2013.

May it be known that the undersigned parties, for good consideration, do hereby agree to modify the above referenced MUEDA adopting, in total, the attached document labeled "**Attachment E to the Franchise Agreement ARCpoint Franchise Group, LLC Multiple Unit Executive Development Addendum**", with respect to all seven (7) of the above referenced Franchise Agreements.

These changes/additions shall be made valid as if they are included in the original stated Agreement(s).

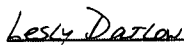
The Franchise Agreements and MUEDA shall hereby be modified by adopting, in total, the attached document labeled "**Attachment E to the Franchise Agreement ARCpoint Franchise Group, LLC Multiple Unit Executive Development Addendum**", and if it is ever found that language in the above referenced Agreements conflicts with anything contained in the attached document, the language in the attached document shall hold.

No other terms or conditions of the above mentioned contract(s) shall be negated or changed as a result of this herein stated addendum.

ARCpoint Franchise Group, LLC
Felix Mirando, CEO


Felix Mirando (Dec 31, 2013)

Franchisee: Lesly Datlow


Lesly Datlow (Dec 30, 2013)

ATTACHMENT E TO THE FRANCHISE AGREEMENT

ARCPOINT FRANCHISE GROUP, LLC

MULTIPLE UNIT EXECUTIVE DEVELOPMENT ADDENDUM

1. Development Schedule.

Franchisee has acquired or is acquiring the following multiple Protected Territories from Franchisor:

Berwyn (Chicago South)
 Chicago (Chicago South)
 Des Plaines (Chicago North)
 Evanston (Chicago North)
 Chicago zip code 60609 (Chicago South)
 Chicago zip code 60613 (Chicago South)
 Chicago zip code 60611 (Chicago South)

Franchisor acknowledges and agrees with Franchisee that it may be advisable, depending upon the market demographics to open one facility to serve two territories. Franchisee shall notify Franchisor of this potentiality as soon as it presents itself before a scheduled opening date, and Franchisor will not unreasonably withhold consent to open only one facility to serve two territories. Otherwise, Franchisor and Franchisee agree that Franchisee shall open an Approved Location in each of the above listed Territories pursuant to the following Development Schedule:

	<u>Open Date</u>	<u>Cumulative Number of Territories to be in Operation</u>
First Territory	November 29, 2013*	1
Second Territory	May 31, 2014	2
Third Territory	November 28, 2015	3
Fourth Territory	May 31, 2016	4
Fifth Territory	December 1, 2016	5
Sixth Territory	July 1, 2017	6
Seventh Territory	July 1, 2018	7

*or within 45 days thereafter

If Franchisee fails to meet or satisfy the timing in the above Development Schedule, Franchisor may terminate the franchise agreement(s) of Franchisee's unopened Territory(ies) by delivering notice of termination to Franchisee stating the reason for termination, but Franchisor must allow Franchisee 180 days after giving notice of termination, to cure this breach and meet Franchisee's obligations by opening the scheduled Franchised Business(es). Franchisor will refund 15% of the discounted Franchise Fees Franchisee paid for the multiple Protected Territory purchase for any Franchise(s) that Franchisee has not opened. (Example: 2nd unit 15% of \$40,000 or \$6,000; 3rd unit 15% of \$35,000 or \$5,250; 4th unit and above 15% of \$30,000 or \$4,500).

2. Royalty and Advertising Fees. Franchisor and Franchisee acknowledge that-

- (a) for the first three calendar months in which Franchisee is open for business, Franchisee allows certain exceptions to payment of a \$350 minimum royalty fee pursuant to Section 3.4 of the franchise agreement;
- (b) for the first three calendar months in which Franchisee is open for business, Franchisor allows certain exceptions to payment of a \$100 minimum National Marketing/Advertising Fund fee pursuant to Section 3.5 of the franchise agreement; and
- (c) Local Advertising Expenditure requirements under Section 3.6 begin month thirteen (13) of operations.

These time periods are calculated from the date of commencement of operations in a given Protected Territory and not the Effective Date of the Franchise Agreement for such Territory.

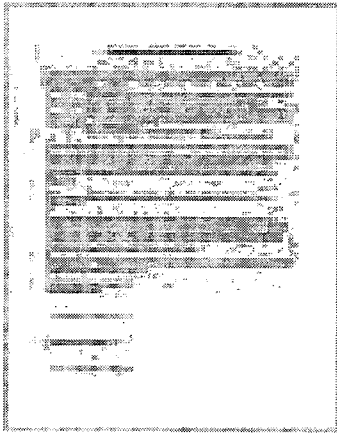
3. Initial Fees.

(a) Training Fee - If Franchise acquires two or more franchise territories at the same time, Franchisee will only pay one Initial Training fee of \$12,500 under Section 3.3 of the Franchise Agreements for the entire purchase, not per territory. For this initial fee, Franchisee will receive training for two (2) more people, in addition to the two (2) covered under the initial training fee.

(b) Local Advertising and Marketing Investment Program - If Franchise acquires two or more franchise territories at the same time, Franchisee shall only be required to make one initial payment under Section 11.2 of the Franchise Agreements for the entire purchase, not per territory.

(c) Technology Fee - If Franchise acquires two or more franchise territories at the same time, Franchisee will only pay one initial Technology Fee of \$1,500 under Section 3.7 of the Franchise Agreements for the entire purchase, not per territory.

Except as modified above, the terms of the Franchise Agreements remain in full force and effect.



All 7 - Datlow Addendum to MUEDA

EchoSign Document History

December 31, 2013

Created: December 30, 2013
By: John Sanders (jsanders@arcpointlabs.com)
Status: SIGNED
Transaction ID: X43MHRG3S2H5NV4

"All 7 - Datlow Addendum to MUEDA" History

-  Document created by John Sanders (jsanders@arcpointlabs.com)
December 30, 2013 - 5:56 PM EST - IP address: 24.179.27.180
-  Document emailed to Lesly Datlow (ldatlow@arcpointlabs.com) for signature
December 30, 2013 - 5:58 PM EST
-  Document viewed by Lesly Datlow (ldatlow@arcpointlabs.com)
December 30, 2013 - 6:30 PM EST - IP address: 71.215.86.47
-  Document esigned by Lesly Datlow (ldatlow@arcpointlabs.com)
Signature Date: December 30, 2013 - 6:31 PM EST - Time Source: server - IP address: 71.215.86.47
-  Document emailed to Felix Mirando (fmirando@arcpointlabs.com) for signature
December 30, 2013 - 6:31 PM EST
-  Document viewed by Felix Mirando (fmirando@arcpointlabs.com)
December 31, 2013 - 8:41 AM EST - IP address: 24.211.71.6
-  Document esigned by Felix Mirando (fmirando@arcpointlabs.com)
Signature Date: December 31, 2013 - 8:43 AM EST - Time Source: server - IP address: 24.211.71.6
-  Signed document emailed to Lesly Datlow (ldatlow@arcpointlabs.com), John Sanders (jsanders@arcpointlabs.com) and Felix Mirando (fmirando@arcpointlabs.com)
December 31, 2013 - 8:43 AM EST

Addendum to ARCpoint Franchise Agreement

This document ("Addendum") is made on January 3, 2014 by and between Lesly Datlow ("Franchisee") and ARCpoint Franchise Group, LLC ("AFG") modifies the below referenced sections in all three (3) Franchise Agreements dated December 31, 2013, between Franchisee and AFG. These Franchise Agreements will be referred to singularly as "Agreement" throughout this Addendum.

May it be known that the undersigned parties have negotiated and agreed to modify various provisions of the Franchise Agreement, and for good consideration, do hereby agree to make the following changes and/or additions outlined below. Terms not otherwise defined in this Addendum have the meanings as defined in the Franchise Agreement.

These changes/additions shall be made valid as if they are included in the original stated Agreement. This Addendum is incorporated into the Agreement and supersedes any conflicting provisions in it. Each Party acknowledges and agrees that each reference in the Agreement shall be deemed to be a reference to the Agreement as amended by this Addendum. To the extent a conflict arises between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum shall control. Capitalized terms not otherwise defined in this Addendum have the meanings as defined in the Agreement.

Section 1 shall be modified so that the following definitions read as follows:

"Confidential Information" means any trade secret and any information or matter that is or may be used to gain a competitive advantage over Franchisor or any of its Affiliates and is not generally known by the public, whether or not in written or tangible form and regardless of the media (if any) on which it is stored, relating to the System (including knowledge and experience in operating an ARCpoint Business, product specifications, operational and production techniques and methods, record keeping and reporting methods, accounting systems, management and personnel training techniques, sales and promotion techniques, policies, procedures, standards, specifications for signs, displays, business forms and stationery, the Manual, research and development, lists of franchisees and suppliers, suggested pricing and cost information) and any other information or material identified to Franchisee by Franchisor as confidential; provided, however, notwithstanding the foregoing, Confidential Information shall not include: (i) information generally known to the public other than as a result of Franchisee's violation of its obligations in this Agreement, (ii) information known by Franchisee prior to execution of this Agreement, (iii) information required to be disclosed by order of a court of competent jurisdiction, and (iv) information which needs to be disclosed in the ordinary course of business;"

"Gross Sales" means the aggregate of all revenue actually collected by Franchisee from the sale of services and products from all sources in connection with the Franchised Business and whether by check, cash, credit or otherwise including, (a) all proceeds, received by Franchisee, from any business interruption

insurance, but excluding (a) all refunds made in good faith, (b) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, (c) and the value of any allowance issued or granted to any customer of the Franchised Business that is credited by Franchisee in full or partial satisfaction of the price of any services and products offered in connection with the Franchised Business;"

Section 2.5.1 shall be modified to read as follows:

"Franchisee acknowledges that if he is in default of the Franchise Agreement, as defined in Section 15.1 below, subject to all applicable notice and cure periods, Franchisor expressly retains all rights and discretion with respect to the Marks and System, including the right to:..."

Section 2.5.2 shall be modified to read as follows:

"Franchisor retains the right to purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to the Franchised Business (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Protected Territory (a "Subject Business"). If Franchisor purchases or otherwise acquires franchises or licenses, by purchasing a Franchisor or Licensor, Franchisor may, in its sole discretion, act as franchisor or licensor with respect to such franchisees or licensees wherever located, pursuant to the individual franchise or license agreement(s) between Franchisor and such franchisee(s) or licensee(s). At the end of the franchise term under the franchise or license agreement for the acquired business, Franchisor shall offer franchisee the first right of refusal to purchase the business at fair market value, under terms of franchisor's then-current Franchise Agreement. If Franchisor purchases or acquires a non-franchised or non-licensed businesses within the Protected Territory, Franchisor shall:..."

Section 2.5.2.1 shall be modified to read as follows:

"offer the franchisee the right of first refusal to purchase such competing business in the franchisee's Protected Territory, or within 30 days of the closing on Franchisor's purchase of such business, offer franchisee first right to purchase any such businesses at the business's fair market value, to be operated as a ARCpoint Business. If franchisee does not accept the offer to purchase the business, franchisor may, at its option, sell or operate the business as it sees fit; or..."

Section 2.5.2.2 shall be modified to read as follows:

"offer the Franchisee the opportunity to operate such business(s) in partnership with Franchisor (or an Affiliate) under the business(s) existing trade name or a different trade name, with the terms of such agreement to be negotiated at that time."

Section 2.6.1 shall be modified to read as follows:

".....Franchisor shall further analyze the client's needs, per the criteria in the Operations Manual, and determine if the account will be designated an NRS account. All NRS accounts will be handled through Franchisor, as Third Party Administrator

("TPA"), with revenue from the account to be shared as designated in the Operations Manual..."

Section 2.6.2.1 shall be modified to read as follows:

"Subject to 2.6.2.2 below, Franchisee is strictly prohibited from directly marketing to, or soliciting customers, through the use of ARCpoint trademarks, or other channels of any nature, whose principal business office (or principal residence, if the client is an individual) is outside of Franchisee's Territory, without Franchisor's written permission, which will only be given in extremely compelling situations."

Section 2.6.2.2 shall be modified to read as follows:

"Franchisee may not advertise in a form of media specifically designed to be seen exclusively or predominantly in a territory other than one owned by Franchisee own (e.g.: advertising in a newspaper whose majority of subscribers live outside of your territory). Without negating the specific intent of this subsection, Franchisor acknowledges that in the situation where Franchisee's territory is a portion of a larger urban area, encompassing more than one territory, Franchisee's utilization of certain advertising media, with the intent to target only clients in Franchisee's territory, will, in fact, be seen in other territories and shall not violate 2.6.2.1 above. Advertising done via the internet, facilitated by Franchisor's approved vendors does not fall within this category of prohibited advertising."

Section 2.6.2.3 shall be modified to read as follows:

"Except as may be permitted pursuant to 2.6.2.2 above, Franchisee may only advertise and market to current or potential clients or customers, through media that is primarily directed to clients, customers, or potential clients of Franchisee's Territory, Further guidelines regarding Advertising and Marketing may be found in Item 11."

Section 3.1 shall be modified to read as follows:

"Upon execution of this Agreement, Franchisee shall pay a fee ("Franchise Fee") to Franchisor of THIRTY THOUSAND DOLLARS (\$30,000.00) via terms set out in the Promissory Note signed on or about December 30, 2013..."

Section 4.2.6 shall be modified to read as follows:

"Franchisee has given written notice of renewal to Franchisor not less than six (6) months nor more than twelve (12) months prior to the end of the initial term;..."

Section 5.1.1 shall be added to Section 5, and shall read as follows:

"Should Franchisee and Mike Gammel, an ARCpoint Labs independent franchised business owner, ("Gammel") reach a legally binding contract, addressing Franchisee's use of Gammel's location in an adjoining Chicago-area territory, to service one of Franchisee's territories listed in their MUEDA, Franchisor agrees to approve Franchisee's use of location, if after reviewing the contract prior to execution, Franchisor, in its sole discretion, determines that the contract:

- a. is based on sound business principals,

- b. does not violate terms of either party's Franchise Agreement,
- a. does not serve to violate any fiduciary duty Franchisor owes to the remainder of the Franchise network,
- b. is in both the parties' and the Franchise network's best interests, and
- c. has been reviewed by counsel for both parties, prior to execution.

Section 5.2 shall be modified to read as follows:

"Should Franchisee fail to select a site for the Franchised Business, which meets with Franchisor's approval within 180 days after execution of the Franchise Agreement, Franchisee must submit to Franchisor, in writing, a request for an extension of time to find a suitable site, and such request will not be unreasonably denied. However, Franchisor has the right to terminate the Franchise Agreement if, Franchisee has not submitted a site for approval, nor requested an extension within 210 days of signing the Franchise Agreement.

If this Agreement is terminated pursuant to this Section 5.2, Franchisor shall return to Franchisee seventy five percent (75%) of the Franchise Fee paid by Franchisee upon Franchisor's receipt of a general release, the same as or similar to the General Release attached as Exhibit 1, releasing any and all claims against Franchisor, any Affiliate and their officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities)."

Section 5.3.7 shall be modified to read as follows:

"a provision prohibiting the premises from being used for any purpose other than the operation of the Franchised Business; however, Franchisee shall be permitted to also operate a law office out of the premises;"

Section 5.7 shall be modified to read as follows:

"Franchisee shall not use the Approved Location for any purpose other than for the operation of an ARCpoint Business in full compliance with this Agreement and the Operations Manual, unless approved in writing by Franchisor. Pursuant to paragraph 5.3.7 above, Franchisee shall have the right to operate a law office out of said location."

Section 7.2 shall be modified to read as follows:

"All ideas, concepts, techniques or materials concerning the Franchised Business, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Franchisor and will be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, with a reasonable compensation paid to Franchisee or its owners or employees, therefore, and Franchisee agrees to assign to Franchisor all right, title and interest in any intellectual property so developed. At Franchisor's discretion, such items may be incorporated into the System. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, Franchisee shall assign

ownership of that item, and all related rights to that item, to Franchisor and must sign whatever assignment or other documents Franchisor requests to show Franchisor's ownership or to assist Franchisor in obtaining intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor's efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not."

Section 15.2.1.12 shall be modified to read as follows:

"if either the franchisee business or Franchisor is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless *supersedes* bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against its Approved Location or equipment is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed;

Section 17.2.8 shall be modified to read as follows:

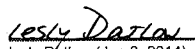
"Franchisee, or the transferee, has paid to Franchisor a transfer fee in the amount of TWENTY THOUSAND DOLLARS (\$20,000), if transfer is made to any individual, other than the children of the Franchisee (or children of any holder of a legal or beneficial interest in the Franchisee, if Franchisee is a corporate entity), or another holder of a legal or beneficial interest in the Franchisee."

No other terms or conditions of the above mentioned contract shall be negated or changed as a result of this here stated addendum.

ARCpoint Franchise Group, LLC
Felix Mirando, CEO


Felix Mirando (Jan 6, 2014)

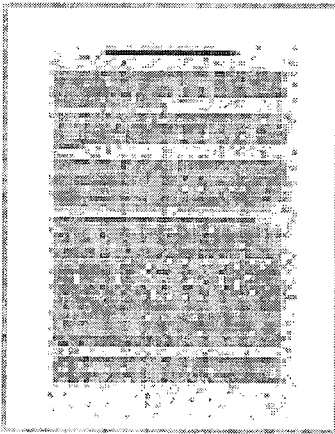
Franchisee: Lesly Datlow


Lesly Datlow (Jan 3, 2014)

Datlow - FA Addendum 09, 11 and 13

EchoSign Document History

January 06, 2014



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-  Document created by John Sanders (jsanders@arcpointlabs.com)
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EXHIBIT**13**Defs' Motion to
Compel Arb.**ARCPOINT FRANCHISE GROUP, LLC****FRANCHISE AGREEMENT**

This Franchise Agreement, made this 17th day of Oct, 2013, is by and between ARCpoint Franchise Group, LLC, a South Carolina limited liability company, having its principal place of business at 220 North Main St, Suite 325, Greenville, South Carolina 29601 ("Franchisor"), and the below named franchisee ("Franchisee").

WITNESSETH:

WHEREAS, Franchisor and its Affiliate* have developed and are in the process of further developing a System identified by the trademark "ARCpoint" and/or ARCpoint Labs relating to the establishment, development and operation of "ARCpoint Businesses" that provide affordable, full-service drug screening, DNA testing and other logistical solutions for a wide variety of client organizations including businesses, schools, government and private individuals; and

WHEREAS, the distinguishing characteristics of the System include, among other things, uniform standards and procedures for business operations; procedures and strategies for sales, marketing, advertising and promotions; business techniques; the Marks; the Manual; training courses, all of which Franchisor may improve, further develop or otherwise modify from time to time; and

WHEREAS, Franchisor grants to certain qualified persons and business entities the right to own and operate a single ARCpoint Business under the System and using the Marks; and

WHEREAS, Franchisee desires to operate an ARCpoint Business, has applied for a Franchise and its application has been approved by Franchisor in reliance upon all of the representations made therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations and service and the necessity of operating its Franchised Business in strict conformity with Franchisor's System.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

1. DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

"Affiliate" means any entity that controls, is controlled by, or is under common control with Franchisor;

* Capitalized terms not defined upon first use are defined in Section 1.

"Agreement" means this agreement entitled "ARCpoint Franchise Group, LLC Franchise Agreement" and all instruments supplemental hereto or in amendment or confirmation hereof;

"Approved Location" means the site for the operation of the Franchised Business selected by Franchisee and approved in writing by Franchisor;

"Approved Supplier(s)" has the meaning given to such term in Section 13.1;

"Protected Territory" has the meaning given to such term in Section 2.5;

"Competitive Business" means any business that offers (or grants franchises or licenses to others to operate a business that offers) drug screening, wellness, clinical, or other testing services or Advanced Regulatory Compliance, including drug testing policies for all federal modalities (which includes but is not limited to The Federal Motor Carrier's Safety Administration "FMCSA" and The Department of Transportation "DOT"), the same as or similar to those provided by ARCpoint Businesses or in which Confidential Information could be used to the disadvantage of Franchisor, its Affiliate(s) or its other franchisees; provided, however, that the term "Competitive Business" shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest;

"Confidential Information" means any trade secret and any information or matter that is or may be used to gain a competitive advantage over Franchisor or any of its Affiliates and is not generally known by the public, whether or not in written or tangible form and regardless of the media (if any) on which it is stored, relating to the System (including knowledge and experience in operating an ARCpoint Business, product specifications, operational and production techniques and methods, record keeping and reporting methods, accounting systems, management and personnel training techniques, sales and promotion techniques, policies, procedures, standards, specifications for signs, displays, business forms and stationery, the Manual, research and development, lists of franchisees and suppliers, suggested pricing and cost information) and any other information or material identified to Franchisee by Franchisor as confidential;

"Cross-Territorial Sales" service of any customer or client inside or outside of your Territory, or inside the Territory or area that has been assigned to another franchisee, us, or our Affiliates.

"Designated Manager" if Franchisee is a legal business entity, (such as a corporation, limited liability company and other legal business entity), "Designated Manager" means the individual holder of a legal interest in Franchisee, designated by Franchisee as having primary responsibility for managing the day-to-day affairs of the Franchised Business, and if Franchisee is an individual and not a business entity, the Designated Manager shall be Franchisee;

"Effective Date" means the date on which Franchisor and Franchisee fully execute this Agreement is fully executed, thereby commencing its effectiveness and term;

"Franchise" means the right granted to Franchisee by Franchisor to use the System and the Marks;

"Franchise Fee" has the meaning given to such term in Section 3.1;

"Franchised Business" means the ARCpoint Business to be established and operated by Franchisee pursuant to this Agreement;

"Franchisee" means the individual or entity defined as "Franchisee" in the introductory paragraph of this Agreement;

"Franchisor" means ARCpoint Franchise Group, LLC; a South Carolina limited liability company;

"Generally Accepted Accounting Principles" or **"GAAP"** means the standards, conventions and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements;

"Gross Sales" means the aggregate of all revenue from the sale of services and products from all sources in connection with the Franchised Business whether or not collected by Franchisee and whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance, but excluding (a) all refunds made in good faith, (b) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, (c) and the value of any allowance issued or granted to any customer of the Franchised Business that is credited by Franchisee in full or partial satisfaction of the price of any services and products offered in connection with the Franchised Business;

"Incapacity" means the inability of Franchisee or any holder of a legal or beneficial interest in Franchisee to operate or oversee the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

"Internet" means any one (1) or more local or global interactive communications media that is now available, or that may become available, and includes sites and domain names on the World Wide Web;

"Local Advertising" has the meaning given to such term in Section 11.2

"Manual" means the ARCpoint Operations Manual and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and managers' manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor;

"Ad Fund" has the meaning given to such term in Section 11.1;

"Ad Fund Fee" has the meaning given to such term in Section 3.5;

"Marks" means the service mark "ARCpoint", "ARCpoint Labs" (stylized trademark application filed 4-9-12), and such other trade names, trademarks, service marks, trade dress, designs,

graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with ARCpoint Businesses;

“National/Regional/State (“NRS”) Accounts” refers to certain clients that meet specific criteria detailed in the Operations Manual. The minimum requirement, and baseline definition of this type of account is: a company, organization, or client that requires services at multiple locations, or that require providing services to a number of people so that it extends beyond your ability to directly service the account. The multiple locations could all be inside the boundaries of one or more territories you own, or both inside and outside of one or more territories you own, which may or may not extend into another franchisee’s territory.

“Third party administrator (“TPA”) means a service agent that provides or coordinates one or more drug and/or alcohol testing services to employers under either a Drug-Free Workplace program or DOT guidelines. TPAs typically provide or coordinate the provision of a number of such services and perform administrative tasks concerning the operation of the employers' drug and alcohol testing programs. TPAs are not “employers” for purposes of our definition.

“Royalty Fee” has the meaning given to such term in Section 3.4; and

“System” means the uniform standards, methods, procedures and specifications developed by Franchisor and as may from time to time be added to, changed, modified, withdrawn or otherwise revised by Franchisor, in its sole discretion, for the operation of an ARCpoint Business.

2. **GRANT OF FRANCHISE; APPROVED LOCATION**

2.1 **Grant**

Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts, upon the terms and conditions herein contained, a revocable, limited license to operate one (1) ARCpoint Business using the System and Marks.

2.2 **Approved Location**

Franchisee shall select an Approved Location within the Protected Territory according to the process described in Section 5.1, the Operations Manual and any other writing by Franchisor.

2.3 **Sub-franchising/Agents**

Franchisee shall not sublicense the use of the System or Marks to any person or entity. Except as may be permitted pursuant to Section 18, Franchisee shall not grant any person or entity the right to perform any part of Franchisee’s rights or obligations hereunder.

2.4 **Protected Territory**

2.4.1 So long as this Agreement is in full force and effect and Franchisee is not in default under any of the terms hereof, and is able and willing to provide necessary products or services under this Agreement, subject to Franchisor’s reservation of rights set forth in Section 2.5,

Franchisor shall not establish, own or operate, or license any other person to establish, own or operate, any other ARCpoint Business or other substantially similar business within Franchisee's "Protected Territory" as set out below and further designated and defined in the Schedule of Territory Zip Codes attached as Schedule 1.

Evanston (Chicago North)

2.5 Franchisor's Rights

2.5.1 Franchisee acknowledges that if he is in default of the Franchise Agreement, or is unable or unwilling to provide necessary products or services under this Agreement, Franchisor expressly retains all rights and discretion with respect to the Marks and System, including the right to:

2.5.1.1 establish, own or operate, and license others to establish, own or operate, ARCpoint Businesses inside and/or outside of the Protected Territory as Franchisor deems appropriate;

2.5.1.2 establish, own or operate, and grant others the right to establish or operate, other businesses offering the same or similar products utilizing the Marks or other trade names, trademarks and service marks at locations inside and/or outside of the Protected Territory;

2.5.1.3 service accounts within your Protected Territory, or allow other ARCpoint Businesses or third parties to service these accounts;

2.5.2 Franchisor retains the right to purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to the Franchised Business (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Protected Territory. If Franchisor purchases or acquires franchises or licenses, Franchisor may, in its sole discretion, act as franchisor or licensor with respect to such franchisees or licensees wherever located, pursuant to the individual franchise or license agreement(s) between Franchisor and such franchisee(s) or licensee(s). If Franchisor purchases or acquires such businesses within the Protected Territory which are not franchised or licensed, Franchisor may, in its sole discretion:

2.5.2.1 offer the franchisee the right of first refusal to purchase any competing business in the franchisee's Protected Territory or to sell any such businesses to Franchisee or to any third party at the business's fair market value to be operated as a ARCpoint Business; or

2.5.2.2 offer the Franchisee the opportunity to operate such business(s) in partnership with Franchisor (or an Affiliate) under the business(s) existing trade name or a different trade name.

2.5.3 Franchisor may be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises, and/or licenses Competitive Businesses within the Protected Territory;

2.5.5 Franchisor can solicit, market, advertise, and provide ARCpoint-authorized products and services to a designated National/Regional/State ("NRS") accounts whose principal residence (or

principal business office if the client is a business entity) is located within the Protected Territory through Franchisor's TPA Program; and

2.5.6 Franchisor may engage in any activities not expressly forbidden by this Agreement.

2.6 Marketing and Solicitation Restrictions

2.6.1 National/Regional/State ("NRS") Accounts

Franchisor reserves the right to maintain control over certain accounts designated as National/Regional/State ("NRS") Accounts, and to market directly to, solicit, and establish NRS accounts for the benefit of the entire system.

Franchisee shall notify Franchisor of any potential clients that meet the following baseline definition of an NRS account: a company, organization, or client that requires services at multiple locations, or that require providing services to a number of people so that it extends beyond your ability to directly service the account. These multiple locations could all be inside the boundaries of one or more territories owned by Franchisee, or both inside and outside of one or more territories owned by Franchisee, which may or may not extend into another Franchisee's territory.

Franchisor shall further analyze the client's needs, per the criteria in the Operations Manual, and determine if the account will be designated an NRS account. All NRS accounts will be handled through Franchisor, as Third Party Administrator ("TPA").

Any type of organization can be designated as an NRS account, including, but not limited to, private and publicly held corporations, educational institutions, governmental agencies, non-profit organizations, other third party administrators, or referral agencies.

2.6.2 Cross-Territorial Protocol

Franchisee has the right to pursue all potential clients within the boundaries of the Protected Territory. Should Franchisee's client have additional locations or employees located anywhere outside of the Protected Territory, Franchisee's actions regarding that client shall be governed by Franchisor's mandatory Cross-Territorial Sales Protocol, as currently written in the Operations Manual, and as modified from time to time by Franchisor.

Franchisor's Cross-Territorial Sales Protocol addresses Franchisee's rights and limitations as they apply to the marketing or advertising to, solicitation of, or service of any customer or client inside or outside of the Protected Territory, or inside the Protected Territory or area that has been assigned to another Franchisee, Franchisor, or Affiliates, and provides, in part, the following:

2.6.2.1 Franchisee is strictly prohibited from directly marketing to, or soliciting customers, through the use of ARCpoint trademarks, or other channels of any nature, whose principal business office (or principal residence, if the client is an individual) is outside of Franchisee's Territory, without Franchisor's written permission, which will only be given in extremely compelling situations.

2.6.2.2 Franchisee may not advertise in a form of media specifically designed to be seen exclusively or predominantly in a territory other than one owned by Franchisee own (e.g.: advertising in a newspaper whose majority of subscribers live outside of your territory). Advertising done via the

internet, facilitated by Franchisor's approved vendors does not fall within this category of prohibited advertising.

2.6.2.3 Franchisee may only advertise and market to current or potential clients or customers, through media that is primarily directed to clients, customers, or potential clients of Franchisee's Territory. Further guidelines regarding Advertising and Marketing may be found in Item 11.

2.6.2.4 If Franchisee establishes a relationship with a customer or client within Franchisee's Territory, and that customer or client has additional locations (or employees) outside of Franchisee's Territory, and would like you to maintain those additional locations/employees as well:

2.6.2.4.1 If the client falls under the baseline definition as set out in this Agreement, Franchisee shall notify the Franchisor immediately and Franchisor shall determine if the account shall be designated as NRS, per the criteria set out in the Operations Manual. If Franchisor designates account as NRS, the Franchisee and Franchisor shall adhere to the guidelines set out in the Operations Manual regarding account administration and revenue sharing.

2.6.2.4.2 If Franchisor does not designate the Franchisee's client as NRS, but there are client locations/employees in another franchisee's (or Affiliate's) territory, Franchisee shall give the other franchisee the first right of refusal to provide collection services for the client, and shall pay for these services the then-current, system-wide, collection fee, as set out in the Operations Manual.

2.6.2.4.3 If the other franchisee refuses to provide collection service for the client, or the client is not located within a current franchisee's territory, Franchisee has the right to seek collection services through another third party provider, however, Franchisee shall not service that client directly by traveling to the client, outside of Franchisee's territory.

2.6.2.5 If Franchisee receives a lead for, or a direct request for the performance of service or sale of goods, from a client whose principal business office (or principal residence, if the client is an individual) is outside of Franchisee's Territory, (even if that territory is unassigned to another franchisee) Franchisee shall refer those leads to Franchisor for a determination of how the client will be serviced. Franchisee shall not be entitled to compensation for leads outside of Franchisee's Territory.

2.6.2.6 If Franchisee establishes a relationship with a client inside Franchisee's Territory, which has additional locations/employees outside of the Protected Territory, which are not currently located inside another franchisee's Territory (non-protected Territory), and has been determined by Franchisor not fall under the NRS program, if in the future, the non-protected Territory is sold to a franchisee, the protocol for dealing with those particular locations/employees shall change accordingly. Once sold, Franchisor reserves the right to determine all issues with regard to the status of business inside that Territory, with input from the ARCpoint National Franchisee Advisory Council ("NAC"). Franchisee may be granted a share of the revenue, all of the revenue, or none of the revenue.

2.6.3 If at any point a disagreement between you and another franchisee occurs that cannot be resolved without outside assistance, the ARCpoint National Franchise Advisory Council ("NAC") will be asked to assess the situation and to provide input to us for resolution. We will give due consideration to all input from the council(s) but we retain the ultimate decision-making authority and responsibility for all of these matters. If we submit a matter for approval by the NAC, and the matter is approved by a majority vote, it

will be fully binding on you. We have the right to change, dissolve, or merge the Council.

3. FRANCHISE FEES

3.1 Franchise Fee

Upon execution of this Agreement, Franchisee shall pay a fee ("Franchise Fee") to Franchisor of THIRTY THOUSAND DOLLARS (\$ 30,000.00). The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable, except under certain conditions set forth under Section 8.5. The Franchise Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including general sales and marketing expenses, training, legal, accounting and other professional fees and is non-refundable except as described below.

Franchisee shall pay an Initial Franchise Fee for a single territory in the amount of \$45,000, which grants Franchisee the right to use the System and operate the Franchised Business at and from the Franchise Site Franchisee selects and Franchisor approves and to use and display the Marks, but only in operation of the Franchised Business. The Initial Franchise fee shall be paid in a lump sum upon the execution of the Franchise Agreement and is non-refundable except as described below. We do not finance any portion of the any fees.

3.2 Franchise Fee- Multiple Territories

A Franchisee who purchases multiple franchise territories at the same time and enters into a Multi-Unit Executive Development Addendum ("MUEDA") (Attachment E), shall pay franchise fees as follows:

- (a) First territory \$45,000
- (b) Second territory \$40,000
- (c) Third territory \$35,000
- (d) Fourth+ territories \$30,000

3.3 Initial Training Fees

Franchisee shall pay a one-time initial training fee of \$12,500. Franchisees acquiring multiple territories at the same time shall not pay initial training fees contained in other Franchise Agreements signed under the current Multi-Unit Executive Development Addendum. The initial training fee covers all required training for both Franchisee/Designated Manager and one employee. Franchisee shall pay additional fees for training any and all additional employees, for any location established under the current Franchise Agreement or any Franchise Agreement signed under the current Multi-Unit Executive Development Agreement.

The Training Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable, except under certain conditions set forth under Section 8.5. The Training Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including general sales and marketing expenses, training, legal, accounting and other professional fees.

3.4 Royalty Fee

Each month, Franchisee shall pay to Franchisor without offset, credit or deduction of any nature, so long as this Agreement shall be in effect, a monthly fee ("Royalty Fee") equal to seven percent (7%) of Gross Sales for the preceding month, or a monthly minimum of THREE HUNDRED FIFTY DOLLARS (\$350.00) per month, whichever is greater. However, if Franchisee's Gross Sales are less than \$5,000 in any of the first three calendar months (counting partial months) in which Franchisee is open for business, Franchisee will not be required to pay the minimum royalty fee on Gross Sales for those months.

Franchisee's first royalty fee therefore, is due on the 10th of the month following the first month of reaching Gross Sales of \$5,000, or on the 10th of the fifth calendar month, in which Franchisee is open for business, whichever occurs first. Franchisee shall pay the Royalty Fee and submit the Gross Sales Report from the previous month's sales (as required by Section 12.2 below), on or before the 10th of each month. Even if royalty fees are not required to be paid on Franchisee's gross sales for the first three calendar months in which Franchisee is open for business, Gross Sales Reports shall still be filed for each month, beginning with the first calendar month open (even if a partial month).

Franchisee shall pay the Royalty Fee directly to Franchisor. Franchisor requires Franchisee, within the first 10 days of opening for business, to sign all documents necessary with Franchisee's bank, to allow Franchisor to receive all royalty payments via electronic transfer, as set forth in Section 3.8, on the 10th of each month. As noted in Section 12.6 of the Franchise Agreement, Franchisee is subject to random financial audits by Franchisor.

3.5 National Marketing /Advertising Fund ("Ad Fund")

Each month, Franchisee shall pay to Franchisor without offset, credit or deduction of any nature, so long as this Agreement shall be in effect, a monthly fee ("Ad Fund Fee") equal to 2 percent (2%) of Gross Sales for the preceding month, or a monthly minimum of ONE HUNDRED DOLLARS (\$100.00) per month, whichever is greater. However, if Franchisee's Gross Sales are less than \$5,000 in any of the first three calendar months (counting partial months) in which Franchisee is open for business, Franchisee will not be required to pay the minimum Ad Fund fee on Gross Sales for those months.

Franchisee's first Ad Fund fee therefore, is due on the 10th of the month following the first month of reaching Gross Sales of \$5,000, or on the 10th of the fifth calendar month in which Franchisee is open for business, whichever occurs first. Franchisee shall pay the Ad Fund Fee and submit the Gross Sales Report from the previous month's sales (as required by Section 12.2 below), on or before the 10th of each month. Even if Ad Fund fees are not required to be paid on Franchisee's gross sales for the first three calendar months in which Franchisee is open for business, Gross Sales Reports shall still be filed for each month, beginning with the first calendar month open (even if a partial month).

Franchisee shall pay the Ad Fund Fee directly to Franchisor. Franchisor requires Franchisee, within the first 10 days of opening for business, to sign all documents necessary with Franchisee's bank, to allow Franchisor to receive all Ad Fund Fees via electronic transfer, as set forth in Section 3.8. As noted in Section 12.6 of the Franchise Agreement, Franchisee is subject to random financial audits by Franchisor.

3.6 Local Advertising and Marketing Investment Program

Franchisee shall participate in an on-going Local Advertising and Marketing Investment Program. This program begins with an Initial Launch Period lasting from just before the business opens, through the first year of operation, wherein you will be required to spend approximately \$20,000 for the Program. Of the \$20,000, \$7,500 will be paid directly to Franchisor to pay specific mandatory expenditures on Franchisee's behalf, with the remainder of \$12,500 to be expended directly by Franchisee, at Franchisor's direction, at various times throughout this period, for specific mandatory expenses.

Beginning in the thirteenth (13th) month of operations, through the end of the franchise term, Franchisee shall be required to expend a minimum of \$750 per month on local marketing, advertising and promotion. (See also Section 11 below for a full discussion of Marketing and Advertising Programs).

3.7 Technology Fee

Franchisee shall pay directly to Franchisor an initial Technology Fee of \$1,500 and a monthly Technology Fee of TWO-HUNDRED FORTY-NINE DOLLARS (\$249.00) through electronic transfer on the 10th day of each month, beginning with the first month of operations. This fee helps fund ongoing maintenance, support and development of computer technology and use of our customized drug testing software. Included in the fee is the ability to process up to 20,000 tests per year on the drug testing software. Should you go over 20,000 tests per year, you will pay an additional \$95 per month, which is based on our current cost of services. Should our cost increase during your term, that increase will be passed along to you and we will account for same.

3.8 Electronic Transfer of Franchisee Payments

Franchisee is required to make all Royalty Fees, Ad Fund Contributions, Computer Technology Fees, amounts due for purchases by Franchisee from Franchisor, and other amounts due to Franchisor through an Electronic Funds Transfer ("EFT"). Franchisee shall, within the first 10 days of operations, sign all documents necessary, with their financial institution, to establish the monthly electronic transfer of all Royalty Fees, Ad Fund Contributions, and Computer Technology Fees, to Franchisor. Each month, Franchisee shall insure there are sufficient funds in their business bank account sufficient to cover amounts owed to Franchisor at least 48 hours prior to the date such amounts are due. Additionally, If Franchisee is ever late making a payment, or their bank account does not have sufficient funds to transfer to Franchisor for the monthly payments, Franchisor has the right to require all future payments by Franchisee be made by cashier's check, money order, or any other form of payment Franchisor specifies. Any fees incurred by Franchisor due to Franchisee's late payment will be charged back to Franchisee. Once established, Franchisee shall not disallow any required monthly payments to Franchisor, without Franchisor's written consent.

3.9 Taxes

Both Franchisee and Franchisor shall each pay all Federal, State, and other taxes as they are legally bound to do.

3.10 Interest

A late fee of \$100 will be added to all Royalty Fees or Marketing Fund Contributions due on revenues collected directly by Franchisee, and any other amounts due from Franchisee, that are not received by Franchisor within five (5) days after the due date. Additionally, all Royalty Fees or Marketing Fund Contributions due on revenues collected directly by Franchisee, and any other amounts due from Franchisee, that are not received by Franchisor within five (5) days after the due date, shall bear interest at the rate of eighteen percent (18%) per annum (or the highest rate allowed by the state where you are located if less than 18%) from the date payment is due to the date payment is received by Franchisor. Further, Franchisee shall pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and past due Royalty Fees, Marketing Fund Contributions or any other amounts due Franchisor, including reasonable accounting and legal fees.

3.11 Application of Payments

Notwithstanding any designation by Franchisee, Franchisor shall have the sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fees, Marketing Fund Contributions, purchases from Franchisor or any other amount owed to Franchisor.

4. TERM AND RENEWAL

4.1 Initial Term

This Agreement shall be effective and binding for an initial term of ten (10) years from the Effective Date, unless sooner terminated pursuant to Section 15.

4.2 Renewal Term

Subject to the conditions below, Franchisee has the right to renew this Franchise Agreement at the expiration of its term and successive Franchise Agreements at the end of their terms, subject to the terms and conditions to qualify for a renewal in future Franchise Agreements. Presently, to qualify for a renewal, each of the following conditions shall have been fulfilled and remain true as of the last day of the term of this Agreement:

4.2.1 Franchisee has, during the entire term of this Agreement, substantially complied with all material provisions of this Agreement;

4.2.2 Franchisee has access to and, for the duration of the renewal term, the right to remain in possession of the Approved Location, or a suitable substitute location approved by Franchisor, which is in full compliance with Franchisor's then-current specifications and standards;

4.2.3 Franchisee has, at its expense, made such capital expenditures as were necessary to maintain uniformity with any Franchisor-required System modifications such that the Franchised Business reflects Franchisor's then-current standards and specifications;

4.2.4 Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor (or any Affiliate), and has timely met these obligations throughout the term of this Agreement;

4.2.5 Franchisee is not in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor;

4.2.6 Franchisee has given written notice of renewal to Franchisor not less than nine (9) months nor more than twelve (12) months prior to the end of the initial term;

4.2.7 Franchisee has executed Franchisor's then-current form of the Franchise Agreement, (with appropriate modifications to reflect the fact that the Franchise Agreement relates to the grant of a renewal franchise), which franchise agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee or Marketing Fund Contribution; provided, however, that Franchisee shall not be required to pay the then-current Franchise Fee, initial advertising start-up fees, initial training fee, technology set-up fee (other than the actual costs of any changes to technology), and any other initial fees that Franchisor deems unnecessary for an existing Franchisee;

4.2.8 Franchisee has complied or agrees to comply with Franchisor's then-current training qualifications for a new franchisee, except that Franchisee shall not pay any fees associated with this training other than travel expenses and any actual costs Franchisor realizes for the training; and

4.2.9 Franchisee has executed a general release, in a form the same as or similar to the General Release attached as Exhibit A, of any and all claims against Franchisor, its Affiliate(s) and its officers, directors, legal representatives, shareholders managers, members, partners, owners, employees and agents (in their corporate and individual capacities), except to the extent prohibited by the laws of the state where the Franchised Business is located.

5. APPROVED LOCATION

5.1 Selection of Site

If an Approved Location for the Franchised Business has not been determined as of the Effective Date, Franchisee shall promptly select a site for the Franchised Business and shall notify Franchisor of such selection per Franchisor's guidelines outlined in the Operations Manual. Franchisor shall evaluate the site and notify Franchisee of its approval or disapproval of the site within a reasonable time (no more than thirty (30) days) of receiving notice of the site from Franchisee. If Franchisor approves of such selection, the site will be designated as the Approved Location. If Franchisor does not approve of such selection, Franchisee shall select a new site. Franchisor shall provide Franchisee with general guidelines to assist Franchisee in selecting a site suitable for the Approved Location. Franchisor has the right to approve or disapprove a proposed location based on such factors as it deems appropriate, including the condition of the premises, demographics of the surrounding area, proximity to potential clients, proximity to other ARCpoint Businesses, lease requirements, proximity to major roads and overall suitability. Franchisee shall not locate the Franchised Business on a selected site without the prior written approval of Franchisor. Franchisor does not represent that it or any of its employees have special expertise in selecting sites. Neither Franchisor's assistance nor approval is intended to indicate or indicates that the

Franchised Business will be profitable or successful at the Approved Location. Franchisee is solely responsible for finding and selecting the Approved Location.

5.2 Failure to Select Site

Should Franchisee fail to select a site for the Franchised Business, which meets with Franchisor's approval within 90 days after execution of the Franchise Agreement, Franchisee must submit to Franchisor, in writing, a request for an extension of time to find a suitable site, and such request will not be unreasonably denied. However, Franchisor has the right to terminate the Franchise Agreement if, Franchisee has not submitted a site for approval, nor requested an extension within 120 days of signing the Franchise Agreement.

If this Agreement is terminated pursuant to this Section 5.2, Franchisor may return to Franchisee twenty five percent (25%) of the Franchise Fee paid by Franchisee upon Franchisor's receipt of a general release, the same as or similar to the General Release attached as Exhibit 1, releasing any and all claims against Franchisor, any Affiliate and their officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities).

5.3 Lease of Approved Location

After the designation of the Approved Location, Franchisee shall execute a lease for, or a binding agreement to purchase, the Approved Location, the terms of which must have been previously approved by Franchisor. Franchisor shall not unreasonably withhold its approval. Franchisor's review of a lease or purchase agreement, or any advice or recommendation offered by Franchisor, shall not constitute a representation or guarantee that Franchisee will succeed at the Approved Location nor constitute an expression of Franchisor's opinion regarding the terms of such lease or purchase agreement. Franchisee acknowledges and agrees that Franchisee shall solely rely on its review and their attorneys review of any such lease. Franchisor shall be entitled to require that nothing therein contained is contradictory to, or likely to interfere with, Franchisor's rights or Franchisee's duties under this Agreement. Any default for which the lease may be terminated shall also be deemed a default hereunder and the time to cure the same shall expire when the lease is terminated. At Franchisor's option, the lease shall contain such provisions as Franchisor may reasonably require, including, but not limited to:

5.3.1 a provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest without payment of any assignment fee or similar charge and without any increase in rent or other fees upon termination or expiration of the Franchise grant. The lessor agrees that, before the effective date of any assignment of the lease to Franchisor (or its designee), Franchisee shall be solely responsible for all obligations, debts and payments under the lease;

5.3.2 a provision expressly permitting the lessor of the premises to provide Franchisor all sales and other information lessor may have obtained or received relating to the operation of the Franchised Business, as Franchisor may request;

5.3.3 a provision requiring the lessor to provide Franchisor with a copy of any written notice of deficiency sent by the lessor to Franchisee, and granting to Franchisor, in its sole discretion

and sole option, the right (but not the obligation) to cure any deficiency under the lease should Franchisee fail to do so within fifteen (15) days after the expiration of the period in which Franchisee may cure the default;

5.3.4 a provision requiring the lessor to provide Franchisor (at the same time lessor provides to Franchisee) a copy of all lease amendments and assignments, and a copy of all letters and notices lessor sends to Franchisee relating to the lease or the leased premises;

5.3.5 a provision permitting Franchisor to enter the leased premises to make any modifications or alterations necessary in Franchisor's sole discretion to protect the System and the Marks without being guilty of trespass, or other tort or other crime;

5.3.6 a provision allowing Franchisee to display the Marks in accordance with the specifications required by the Manual, subject only to the provisions of applicable law;

5.3.7 a provision prohibiting the premises from being used for any purpose other than the operation of the Franchised Business;

5.3.8 a provision stating that any default under the lease shall constitute a default under this Agreement;

5.3.9 a provision stating that upon default of this Agreement, Franchisor or its nominee has the right to take possession of the premises and operate the Franchised Business;

5.3.10 a provision allowing Franchisor, upon expiration and non-renewal or termination of the lease, to enter the premises and remove any signs containing the Marks and trade fixtures; and

5.3.11 a provision stating that lessor shall not amend or otherwise modify the lease in any manner that would affect any of the foregoing provisions to be included in the lease set forth above without Franchisor's prior written consent.

5.4 Development of Approved Location

Franchisor shall make available to Franchisee, at no charge to Franchisee, specifications for the development of an ARCpoint Business, which may include specifications for exterior and interior design and layout, fixtures, equipment, décor and signs. Such specifications are subject to alteration as may be necessary in Franchisor's sole discretion. Franchisee shall cause the Approved Location to be developed, equipped and improved in accordance with such specifications within ninety (90) days after the Effective Date. In connection with the development of the Approved Location, Franchisee shall:

5.4.1 employ a competent licensed architect, or general contractor or engineer to prepare, for Franchisor's approval, preliminary plans and specifications for improvement of the Approved Location adapted from the specifications furnished by Franchisor;

5.4.2 obtain all zoning classifications and clearances that may be required by state and local laws, ordinances or regulations, and submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications;

5.4.3 obtain all building, utility, sign, health, and business permits and licenses, and any other permits and licenses required for the build-out and operation of the Franchised Business and certify in writing and provide evidence to Franchisor that all such permits and certifications have been obtained;

5.4.4 employ a qualified, licensed general contractor, approved by Franchisor to complete construction of all required improvements to the Approved Location;

5.4.5 purchase and install all equipment, signs, furniture and fixtures, including any point-of-sale and computer equipment, required for the operation of the Franchised Business; and

5.4.6 obtain at least one (1) telephone number and one (1) fax number solely dedicated to the Franchised Business.

5.5 Opening

5.5.1 Before opening the Franchised Business and commencing business, Franchisee must:

Section 5; 5.5.1.1 fulfill all of the obligations pursuant to the other provisions of this

5.5.1.2 complete required training to the satisfaction of Franchisor;

5.5.1.3 furnish Franchisor with copies of all insurance policies required by this Agreement, or such other evidence of insurance coverage and payment of premiums as Franchisor may request;

5.5.1.4 pay in full all amounts due to Franchisor;

5.5.1.5 do all things necessary, as detailed in the Operations Manual, to hire and train the personnel necessary or required for the operation of the Franchised Business, purchase the necessary supplies and equipment, buy the necessary licenses, and otherwise prepare the business for opening;

5.5.1.6 obtain Franchisor's permission and approval of an opening date; Franchisor shall not unreasonably withhold consent to open. Permission to open shall be based on Franchisor's determination that Franchisee is ready to open and satisfactorily prepared to operate; and

5.5.1.7 if Franchisee is a business entity, cause to be printed on the face of each of its stock certificates or other ownership interest certificates a statement in form satisfactory to Franchisor that such ownership interest is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement.

5.5.2 Franchisee shall comply with these conditions and be prepared to open and continuously operate the Franchised Business within five (5) months after the Effective Date. Time is of the essence.

5.5.3 If Franchisee is unable to commence the operation of the Franchised Business due to circumstances beyond Franchisee's reasonable control, then Franchisee may be entitled to such additional time as may be reasonably required and as to which Franchisor may consent.

5.6 Failure to Open

Should Franchisee fail to commence operations of the Franchised Business within five (5) months after the Effective Date, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 5.6, Franchisor shall retain the entire Franchise Fee paid by Franchisee. The Franchise Fee retained shall be specifically understood and agreed by the parties to be in consideration of the services provided, time expended, work performed, and other efforts of Franchisor up to the date of Franchisee's failure to timely commence operations of the Franchised Business and shall not be construed as nor considered to be a penalty.

5.7 Use of Approved Location

Franchisee shall not use the Approved Location for any purpose other than for the operation of an ARCpoint Business in full compliance with this Agreement and the Operations Manual, unless approved in writing by Franchisor.

5.8 Relocation

Franchisee shall not relocate the Franchised Business without the prior written consent of Franchisor, which may be withheld or delayed at Franchisor's sole discretion. If the lease for the Approved Location expires or is terminated without the fault of Franchisee or if the Franchised Business's premises is destroyed, condemned or otherwise rendered unusable, or as otherwise may be agreed upon in writing by Franchisor and Franchisee, Franchisor may, in its reasonable discretion, allow Franchisee to relocate the Franchised Business. Any such relocation shall be at Franchisee's sole expense, and shall proceed in accordance with the requirements set forth in Sections 5.1 through 5.5. Franchisor has the right to charge Franchisee for any costs incurred by Franchisor in providing assistance to Franchisee, including legal and accounting fees. Notwithstanding the foregoing, Franchisor has no obligation to provide relocation assistance. If Franchisor and Franchisee do not agree upon a substitute site within ninety (90) days after the lease expires or is terminated or the Approved Location is rendered unusable, this Agreement will terminate as provided in Section 15.2.1.1.

6. MARKS

6.1 Ownership

Franchisee acknowledges that Franchisor and its Affiliate are the exclusive owners of the Marks and that Franchisee's right to use the Marks is derived solely from this Agreement, is nonexclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee's use of the Marks, and any goodwill created thereby, shall inure to the benefit of Franchisor. Franchisee shall not at any time acquire rights in the Marks by virtue of any use it may make of the Marks. This Agreement

does not confer any goodwill, right, title or interest in the Marks to Franchisee. Franchisee 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.

6.2 Limitations on Use

Franchisee shall not use any Mark or portion of any Mark as part of any business entity name. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious, assumed name, or "doing business as" (dba) registrations as may be required under applicable law to do business as a Franchised Business. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisor. Franchisee shall include on its letterhead, forms, cards and other such identification a prominent notice stating that the Franchised Business is Franchisee's "Independently Owned and Operated ARCpoint Franchise."

6.3 Notification of Infringements and Claims

Franchisee shall immediately notify Franchisor of any infringement of the Marks or challenge to its use of any of the Marks or claim by any person of any rights in any of the Marks. Franchisee shall not communicate with any person other than Franchisor and Franchisor's counsel in connection with any such infringement, challenge or claim; provided, however, Franchisee may communicate with Franchisee's counsel at Franchisee's expense. Franchisor shall have sole discretion to take such action as deemed appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks. Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may in the opinion of Franchisor's counsel, be necessary or advisable to protect and maintain Franchisor's interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor's interest in the Marks.

6.4 Indemnification for Use of Marks

Franchisor shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar proceeding disputing Franchisee's authorized use of any Mark, provided that Franchisee has timely notified Franchisor of such proceeding and has complied with this Agreement and Franchisor's directions in responding to such proceeding. At Franchisor's option, Franchisor or its designee may defend and control the defense of any proceeding arising directly from Franchisee's use of any Mark. This indemnification shall not include the expense to Franchisee of removing signage or discontinuance of the use of the Marks. This indemnification shall not apply to litigation between Franchisor and Franchisee wherein Franchisee's use of the Marks is disputed or challenged by Franchisor. This indemnification shall not apply to any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee's use of the Marks.

6.5 Discontinuance of Use

If it becomes necessary, in Franchisor's sole discretion, for Franchisee to modify or discontinue use of any of the Marks, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions within ten (10) business days after notice to Franchisee by Franchisor and subject to the limitations in Section 10.3. Franchisor shall not be required to reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute Mark.

6.6 Right to Inspect

To preserve the validity and integrity of the Marks and any copyrighted materials licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the Franchised Business, Franchisor and its designees have the right to enter and inspect the Franchised Business and the Approved Location at all reasonable times and, additionally, have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, accessories, products, supplies, reports, forms and documents and related data to ensure that Franchisee is operating the Franchised Business in accordance with the quality control provisions and performance standards established by Franchisor. Franchisor and its agents shall have the right, at any reasonable time, to remove sufficient quantities of any product or other inventory items offered for retail sale, used in the preparation of products offered for retail sale or used in rendering services, to test whether such products or items meet Franchisor's then-current standards. Franchisor or its designee has the right to observe Franchisee and its employees during the operation of the Franchised Business and to interview customers and employees and to photograph or videotape the premises.

6.7 Franchisor's Sole Right to Domain Name

Franchisee shall not establish, create or operate an Internet site or website using a domain name or uniform resource locator containing the Marks or the words "ARCpoint", "ARCpoint Labs", or any variation thereof or any domain name that would be confusingly similar. Franchisor has the exclusive right to advertise on the Internet and create websites using or containing the "ARCpoint" name and any other Mark. Franchisor is the sole owner of all right, title and interest in and to such domain names, as Franchisor shall designate in the Manual.

7. CONFIDENTIAL INFORMATION

7.1 Requirement of Confidentiality

Franchisor shall disclose Confidential Information to Franchisee during the training program, through the Manual, and as a result of guidance furnished to Franchisee during the term of this Agreement. Franchisee shall not acquire any interest in the Confidential Information, other than the right to utilize it in the development and operation of the Franchised Business and in performing its duties during the term of this Agreement. Franchisee acknowledges that the use or duplication of the Confidential Information in any other business venture would constitute an unfair method of competition. Franchisee acknowledges that the Confidential Information is proprietary, includes

Franchisor's trade secrets and is disclosed to Franchisee solely on the condition that Franchisee (and all holders of a legal or beneficial interest in Franchisee and all officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), of Franchisee) (a) shall not use the Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the Confidential Information. Franchisee shall enforce this Section as to its employees, agents and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of Confidential Information by any of them.

7.2 Additional Developments

All ideas, concepts, techniques or materials concerning the Franchised Business, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Franchisor and will be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation will be due to Franchisee or its owners or employees therefore and Franchisee agrees to assign to Franchisor all right, title and interest in any intellectual property so developed. At Franchisor's discretion, such items may be incorporated into the System. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, Franchisee shall assign ownership of that item, and all related rights to that item, to Franchisor and must sign whatever assignment or other documents Franchisor requests to show Franchisor's ownership or to assist Franchisor in obtaining intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor's efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

7.3 Exclusive Relationship

Franchisee acknowledges that Franchisor would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among ARCpoint franchisees if owners of ARCpoint Businesses and members of their immediate families and households were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of this Agreement, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee (or any member of their immediate families and households), nor any officer, director, executive, manager or member of the professional staff of Franchisee, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall:

7.3.1 Divert or attempt to divert any business, customer, referral source or supplier of the Franchised Business to any Competitive Business in the United States.

7.3.2 Do or perform any other act injurious or prejudicial to Franchisor; or

7.3.3 Engage in any Competitive Business anywhere in the United States without the express written consent of Franchisor; or

7.3.4 Solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisor to compete against, or terminate or modify his, her or its employment or business relationship with Franchisor.

7.4 Nondisclosure and Non-Competition Agreements with Certain Individuals

Franchisor has the right to require Franchisee and any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff of Franchisee to execute a standard form nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Attachment B, upon execution of this Agreement or prior to each such person's affiliation with Franchisee. Upon Franchisor's request, Franchisee shall provide Franchisor with copies of all nondisclosure and non-competition agreements to be signed pursuant to this Section. Said agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein.

7.5 Reasonableness of Restrictions

Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that without their inclusion; Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, the System and the Marks and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable.

8. TRAINING AND ASSISTANCE

8.1 Initial Training

Franchisor's training fee includes all required training for Franchisee/Designated Manager and one employee. Additional expenses apply for additional employees. Franchisor shall make available to Franchisee an in-depth training program that covers material aspects of the operation of the franchised business, including, but not limited to, drug and alcohol, DNA, and clinical testing, Advanced Regulatory Training ("ARC"), corporate wellness program, marketing, sales, legal and compliance issues, and accounting, and on-the-job training at Franchisee's business location. Franchisor reserves the right to deliver all training (other than on-the-job training) via inter-active, web-based, or video-based methods.

Classroom training is held at Franchisor's corporate headquarters in Greenville, South Carolina, or any another location Franchisor may designate, and up to 5 optional days of real-time observation and learning at are held at Affiliate, ARCpoint Labs of Greenville, or an approved franchise location. Franchisee is solely responsible for all training fees and costs for additional employees at the noted rates, and travel costs and living expenses for Franchisee and Franchisee's employee.

Training is completed in 5 phases, and must be completed to Franchisor's satisfaction: 1) Opening Training (approximately 3 hours) - begins within 10 days of signing the Franchise Agreement,

provides Franchisee, via telephone, email, and various other online resources, information and assistance with site selection, and various other instructions on business set-up including access to the Operations Manual, 2) ARCpoint Video Training Series (approximately 14 hours) – instruction and examination regarding drug, alcohol, and DNA testing and collection procedures and the methodologies involved in each, 3) ARCpoint University – (approximately 40 hours) takes place at Franchisor headquarters and includes live instruction on all remaining material aspects of operating the franchised business, including clinical testing, corporate wellness program, marketing, sales, legal and compliance issues, and accounting. Franchisee must satisfactorily complete this portion of the training no more than 2 to 4 weeks prior to opening your franchised business, 4) ARC Training (approximately 12 hours) – The Advanced Regulatory Compliance training covers: drug testing policies for all federal modalities, full consortium management training, Compliance, Safety, Accountability (“CSA”) training (the Federal Motor Carrier’s Safety Administration’s [“FMCSA”] grading system), the “ins and outs” of a Department of Transportation (“DOT”) audit, driver qualification files (“DQF”), DOT-mandated Supervisor “Signs and Symptoms” training, and hours-of-service requirements for FMCSA. The timing for beginning this training depends on both Franchisee’s comfort level and readiness to move forward in this area, and Franchisor’s assessment of Franchisee’s readiness. Once Franchisee satisfactorily completes the ARC program to become ARCpoint-certified Franchisee shall be permitted to perform any of the covered services, and train all additional Franchisee employees in these areas of regulatory compliance, 5) On-the-job Training (approximately 40 hours) – One member each, from Franchisor’s operations and sales teams, or a select mentor franchisee, will visit Franchisee’s location, within approximately three months of Franchisee’s business opening, at a mutually-agreeable time, to focus on operational organization and sales approach. The Operations visit covers 16 hours of training over the course of 2 days and the Sales visit covers 24 hours of training over the course of 3 days. Prior to the operations visit, Franchisee shall purchase, and have available, at this training, a franchisor-approved Breath Alcohol Device and will only be certified on this device. Franchisee shall reimburse Franchisor for any direct costs and expenses incurred by Franchisor at the point of cancellation, if Franchisee unilaterally cancels or re-schedules this training. Franchisee shall also pay the noted hourly rate, during any on-the-job training, in which Franchisor’s services are requested or utilized for more than the number of hours included in the training fee.

8.2 General Guidance

Franchisor shall offer general guidance to Franchisee by telephone conference, e-mail, facsimile, blog, intranet, and other methods as Franchisor sees reasonable and necessary. Franchisor shall offer advice and guidance on a variety of business matters, including; authorized services or products, operational methods, system changes, best practices, protocols, accounting procedures, and marketing and sales strategies. Franchisor shall not charge a fee for the normal use of this service; provided, however, that Franchisor retains the right to charge a fee or refuse any particular request for this service should Franchisee, in Franchisor’s discretion, be deemed to be utilizing this service too frequently or in an unintended manner. Advice and guidance are based on our staff’s knowledge of the industry and our Affiliate’s experience in operating a drug and clinical/wellness testing businesses. Franchisor’s advice or guidance to Franchisee relative to prices for services and products that, in Franchisor’s judgment, constitutes good business practice is based upon the experience of Franchisor’s Affiliate in operating a business similar to ARCpoint Businesses, the experience of Franchisor’s franchisees in operating ARCpoint Businesses and an analysis of costs and prices charged for competitive services and products. Franchisee shall have the sole right to determine the prices to be charged by the Franchised Business.

8.3 Additional Assistance

Should Franchisee request additional on-site assistance, or assistance other than the training, general assistance and guidance provided under this Agreement, to facilitate the opening or continued operation of the franchised business, and Franchisor deems it necessary and reasonable to comply with such request, Franchisor shall provide such additional assistance at the noted rate.

8.4 Visits to Franchised Business

Franchisor or Franchisor's representative, at Franchisor's discretion, may, but is not required, to visit the Franchised Business from time to time for the purposes of auditing various aspects of the operation and management of the Franchised Business. Franchisor and Franchisor's representatives who visit the Franchised Business may prepare, for the benefit of both Franchisor and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of the Franchised Business. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements in a timely manner.

8.5 Failure to Complete Initial Training Program

If Franchisor determines, in its sole discretion, that Franchisee or its Designated Manager (See definition Section 1 above) is unable to satisfactorily complete the training program in the manner and within the time-frame described above, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 8.5, Franchisor will return to Franchisee twenty five percent (25%) or \$11,250 of the Franchise Fee paid by Franchisee upon Franchisor's receipt of a general release, the same as or similar to the General Release attached as Exhibit A, satisfying the requirements of Section 17.2.3. For a multiple territory purchase pursuant to a MUEDA, Franchisor shall refund 15% of the initial Franchise Fee paid on the second and subsequent territories. If Franchisee is a business entity and the Designated Manager fails to complete the initial training program to Franchisor's reasonable satisfaction, in Franchisor's sole discretion, Franchisee may be permitted to select a substitute manager and such substitute manager must complete the initial training to Franchisor's reasonable satisfaction. Franchisee may be required to pay Franchisor's then-current rates for additional training, if any, for providing the substitute manager an initial training program.

8.6 New Designated Manager

If Franchisee is a business entity and, after beginning operations, Franchisee names a new Designated Manager (as long as the new Designated Manager meets the requirements in Section 1 above), the new Designated Manager must complete Module I training to Franchisor's satisfaction prior to assuming managerial responsibility for the franchised business and must attend Module Two training as determined by Franchisor, based upon the number of months the franchised business has been in operation. Franchisee is solely responsible for all training fees and costs for the new Designated Manager, which shall equal the then-current rate for Franchisee's additional attendees/employees. Franchisee shall be responsible for all travel costs, living expenses and employees' salaries incurred in connection with the Designated Manager's attendance at such training.

8.7 Franchisee Meetings

From time to time Franchisor may provide, and if it does, shall require that the Franchisee or the Designated Manager attend, annual meetings, conferences, or seminars ("meetings") during the term of this Agreement. These meetings shall be for Franchisee's benefit so as to meet and network with other Franchisees, learn new industry practices, stay up-to-date on competitive challenges and opportunities, etc. Franchisor may charge a reasonable fee for attendance at such meetings to help defray costs. Franchisor shall not require the Franchisee or Designated Manager to attend more than one meeting in any calendar year and collectively not more than three (3) days in any calendar year. Franchisee shall be responsible for all travel costs, living expenses and employees' salaries incurred in connection with the Franchisee or Designated Manager's attendance at such meeting(s).

9. OPERATIONS MANUAL ("Manual")

9.1 Loan by Franchisor

While this Agreement is in effect, Franchisor shall loan to Franchisee one (1) copy of the Manual or grant Franchisee access to an electronic or online copy of the Manual, or such other versions as Franchisor may specify. Franchisee shall conduct the Franchised Business in strict accordance with the provisions set forth in the Manual. The Manual may consist of one (1) or more separate manuals and other materials as designated by Franchisor and may be in written, electronic form or other form as specified by Franchisor. The Manual shall, at all times, remain the sole property of Franchisor and shall promptly be returned upon expiration or termination of this Agreement, in a manner as specified by Franchisor.

9.2 Revisions to the Manual

Franchisor has the right to add to or otherwise modify the Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor; provided, however, that no such addition or modification shall materially alter Franchisee's fundamental status and rights under this Agreement. Franchisor may make such additions or modifications known to Franchisee via email, letter, blog, intranet, internet, or any other reasonable method, without prior notice to Franchisee. Franchisee shall immediately, upon notice, adopt any such changes and shall ensure that if a hard copy is retained on file with Franchisee, its copy of the Manual is up-to-date at all times. If a dispute as to the contents of the Manual arises, the terms of the master copy of the Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

9.3 Confidentiality of Manual

The Manual contains proprietary information of Franchisor and its contents shall be kept confidential by Franchisee both during the term of the Franchise and subsequent to the expiration and non-renewal or termination of this Agreement. Franchisee shall at all times ensure that its copy of the Manual is available at the Approved Location in a current and up-to-date manner. If in paper form or stored on computer-readable medium, Franchisee shall maintain the Manual in a locked receptacle at the Approved Location, or if in electronic form, Franchisee shall maintain the Manual in a password-protected file. Franchisee shall only grant authorized personnel, as defined in the Manual, access to the key or combination of such receptacle or the password to such file (or Internet site, if the Manual is maintained on-line by Franchisor in a password-protected site). Franchisee shall not disclose, duplicate or otherwise use any portion of the Manual in an unauthorized manner.

10. FRANCHISE SYSTEM

10.1 Uniformity

Franchisee acknowledges and agrees that Franchisee's operation and maintenance of the Franchise in accordance with Franchise procedures is essential to preserve the goodwill of the Marks and all ARCpoint/ARCpoint Labs businesses. Therefore, at all times during the term of this Agreement, Franchisee agrees to operate and maintain the Franchised Business in strict compliance with all requirements, specifications, standards and operating procedures and rules as set forth in this Agreement, the Manual or other communications supplied to Franchisee by Franchisor and which Franchisor may periodically modify and supplement them during the term of this Agreement.

10.2 Provisions of Agreement

Franchisee agrees that Franchise Procedures prescribed from time to time in the Operations Manual, or otherwise communicated to Franchisee in writing or other tangible form, constitute provisions of this Agreement as if fully contained in this document. All references to this Agreement include Franchise Procedures as periodically modified.

10.3 Modification of the System

Franchisor has the right to change or modify the System from time to time including, without limitation, the adoption and use of new or modified Marks or copyrighted materials, and computer hardware, software, equipment, inventory, procedures, protocols, training systems, supplies or sales and marketing materials and techniques. Franchisee shall accept and use any such changes in, or additions to, the System as if they were a part of this Agreement as of the Effective Date. Franchisee shall make such expenditures as such changes, additions or modifications in the System may reasonably require; provided, however, Franchisee shall not be required to implement or conform to any such changes, additions or modifications if the cost to do so would exceed (a) ONE DOLLAR (\$1.00) during the first (1st) year of the term of this Agreement; (b) TEN THOUSAND DOLLARS (\$10,000.00) in the aggregate during the entire initial term of this Agreement (which amounts may be increased consistent with increases to the Consumer Price Index, [U.S. City Average, all items, 1982-84=100], as published by the United States Department of Labor, Bureau of Labor Statistics ["CPI-U"]); or (c) ONE DOLLAR (\$1.00) during the final year of the term of this Agreement if Franchisee provides written notice of its intention not to renew the Franchise. Any required expenditure for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 13.2. Notwithstanding the foregoing, Franchisee shall be required to make any and all improvements or modifications whenever such are required by law, regulation, agency decision or court order.

10.4 Variance

Franchisor has the right, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the

demographics of the trade area, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of any particular ARCpoint Business. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance hereunder.

11. MARKETING AND PROMOTIONAL ACTIVITIES

11.1 National Marketing/Advertising Fund ("Ad Fund")

Franchisee shall contribute 2% of gross sales or a minimum of \$100.00, whichever is greater (as set out in Section 3.5 above) to Franchisor's system-wide "Ad Fund". Franchisor established the Ad Fund to develop a system-wide advertising, promotion and marketing program to enhance the ARCpoint and ARCpoint Labs Brand and Marks. Franchisor shall administer the Ad Fund as follows:

(a) Franchisor shall maintain sole control over all creative concepts, materials, branding standards, and determine placement and allocation of advertisements. Franchisor shall determine the media to be used, which may vary from time to time, depending on a variety of factors, including, but limited to, the national economy, industry regulation regarding marketing and advertising, and research and advice from outside professionals. Franchisor does not guarantee that any one particular franchisee will benefit directly or in proportion to their contribution from the activities of the Ad Fund.

(b) Franchisor shall use Franchisee contributions to meet any cost of developing, producing, maintaining, administering, and directing consumer advertising. Franchisor, in its sole discretion may use the Ad Fund for any of, but not limited to the following: the cost of developing local marketing and advertising promotional materials, creating and implementing various Internet and other electronic media strategies, developing and maintaining the corporate website, creating advertising campaigns, implementing public relations activities, developing national, regional, or third party administration accounts, attending consumer or other end-user trade shows, employing advertising agencies, or other advertising and marketing professionals to assist in these efforts and others such as brand development and conducting a variety of market research. Franchisor in its sole discretion may use your contributions to pay for the services of a national or regional marketing or advertising agency.

(c) Franchisor shall maintain your Ad Fund contributions in a separate account from general operating funds and shall not use them for any of our general operating expenses, except (per FTC Guidelines) for reasonable administrative costs and overhead related to the administration of the Ad Fund. Franchisor shall not use Ad Fund contributions for the direct solicitation of franchise sales.

(d) Franchisor expects to use all contributions in the fiscal year they are made and intends for the Ad Fund to be perpetual, but maintains the right to terminate it if necessary. Franchisor shall not terminate the Ad Fund until all contributions have been used for advertising, marketing, and promotional purposes, or have been returned to our franchisees on a *pro rata* share.

(e) Franchisor shall have an accounting of the Ad Fund prepared each year and will provide Franchisee with a copy if requested. During the last fiscal year ending December 31, 2012, the Ad Fund spent 18% of its income on the production of advertisements and other promotional materials, 28% for sales support, subscriptions, and media placement, 52% for technology and software services, and 2% for general and administrative expenses. We may require that the annual accounting be reviewed or audited and reported on by an independent certified public accountant at the expense of the

national advertising marketing fund. The Ad Fund is not a trust and we assume no fiduciary duty in administering the national advertising marketing fund.

(f) If Franchisee is in default of any of Franchisee's obligations to Franchisor and/or the Ad Fund, or this Agreement is otherwise subject to termination, Franchisee shall have no rights with respect to the Ad Fund, and Franchisor may deny access to any and all programs and/or materials created by and benefits of, the Ad Fund.

(g) Franchisor has formed a National Franchisee Advisory Council ("NAC") Franchisor reserves the right to form and periodically meet with, a council(s) of ARCpoint franchisees ("Franchisee Advisory Council") to provide us input. We will give due consideration to all input from the council(s) but we retain the ultimate decision-making authority and responsibility for all of these matters. If we submit a matter for approval by the Franchisee Advisory Council, if one is formed, and that matter is approved by a majority vote of the Franchisee Advisory Council, that approval will be fully binding on you.

11.2 Local Advertising and Marketing Investment Program

Franchisee shall participate in an on-going Local Advertising and Marketing Investment Program, beginning just prior to Franchisee's business opening. This program is divided into an Initial Launch Period lasting through Franchisee's first year of operation, followed by Required and Perpetual Monthly Expenditures.

Initial Launch Period - begins just prior to business opening and lasting through Franchisee's first year of operation, wherein Franchisee shall invest a total of approximately \$20,000. This investment will be administered as follows:

Franchisee shall pay directly to Franchisor, within 10 days after signing the Franchise Agreement, the amount of \$7,500, to be dispersed by Franchisor to pay specific mandatory expenditures on Franchisee's behalf.

The remainder of Franchisee's required initial expenditure, in the approximate amount of \$12,500, shall be expended directly by Franchisee at Franchisor's direction, at various times throughout the Initial Launch Period, for specific mandatory advertising and marketing expenses.

Franchisee shall be required to sign contracts with certain approved vendors and pay them directly, but, at Franchisor's direction, Franchisee shall remit payment to Franchisor for any and all expenditures that vendors require Franchisor to pay directly

Required and Perpetual Monthly Expenditures - Beginning in the thirteenth (13th) month of Franchisee's operations, through the end of Franchisee's term, Franchisee shall expend a minimum of \$750 per month toward local marketing, advertising and promotion as described below. Franchisee shall, at Franchisor's direction, continue many of the expenditures from the initial launch period, with the same vendors, in addition to other local vendors Franchisee may choose and which Franchisor may approve.

Franchisor reserves the right to collect the required minimum monthly

expenditure of \$750 from, and implement for, Franchisee, a local advertising plan, or collect this expenditure from Franchisee and contribute it to the Ad Fund with no credit given Franchisee toward Franchisee's required monthly payment to that fund.

All local advertising shall be conducted in the manner, style, media, and format, conforming to our Brand Standards, and shall be approved in advance by Franchisor as set out in the Operations Manual. Franchisor shall provide Franchisee access to all advertising and marketing materials, assist in tailoring those products to Franchisee's business needs, and provide guidance in Franchisee's local advertising program. Franchisee shall not utilize advertising materials or venues unless first approved by Franchisor, in writing. Franchisor shall retain property right in all Copyrights in any and all promotional materials that Franchisee develops, or are developed for Franchisee.

Franchisee shall engage in system-approved, continuous and on-going, monthly, Search Engine Optimization (SEO) activities as prescribed by Franchisor, by the approved vendor, or from time to time in the Operations Manual and elsewhere. Should Franchisee fail to maintain this activity, Franchisor reserves the right to administer SEO on Franchisee's behalf, and seek reimbursement for all expenses to do so, including reasonable expenses for administering the activity.

Franchisee must account to Franchisor, in any manner prescribed, for all amounts expended for local advertising. Franchisor reserves the right to collect the minimum required monthly local advertising expenditure from, and implement for Franchisee, a local advertising plan. Further, should Franchisee fail to expend the minimum monthly amount on local advertising, Franchisor reserves the right to collect this amount from Franchisee and contribute it to the Ad Fund without giving Franchisee credit toward the required monthly payment to that fund.

Local advertising, marketing, and promotion expenses shall include only those out-of-pocket costs directly associated with the pre-approved development, production, placement, procurement of printed materials or advertising space or time dispersed or disseminated in by Franchisee in Franchisee's Protected Territory in this Franchise Agreement. Directly-associated, out-of-pocket costs for payment of marketing or advertising professionals, postage, printing, copying, long-distance phone calls, attendance or participation in local events meant to promote the business (including any hosted at Franchisee's business), and any other pre-approved costs and expenses shall also be included as out-of-pocket costs. Any costs or expenses not specifically listed must be pre-approved by Franchisor.

11.3 Internet Advertising and Marketing

- (a) Franchisee is restricted from establishing a presence on, or marketing using, the Internet without Franchisor's consent. Franchisor has an Internet website at the uniform

resource locator www.arcpointlabs.com and includes at the ARCpoint website an interior page containing all basic and system-wide standard information about Franchisee's franchised business, with set-up fees for this page being included in Franchisee's Local Advertising and Marketing Investment Program. Any requested additions or modifications to this page shall be made to, and pre-approved by, Franchisor with any expenses associated therewith being paid by Franchisee.

(b) Franchisor shall retain sole control and rights to, and final approval of, all Internet and other electronic media advertising and marketing done through use of Franchisor marks and otherwise, including but not limited to the use of websites, domain names, uniform resource locator's (URL's), linking, back-linking, search engines (and search engine optimization techniques), banner ads, meta-tags, auction sites, e-commerce and co-branding arrangements, coupon sites, etc. These rights also include Franchisor's control and rights to Franchisee's usernames and passwords for all advertising, social media and other activities utilizing Franchisor's marks on the internet. Franchisor's protocols for Internet Marketing are contained in the Operations Manual.

(c) Franchisee may be requested to provide content for Franchisor's Internet marketing and Franchisee must follow Franchisor's intranet and Internet usage rules, policies and requirements, and Naming Convention, which may change from time to time as the nature of the Internet itself does.

(d) Franchisee must comply with Franchisor requirements (as described in the Operations Manual or otherwise in writing) with respect to the transmission of all emails in connection with the Franchised Business and in connection with discussing, advertising, or disseminating any information, or otherwise having a presence, on the Internet, or in any other media, regarding the Franchised Business. These activities include participation in any Internet "blogs" or social networking sites. Any similar activities which are not expressly permitted in the Operations Manual or otherwise in writing, or for which Franchisee have not previously received Franchisor approval, will be subject to Franchisor approval of advertising as described above.

(e) Franchisee is restricted from utilizing the franchised business name for any marketing, advertising, promotional, or other purpose, in any media (including signage) without Franchisor's prior written consent. Franchisor will assign the name for Franchisee's franchised business, pursuant to Franchisor's Naming Convention, upon Franchisee's signing a lease for, or purchasing Franchisee's business location, within the protected territory Franchisee has purchased. Currently, the franchised business name will depend upon the actual physical address for Franchisee's location and cannot be modified for any reason. Any name or label associated with the protected territory as set out anywhere in this Franchise Agreement, is not guaranteed to be Franchisee's franchised business name and may not be used for any purpose whatsoever other than to denote Franchisee's protected territory in this agreement. Franchisor Naming Convention is contained in the Operations Manual and shall not be deviated from in any manner whatsoever without Franchisor's prior written consent.

12. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS

12.1 Records

During the term of this Agreement, Franchisee shall maintain full, complete and accurate

books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Manual or otherwise in writing. Franchisee shall retain during the term of this Agreement, and for three (3) years thereafter, all books and records related to the Franchised Business including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law. Franchisor retains the right to outsource all accounting functions to a third party at negotiated prices.

12.2 Gross Sales Reports

Franchisee shall maintain an accurate record of Gross Sales and shall deliver to Franchisor a signed and verified statement of Gross Sales ("Gross Sales Report") for each month in a form and through a method that Franchisor approves or provides in the Manual. The Gross Sales Report for the preceding month must be provided to Franchisor by the close of business on the tenth (10th) day of each month. If the tenth (10th) day of the month falls on a Sunday, Franchisee shall submit the Gross Sales Report on the eleventh (11th) day of the month. Notwithstanding the timely filing of the monthly Gross Sales Report, Franchisee shall pay Royalty Fees as set out in Section 3.4 above and shall incur interest and late fees pursuant to Section 3.10 above.

12.3 Financial Statements

Franchisee shall supply monthly to Franchisor on or before the end of the following month in a form approved by Franchisor, a balance sheet as of the end of the preceding month and an income statement for the preceding month and the fiscal year-to-date. Franchisee shall, at its expense, submit to Franchisor within forty-five (45) days after the end of each calendar year, an income statement for the calendar year just ended and a balance sheet as of December 31 of such year. Such financial statements shall be prepared in accordance with Generally Accepted Accounting Principles ("GAAP") applied on a consistent basis. If required by Franchisor, such financial statements shall be reviewed or audited by a certified public accountant. Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Manual or otherwise in writing.

12.4 Other Reports

Franchisee shall submit to Franchisor copies of all state sales tax returns required to be filed with the appropriate governmental agency and such other records as Franchisor may reasonably request from time to time or as specified in the Operations Manual. Franchisor shall have the right to release financial and operational information relating to the Franchised Business to Franchisor's current or prospective lenders or investors. Franchisee shall certify as true and correct all reports to be submitted pursuant to this Agreement.

12.5 Computer System

Franchisee shall purchase, install and use computer systems including at least one laptop, consisting of hardware and software in accordance with Franchisor's specifications. Franchisee shall use the computer system to maintain its business records, customer information and sales and other

financial information in a format that may be specified by Franchisor in the Manual or by other written communication. Franchisor shall, at all times, have full access to all of Franchisee's computer and sale data and systems and all related information by means of direct access, either in person or by telephone, modem or Internet to permit Franchisor to verify Franchisee's compliance with its obligations under this Agreement.

12.6 Right to Inspect

Franchisor or its designee has the right, during normal business hours, to examine copy and audit the books, records and tax returns of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of eighteen percent (18%) per annum (or the highest rate allowed by the law of the state where Franchisee is located, whichever is higher). If an audit discloses an underpayment of three percent (3%) or more of the amount due for any period covered by such audit, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have. If no discrepancies are found then Franchisor shall incur the cost for the audit.

12.7 Release of Records

At Franchisor's request, Franchisee shall authorize and direct any third parties, including accounting professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Gross Sales, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor. Franchisor shall accept copies of documents provided under third party supervision.

13. STANDARDS OF OPERATION

13.1 Authorized Products, Services and Suppliers

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality services and products to its customers. Accordingly, Franchisee shall provide only those services, sell only those products and use only those vendors or suppliers, supplies, signs, equipment and other products that Franchisor approves in advance (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. If required by Franchisor, any such products and/or services shall be purchased or distributed only from "Approved Suppliers" that Franchisor designates or approves (which might include, or be limited to, Franchisor or its Affiliate). Franchisee shall not provide or offer for sale through the Franchised Business or from the Approved Location any services or products that Franchisor has not first approved.

13.1.2 Franchisor shall provide Franchisee, in the Operations Manual, or other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, signs, equipment and other approved or specified products, and Franchisor may from time to time issue revisions to such list. If Franchisor or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor or an Affiliate. If Franchisee desires to offer for sale or use any product that Franchisor has not approved (for products that require supplier approval), Franchisee shall provide that supplier with Franchisor's contact information to enable vendor to furnish Franchisor sufficient information, specifications and/or samples for Franchisor, pursuant to the procedure set out in the Operations Manual, to determine whether the product complies with standards and specifications, or whether the supplier meets its Approved Supplier criteria. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor, in its discretion, deems confidential.

13.1.3 Notwithstanding anything contrary in this Agreement, Franchisor has the right to review from time to time its approval of any products or suppliers. Franchisor may revoke its approval of any product or supplier at any time, and in its sole discretion, by notifying Franchisee or the supplier. Franchisee shall, at its own expense, promptly cease using any products disapproved by Franchisor and shall promptly cease purchasing from suppliers disapproved by Franchisor.

13.1.4 Franchisor has the right to designate certain services and products, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. Franchisor has the right, in its sole discretion from time to time, to give its consent to one (1) or more franchisees to provide certain services or use certain products not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 10.4 and shall not create any rights in Franchisee to provide the same services or use the same products.

13.1.5 Franchisor may receive volume rebates, markups, and other tangible monetary amounts from suppliers or in connection with the furnishing of supplies or suppliers to Franchisee.

13.1.6 Franchisee shall comply with all terms, conditions, and obligations of all contracts and arrangements with suppliers, including contracts and arrangements negotiated by Franchisor or third parties as part of a network or multiple-franchise supply and distribution arrangement, and Franchisee's contracts with and obligations to suppliers. Franchisee shall promptly pay all suppliers in accordance with the agreed-upon terms. In the event Franchisee fails to promptly pay one or more suppliers as required, Franchisor may, but is not required to, pay such suppliers on behalf of Franchisee, and Franchisee shall promptly reimburse Franchisor for such payment following notice from Franchisor, or Franchisor may obtain payment through electronic fund transfer procedures.

13.2 Appearance and Condition of the Franchised Business

Franchisee shall maintain the premises of the Franchised Business and any vehicles, furniture, fixtures, equipment and signage in "like new" condition. The expense of such maintenance

shall be borne by Franchisee and shall be in addition to any required System modifications as described in Section 10.3.

13.3 Ownership and Management

The Franchised Business shall, at all times, be under the direct full time day to day supervision of Franchisee or Franchisee's Designated Manager as defined in Section 1 of this Agreement, and cannot be initially operated by an absentee owner. The Franchisee or Designated Manager shall devote his or her full-time efforts to the management of the day-to-day operation of the Franchised Business. "Full-time" means the expenditure of at least thirty-five (35) hours per week, excluding vacation, sick leave and similar absences, unless otherwise approved in writing by Franchisor. Franchisee shall immediately notify Franchisor should the identity of its Designated Manager change.

13.4 Contributions and Donations

In order to protect the Marks, Franchisee must obtain Franchisor's prior written consent (via email is allowed) before making any contributions or donations of items, services or funds to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any organization). Franchisor may withhold any such consent in its sole and absolute discretion.

13.5 Licenses and Permits

Franchisee shall secure and maintain in force all required licenses, permits and certificates necessary for the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations. Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Franchised Business. Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Franchised Business.

13.6 Notification of Proceedings

Franchisee shall notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee or the Franchised Business, and of the issuance of any order, writ, injunction, judgment, award or decree which may affect the operation or financial condition of the Franchised Business and provide a copy of any documentation of any such commencement of a suit or proceeding or any order, writ, injunction, award or decree not more than five (5) days after notice of such commencement or issuance. Franchisee shall deliver to Franchisor not more than five (5) days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation.

13.7 Compliance with Good Business Practices

Franchisee acknowledges that the quality of customer service and every detail of appearance and demeanor of Franchisee and its employees is material to this Agreement and the relationship created hereby. Therefore, Franchisee shall endeavor to maintain high standards of quality and service in the operation of the Franchised Business. Franchisee shall at all times give prompt, courteous and efficient service to customers of the Franchised Business. The Franchised Business shall in all dealings with its customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee did not fairly handle a customer complaint, Franchisor has the right to intervene and satisfy the customer. Franchisor has the right to terminate this Agreement for repeated violation of this Section. Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in servicing a customer of the Franchised Business pursuant to this Section.

13.8 Uniforms

Franchisee shall abide by any uniform requirements stated in the Operations Manual. Uniforms, if required, must be purchased from an Approved Supplier, if such is designated, or if none, then a supplier who meets Franchisor's specifications and quality standards for uniforms.

13.9 Best Efforts

Franchisee shall use its best efforts to promote and increase the sales and recognition of services offered through the Franchised Business. Franchisee shall require all of Franchisee's employees, managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all services and products provided as part of the System.

13.10 E-Mail

Franchisee shall, at all times and at Franchisee's expense, maintain an e-mail address and account for communicating with Franchisor. Franchisee will use the ARCpoint domain with first initial and last name @arcpointlabs.com as their e-mail address. Franchisor initiates, activates, and maintains full ownership and control of this email address and may set protocols and procedures for Franchisee to follow regarding use of this email address and any other email address assigned to the Franchised Business. Additional email addresses shall be assigned to the Franchised Business at Franchisor's discretion and per Franchisor's protocol and procedures as outlines in the Operations Manual or other written communications. Neither Franchisee nor any other person employed by the Franchised Business will be allowed to communicate with vendors, customers, or potential customers or any other person or entity on behalf of the Franchised Business using an email address that was not initiated or activated by and under Franchisor's full control. Franchisor reserves the right to suspended Franchisee's email upon default under any provision herein.

13.11 National/Regional/State ("NRS") Accounts

Franchisor shall have the right to designate certain of Franchisee's clients as NRS accounts, if they meet specific criteria detailed in the Operations Manual. Franchisor shall further evaluate a client account for NRS designation if it first meets a specific baseline definition: a company, organization, or client that requires services at multiple locations, or that require providing services to a number of people so that it extends beyond your ability to directly service the account. Franchisor's Operations Manual provides additional examples and definitions of an NRS account.

Franchisee shall notify Franchisor of all potential clients that fall meet the baseline definition of a NRS account. Franchisor shall further analyze the account, per the criteria in the Operations Manual, to determine if the account will be designated NRS. Franchisor shall administer all NRS accounts through the Third Party Administrator ("TPA") program as further set out in the Operations Manual.

Franchisor reserves the right to market directly to, solicit, and establish NRS accounts for the benefit of the entire system, no matter the location, provided the account meets the criteria as set out in the Operations Manual.

14. INSURANCE

14.1 Types and Amounts of Coverage

At its sole expense, Franchisee shall procure within sixty (60) days of the Effective Date, and maintain in full force and effect during the term of this Agreement, the types of insurance listed below. All policies, except those identified in Section 14.1.2, shall expressly name Franchisor as an additional insured or loss payee and shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns. Franchisee must also require any physicians and/or other health care providers, that provide services to the franchised business, and who are required by law to carry medical malpractice insurance, to provide Franchisee with written documentation of their current medical malpractice insurance coverage. Franchisee shall furnish this documentation to Franchisor, upon demand.

In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:

14.1.1 "all risk" property insurance coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Franchised Business. Franchisee's property insurance policy shall include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost;

14.1.2 workers' compensation insurance that complies with the statutory requirements of the state in which the Franchised Business is located and employer liability coverage with a minimum limit of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) or, if higher, the statutory minimum limit as required by state law;

14.1.3 comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Franchised Business, or Franchisee's conduct of business pursuant to this Agreement, with a minimum liability coverage of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence or, if higher, the statutory minimum limit required by state law;

14.1.4 errors and omissions insurance, whether as a stand-alone policy or as part of the comprehensive general liability insurance, against claims for negligence in connection with the performance of ARCpoint services, including specimen collection, analysis and testing and test or result reporting, with a minimum liability coverage of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence or, if higher, the statutory minimum limit required by state law;

14.1.5 business interruption insurance in amounts and with terms acceptable to Franchisor;

14.1.6 automobile liability insurance for owned or hired vehicles with a combined single limit of at least ONE MILLION DOLLARS (\$1,000,000.00) or, if higher, the statutory minimum limit required by state law; and

14.1.7 such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 20.3.

14.2 Future Increases

Franchisor has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances.

14.3 Carrier Standards

Such policies shall be written by an insurance company licensed in the state in which Franchisee operates, and having at least an "A" Rating Classification and within the Financial Size Category "IX" or higher, each as indicated in A.M. Best's Key Rating Guide. Although A.M. Best groups "A" and "A" in the same classification, Franchisor demands an "A" rating.

14.4 Evidence of Coverage

Franchisee's obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 20.3. Franchisee shall provide, annually, copies of their insurance policies showing compliance with the foregoing requirements. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days prior written notice to Franchisor and shall reflect proof of payment of premiums.

14.5 Failure to Maintain Coverage

Should Franchisee not procure and maintain insurance coverage as required by this Agreement, Franchisor has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

15. DEFAULT AND TERMINATION

15.1 Termination by Franchisee

If Franchisee is in full compliance with all of the terms of this Agreement and Franchisor materially breaches this Agreement and fails to commence reasonable efforts to cure such breach within thirty (30) days after receiving written notice identifying the claimed breach, Franchisee may elect to terminate this Agreement unless the breach cannot reasonably be cured within such thirty (30) days. If the breach cannot reasonably be cured in such thirty (30) days, Franchisee may elect to terminate this Agreement only if Franchisor does not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish Franchisee reasonable proof of such efforts.

15.2 Termination by Franchisor

15.2.1 Franchisor has the right to terminate this Agreement, without any opportunity to cure by Franchisee, if Franchisee:

15.2.1.1 fails to timely select an approved site for or establish and equip and commence operations of the Franchised Business pursuant to Section 5;

15.2.1.2 fails to satisfactorily complete the training program pursuant to Section 8;

15.2.1.3 made any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement;

15.2.1.4 is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business;

15.2.1.5 after notices to cure fails to refrain from activities, behavior or conduct likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business;

15.2.1.6 discloses, duplicates or otherwise uses in an unauthorized manner any portion of the Manual or any other Confidential Information;

15.2.1.7 if required by Franchisor, fails to have any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and all employees of Franchisee, execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Attachment 2, upon execution of this Agreement or prior to each such person's affiliation with Franchisee or fails to provide Franchisor with copies of all nondisclosure and non-competition agreements signed pursuant to Section 7.4 if requested by Franchisor;

15.2.1.8 abandons, fails or refuses to actively operate the Franchised Business for five (5) or more consecutive days (unless the Franchised Business has not been operational for a purpose approved by Franchisor) or, if first approved by Franchisor, fails to promptly relocate the Franchised Business Office following the expiration or termination of the lease for the Approved

Location, the sale of the Approved Location, the destruction or condemnation of the Approved Location or any other event rendering the Approved Location unusable;

15.2.1.9 surrenders or transfers control of the operation of the Franchised Business without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in Franchisee of a deceased or incapacitated owner thereof, as herein required;

15.2.1.10 fails to maintain the Franchised Business under the primary supervision of a Designated Manager during the one hundred eighty (180) days following the death or Incapacity of Franchisee or any holder of a legal or beneficial interest in Franchisee, pursuant to Section 17.6;

15.2.1.11 submits to Franchisor on two (2) or more separate occasions at any time during the term of the Franchise any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to Franchisor by more than three percent (3%) for any accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;

15.2.1.12 is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless *supersedes* bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against its Approved Location or equipment is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed;

15.2.1.13 misuses or makes an unauthorized use of any of the Marks, Trade Secrets or Confidential Information or commits any other act which can reasonably be expected to impair the goodwill associated with any of the Marks;

15.2.1.14 fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee, Marketing Fund Contribution, amounts due for purchases from Franchisor and any Affiliate, or other payment when due to Franchisor or any Affiliate, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

15.2.1.15 continues to violate any health or safety law, ordinance or regulation, or operates the Franchised Business in a manner that presents a health or safety hazard to its customers, employees or the public;

15.2.1.16 engages in any activity exclusively reserved to Franchisor;

15.2.1.17 fails to comply with any applicable law or regulation within ten (10) days after being given notice of noncompliance;

15.2.1.18 repeatedly breaches this Agreement or repeatedly fails to comply with mandatory specifications, customer service standards or operating procedures prescribed in the Manual, whether or not previous breaches or failures are cured; or

15.2.1.19 defaults under any other agreement between Franchisor (or an Affiliate) and Franchisee, such that Franchisor or its Affiliate, as the case may be, has the right to terminate such agreement or such agreement automatically terminates.

15.2.2 Except as otherwise provided in Section 15.2.1, upon any other default by Franchisee or upon Franchisee's failure to comply with any mandatory specification, standard or operating procedure prescribed in the Manual or otherwise prescribed in writing, Franchisor has the right to terminate this Agreement by giving notice of such termination at least thirty (30) days before the effective date of the termination stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such default or failure before the effective date of termination, or provide proof acceptable to Franchisor that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination.

15.2.2.1 within ten (10) days of receiving notice of Franchisee's failure to maintain insurance as specified in Section 14 of this Agreement.

15.3 Reinstatement and Extension

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, Franchisor may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

15.4 Right of Franchisor to Discontinue Sales to Franchisee

If Franchisor delivers to Franchisee a notice of termination pursuant to Section 15.2.2, in addition to Franchisor's other remedies, Franchisor and its Affiliate(s) reserve the right to suspend the sale of any services or products to Franchisee for which Franchisor or an Affiliate is an Approved Supplier until such time as Franchisee corrects the default.

15.5 Right of Franchisor to Operate Franchised Business

Following the delivery of a notice of termination pursuant to Section 15.2.2 if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume the operation of the Franchised Business until such time as Franchisee corrects the breach. Franchisor may charge a management fee as stated in the Manual from time to time, currently equal to Six HUNDRED DOLLARS (\$600.00) per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business.

16. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

16.1 Actions to be Taken

Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee shall:

16.1.1 immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

16.1.2 cease to use the Trade Secrets, Confidential Information, the System and the Marks including, without limitation, all signs, slogans, symbols, logos, advertising materials, stationery, forms and any other items which display or are associated with the Marks;

16.1.3 upon demand by Franchisor, at Franchisor's sole discretion, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease), its interest in the lease then in effect for the Approved Location to Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

16.1.4 take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "ARCpoint", "ARCpoint Labs", or any other Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

16.1.5 pay all sums owing to Franchisor and its Affiliate. In the event of termination for any default of Franchisee, such sums shall include, but shall not be limited to, all damages, costs and expenses, including reasonable attorneys' fees with respect to litigation, arbitration, appellate or bankruptcy proceedings, unpaid Royalty Fees, loss of future Royalty Fee payments incurred by Franchisor as a result of an early termination of this Agreement and any other amounts due to Franchisor or its Affiliate;

16.1.6 pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

16.1.7 immediately return to Franchisor the Manual and all other Confidential Information including records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property), and permanently remove from Franchisee's computer or computer data storage devices any electronic copy or backup of the Manual and all other Confidential Information;

16.1.8 assign all telephone listings and numbers for the Franchised Business to Franchisor and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Marks in any regular, classified or other telephone directory listing and shall authorize transfer of same to or at the direction of Franchisor; and

16.1.9 comply with all other applicable provisions of this Agreement.

16.2 Post-Termination Covenant Not to Compete

16.2.1 Franchisee acknowledges that the restrictive covenants contained in this Section are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

16.2.1.1 to protect the trade secrets of Franchisor;

16.2.1.2 to induce Franchisor to grant a franchise to Franchisee; and

16.2.1.3 to protect Franchisor against its costs in training Franchisee and its officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities).

16.2.2 Except as otherwise approved of in writing by Franchisor, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, shall, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

16.2.2.1 within any territory operated by Franchisee at the time of termination, or 50 miles from the boundary of any such territory, engage in any Competitive Business without the express written consent of Franchisor; or

16.2.2.2 within any territory operated by Franchisee at the time of termination, or 50 miles from the boundary of any such territory, solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisor to compete against or terminate or modify her, his or its employment or business relationship with Franchisor.

16.2.3 In furtherance of this Section, Franchisor has the right to require certain individuals to execute standard form nondisclosure or non-competition agreements in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Attachment B.

16.3 Unfair Competition

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute

Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with Franchisor. This Section is not intended to grant Franchisee a right to operate other businesses and in no way is it intended to contradict Sections 16.1, 16.2, or Attachment B. If Franchisor elects not to receive an assignment or sublease of the Approved Location, Franchisee shall make such modifications or alterations to the Approved Location (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Approved Location. Franchisee shall make such specific additional changes to the Approved Location as Franchisor may reasonably request for that purpose including, without limitation, removal of all trade dress or other physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Approved Location for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

16.4 Franchisor's Option to Purchase Certain Business Assets

Franchisor has the right (but not the duty), for a period of thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Business including equipment, supplies and other inventory. The purchase price shall be equal to the assets' fair market value, as determined by an independent appraiser. If Franchisor elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price.

16.5 Survival of Certain Provisions

All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

17. TRANSFERABILITY OF INTEREST

17.1 Transfer by Franchisor

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by Franchisor and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor hereunder and Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement.

17.2 Transfer by Franchisee to a Third Party

The rights and duties of Franchisee as set forth in this Agreement, and the Franchise herein granted, are personal to Franchisee (or its owners), and Franchisor has entered into this Agreement in reliance upon Franchisee's personal or collective skill and financial ability. Accordingly, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee may sell, assign, convey,

give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the Approved Location used in operating the Franchised Business, its assets or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement. If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

17.2.1 Franchisee has complied with the requirements set forth in Section 18;

17.2.2 all obligations owed to Franchisor, and all other outstanding obligations relating to the Franchised Business, are fully paid and satisfied;

17.2.3 Franchisee (and any transferring owners, if Franchisee is a business entity) has executed a general release, in a form the same as or similar to the General Release attached as Exhibit A, of any and all claims against Franchisor, including its officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), in their corporate and individual capacities including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the Franchise; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law;

17.2.4 the prospective transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require in its sole discretion, to demonstrate ability to conduct the Franchised Business;

17.2.5 the transferee and, if Franchisor requires, all persons owning any interest in the transferee, have executed the then-current franchise agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee and Marketing Fund Contribution rates and other material provisions, and the franchise agreement then executed shall be for the term specified in such agreement;

17.2.6 the transferee has executed a general release, in a form the same as or similar to the General Release attached as Exhibit A, of any and all claims against Franchisor and its officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities, in their corporate and individual capacities, with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee;

17.2.7 Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise;

17.2.8 Franchisee, or the transferee, has paid to Franchisor a transfer fee in the amount of TWENTY THOUSAND DOLLARS (\$20,000).

17.2.9 the transferee, or all holders of a legal or beneficial interest in the transferee, has agreed to be personally bound jointly and severally by all provisions of this Agreement for the remainder of its term by executing a personal guaranty in such form as prepared by Franchisor;

17.2.10 Transferee has agreed to be bound to the obligations of the new franchise agreement and to guarantee the full performance thereof by the transferee, if required by Franchisor;

17.2.11 the transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the Approved Location) and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

17.2.12 Franchisee has, and if Franchisee is an entity, all of the holders of a legal and beneficial interest in Franchisee have, executed and delivered to Franchisor a nondisclosure and non-competition agreement in a form satisfactory to Franchisor, and in substance the same as the nondisclosure and non-competition covenants contained in Sections 7 and 16; and

17.2.13 Prior to assuming the management of the day-to-day operation of the Franchised Business, the transferee's Designated Manager shall complete, to Franchisor's satisfaction, a training program in substance similar to the initial training described in Section 8.1.

17.3 Transfer to a Controlled Entity

17.3.1 If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity which shall be entirely owned by Franchisee ("Controlled Entity"), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

17.3.1.1 the Controlled Entity is newly organized and its charter provides that its activities are confined exclusively to the operation of the Franchised Business;

17.3.1.2 Franchisee or all holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

17.3.1.3 all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the Controlled Entity shall be required to pay a transfer fee, as required, pursuant to Section 17.2.8;

17.3.1.4 the Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Franchised Business. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

17.3.1.5 all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;

17.3.1.6 each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

17.3.1.7 copies of the Controlled Entity's articles of incorporation or organization, bylaws, operating agreement, and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption.

17.3.2 The term of the transferred franchise shall be the unexpired term of this Agreement, including all renewal rights, subject to any and all conditions applicable to such renewal rights.

17.3.3 Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Franchised Business, shall not constitute a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

17.4 Franchisor's Disclosure to Transferee

Franchisor has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Franchised Business or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Franchised Business by an intended transferee identified by Franchisee.

17.5 For-Sale Advertising

Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Franchised Business, or in any communication media, any form of advertising relating to the sale of the Franchised Business or the rights granted hereunder.

17.6 Transfer by Death or Incapacity

17.6.1 Upon the death or Incapacity of Franchisee (if Franchisee is an individual) or any holder of a legal or beneficial interest in Franchisee (if Franchisee is a business entity), the appropriate representative of such person (whether administrator, personal representative or trustee) will, within a reasonable time not exceeding one hundred eighty (180) days following such event,

transfer such individual's interest in the Franchised Business or in Franchisee to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement, unless such assignment or transfer is to an immediate family member (brother, sister, spouse, son, daughter, mother, or father) of Franchisee (if Franchisee is an individual) or any holder of a legal or beneficial interest in Franchisee (if Franchisee is a business entity), or is prohibited by the laws of the state wherein Franchisee resided, with such choice law provision being applicable only for this Section 18.6. During that one hundred eighty (180) day period, the Franchised Business must be under the primary supervision of a Designated Manager who otherwise meets Franchisor's management qualifications.

17.6.2 Following such death or Incapacity of such person as described in Section 17.6, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume operation of the Franchised Business until the deceased or incapacitated owner's interest is transferred to a third party approved by Franchisor. Franchisor may charge a management fee as stated in the Manual from time to time, currently equal to SIX HUNDRED DOLLARS (\$600.00) per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business.

18. RIGHT OF FIRST REFUSAL

18.1 Submission of Offer

If Franchisee, or any of its owners, proposes to sell the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a *bona fide*, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Franchisor, except with regards to a sale or transfer to a family member. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

18.2 Franchisor's Right to Purchase

Franchisor shall, for thirty (30) days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to Franchisee. Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty (90) days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

18.3 Non-Exercise of Right of First Refusal

If Franchisor does not exercise this right of first refusal within thirty (30) days from the date of delivery of all such documents, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by Section 17. Should the sale fail to close within one hundred twenty (120) days after the offer is delivered to Franchisor, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section.

19. BENEFICIAL OWNERS OF FRANCHISEE

Franchisee represents, and Franchisor enters into this Agreement in reliance upon such representation, that the individuals identified in Attachment D are the sole holders of a legal or beneficial interest (in the stated percentages) of Franchisee.

20. RELATIONSHIP AND INDEMNIFICATION

20.1 Relationship

This Agreement does not appoint or make Franchisee an agent, legal representative, joint venture, partner, employee, servant or independent contractor of Franchisor for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the term of this Agreement, and any extension or successor hereof, Franchisee shall hold itself out to the public only as a franchisee and an owner of the Franchised Business operating pursuant to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice in the form specified in Section 6.2 (or as otherwise specified by Franchisor) on all forms, stationery or other written materials. Under no circumstances shall Franchisor be liable for any act, omission, contract, debt or any other obligation of Franchisee. In no event shall this Agreement or any conduct pursuant hereto make Franchisor a fiduciary with respect to Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Business. Any third party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone.

20.2 Standard of Care

This Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain Franchisor's written consent or permits Franchisee to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Franchisee or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation.

20.3 Indemnification

Franchisee shall hold harmless and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities, successors and assigns (collectively "Franchisor Indemnities") from and against all losses,

damages, fines, costs, expenses or liability (including reasonable attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon Franchisee's (a) ownership or operation of the Franchised Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or any Affiliate); (d) defamation of Franchisor or the System; (e) acts, errors or omissions committed or incurred in connection with the Franchised Business, including any negligent or intentional acts; or (f) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Confidential Information. The obligations of this Section 21.3 shall expressly survive the termination of this Agreement.

20.4 Right to Retain Counsel

Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnitee. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If Franchisor's exercise of its rights under this Section causes any of Franchisee's insurers to refuse to pay a third party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

21. GENERAL CONDITIONS AND PROVISIONS

21.1 No Waiver

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

21.2 Injunctive Relief

As any breach by Franchisee of any of the restrictions contained in Sections 6, 7, and 16 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be

entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated and Franchisee shall be responsible for Franchisor's reasonable attorneys' fees incurred in pursuing the same. Franchisor's right to seek injunctive relief will not affect the parties' waiver of jury trial and covenant to arbitrate all disputes in accordance with Section 22.7. Franchisor's rights herein shall include pursuing injunctive relief through arbitration or in the state or federal court.

21.3 Notices

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by Registered Mail, return receipt requested. All notices shall be sent to Franchisee at the address listed on page one (1) of this Agreement or such other address as Franchisee may designate in writing to Franchisor. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address:

ARCpoint Franchise Group, LLC
Attention: President
220 North Main St. Suite 325
Greenville, South Carolina 29601

21.4 Cost of Enforcement or Defense

If Franchisor or Franchisee is required to enforce this Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, in connection with such proceeding.

21.5 Unlimited Guaranty and Assumption of Obligations

All holders of a legal or beneficial interest in Franchisee of five percent (5%) or greater shall be required to execute, as of the date of this Agreement, the Unlimited Guaranty and Assumption of Obligations attached as Exhibit C, through which such holders agree to assume and discharge all of Franchisee's obligations under this Agreement and to be personally liable hereunder for all of the same.

21.6 Approvals

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties nor guarantees upon which Franchisee may rely, and assumes no liability nor obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

21.7 Entire Agreement

This Agreement, its exhibits and the documents referred to herein shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof, and shall supersede all prior agreements. No other representation, oral or otherwise, has induced Franchisee to execute this Agreement, and there are no representations (other than those within Franchisor's ARCpoint Disclosure Document), inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with respect to the matters set forth in or contemplated by this Agreement or otherwise. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties. Nothing in the Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

21.8 Severability and Modification

21.8.1 Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable, and if any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of nor affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement; provided, however, that if Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement. Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

21.8.2 Notwithstanding the above, each of the covenants contained in Sections 7 and 16 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Confidential Information or on competition to the maximum extent provided or permitted by law.

21.9 Construction

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

21.10 Force Majeure

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

21.11 Timing

Time is of the essence. Except as set forth in Section 21.10, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

21.12 Withholding Payments

Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to any Affiliate. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

21.13 Further Assurances

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

21.14 Multiple Originals

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

22. DISPUTE RESOLUTION**22.1 Choice of Law**

Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina (without reference to its conflict of laws principles), excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law, as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

22.2 Venue

Any action brought by either party, except those claims required to be submitted to arbitration, shall be brought, if at all, solely in the appropriate state or federal court located in or serving Greenville County, South Carolina. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. The parties hereby submit to service of process by registered mail, return receipt requested, or by any other manner provided by law. Franchisor may also bring claims for injunctive relief against the Franchisee where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

22.3 Cumulative Rights and Remedies

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

22.4 Limitations of Claims

Any claim concerning the Franchised Business or this Agreement or any related agreement will be barred unless an action for a claim is commenced within one (1) year from the date on which Franchisee or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

22.5 Limitation of Damages

Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other, and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees as provided in Section 21.4. Franchisee waives and disclaims any right to consequential damages in any action or claim against Franchisor concerning this Agreement or any related agreement. In any claim or action, whether through litigation or arbitration, brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Franchise Fee and Royalty Fee payments.

22.6 Waiver of Jury Trial

Franchisee and Franchisor each irrevocably waive trial by jury in any action, whether at law or equity, brought by either of them against the other.

22.7 Arbitration

This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained herein. Except for controversies or claims relating to the ownership of any of Franchisor's Marks, the unauthorized use or disclosure of Franchisor's Confidential Information or covenants against competition, all disputes arising out of or relating to this Agreement, to any other agreements between the parties, or with regard to any of the dealings between the parties, shall be settled by binding arbitration conducted in Greenville County, South Carolina, in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") then in effect. A single arbitrator agreed upon by the parties or otherwise appointed by the AAA shall conduct the proceedings. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

Franchisee acknowledges that it has read the terms of this binding arbitration provision and affirms that this provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on the part of Franchisor or any of Franchisor's agents or employees.

23. ACKNOWLEDGMENTS

23.1 Receipt of this Agreement and the Uniform Franchise Disclosure Document

Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Uniform Franchise Disclosure Document; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee further represents and acknowledges that it has received, at least fourteen (14) calendar days prior to the date on which this Agreement was executed, the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures.

23.2 Consultation by Franchisee

Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so.

23.3 True and Accurate Information

Franchisee represents that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

23.4 Risk

Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in an ARCpoint Business involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Franchisee. Franchisor makes no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

23.5 No Guarantee of Success

Franchisee represents and acknowledges that it has not received or relied on any guarantee, express or implied, as to the revenues, profits or likelihood of success of the Franchised Business. Franchisee represents and acknowledges that there have been no representations by Franchisor's directors, employees or agents that are not contained in, or are inconsistent with, the statements made in the Uniform Franchise Disclosure Document or this Agreement.

23.6 No Violation of Other Agreements

Franchisee represents that its execution of this Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party.

Signatures on following page

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

ARCPOINT FRANCHISE GROUP, LLC

By: 

Name: Felix Miranda

Title: CEO

FRANCHISEE: Lesly Datlow

Signed: 

Name printed: Lesly Datlow

Address: 1187 Wilmette, #313
Wilmette, IL 60091

Schedule 1

Schedule of Territory Zip Codes

The Protected Territory Evanston (Chicago North) is defined as including the following zip codes:

60022
60043
60076
60077
60091
60093
60201
60202
60203
60204
60208
60209
60625
60626
60645
60659
60660
60712

ATTACHMENT A TO THE FRANCHISE AGREEMENT**GENERAL RELEASE**

THIS GENERAL RELEASE is made and given on this ____ day of _____, 20____ by _____, ("RELEASOR"), in consideration of:

_____ the execution by ARCpoint Franchise Group, LLC, an South Carolina limited liability ("RELEASEE") of a successor franchise agreement or other renewal documents renewing the franchise (the "Franchise") granted to RELEASOR by RELEASEE pursuant to that certain franchise agreement (the "Franchise Agreement") between RELEASOR and RELEASEE; or

_____ RELEASEE'S consent to RELEASOR'S assignment of its rights and duties under the Franchise Agreement; or

_____ RELEASEE'S consent to RELEASOR'S assumption of rights and duties under the Franchise Agreement; or

_____ RELEASEE'S refund of twenty-five percent (25%) of the Franchise Fee RELEASOR paid to RELEASEE,

and other good and valuable consideration, the adequacy of which is hereby acknowledged, and accordingly RELEASOR hereby releases and discharges RELEASEE, RELEASEE'S officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), and RELEASEE'S successors and assigns, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASOR and RELEASOR'S heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE arising out of or related to the Franchise or the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR and RELEASEE.

The general release required as a condition of sale shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

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

RELEASOR: _____
(type/print name)

By: _____

Name: _____

Title: _____

(or, if an individual)

Signed: _____

Name printed: _____

ACKNOWLEDGMENT

State of _____)
) ss
County of _____)

On this ____ day of _____, 20____ before me personally came _____, known to me to be the same person whose name is signed to the foregoing General Release, and acknowledged the execution thereof for the uses and purposes therein set forth, [and who did swear and say that he/she is the _____ (title) of _____ (company name), and he/she has the authority to execute said General Release].

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(NOTARIAL SEAL)

Notary Public
My Commission expires:

ATTACHMENT B TO THE FRANCHISE AGREEMENT**NONDISCLOSURE AND NON-COMPETITION AGREEMENT**

This "Agreement" made as of the 17th day of Oct, 2013, by and between Franchisee (d/b/a an ARCpoint Franchise), the below named Individual, and ARCpoint Franchise Group, LLC ("Franchisor" or "Company").

WITNESSETH:

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated Oct 17, 2013 ("Franchise Agreement") by and between Franchisee and ARCpoint Franchise Group, LLC ("Company"); and

WHEREAS, Franchisee desires Individual to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below; and

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said confidential materials; and

WHEREAS, Individual understands the necessity of not disclosing any such information to any other party or using such information to compete against Company, Franchisee or any other franchisee of Company in any business (i) that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) drug screening or other testing services and services and products the same as or similar to those provided by Franchisee or (ii) in which Trade Secrets and other Confidential Information (as defined below) could be used to the disadvantage of Franchisee, or Company, any affiliate of Company or Company's other franchisees (hereinafter, "Competitive Business"); provided, however, that the term "Competitive Business" shall not apply to any business operated by Franchisee under a Franchise Agreement with Company.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

1. Trade Secrets and Confidential Information

a) For the purposes of this Agreement, a "Trade Secret" is information in any form (including, but not limited to, materials and techniques, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in ARCpoint Businesses that is not commonly known by or available to the public and that information: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

b) For the purposes of this Agreement "Confidential Information" means technical and non-technical information used in or related to ARCpoint Businesses that is not commonly known by or available to the public, including, without limitation, Trade Secrets and information contained in the Manual and training guides and materials. In addition, any other information identified as confidential when delivered by Franchisee shall be deemed Confidential Information. Confidential Information shall not include, however, any information that: (i) is now or subsequently becomes generally available to the public through no fault of Individual; (ii) Individual can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (iii) is independently developed without the use of any Confidential Information; or (iv) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

c) Any information expressly designated by Company or Franchisee as "Trade Secrets" or "Confidential Information" shall be deemed such for all purposes of this Agreement, but the absence of designation

shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information. Individual understands Franchisee's providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Trade Secrets and other Confidential Information.

2. Confidentiality/Non-Disclosure

a) Individual shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any Trade Secrets or other Confidential Information. At all times from the date of this Agreement, Individual must take all steps reasonably necessary and/or requested by Franchisee to ensure that the Confidential Information and Trade Secrets are kept confidential pursuant to the terms of this Agreement. Individual must comply with all applicable policies, procedures and practices that Franchisee has established and may establish from time to time with regard to the Confidential Information and Trade Secrets.

b) Individual's obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Individual's relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Individual's obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venture, broker, distributor or the like in a ARCpoint Business.

3. No Harmful Acts

a) During the term of Individual's relationship with Franchisee, Individual shall not, directly or indirectly, do or perform any act injurious or prejudicial to Franchisee or Franchisor.

4. Non-Diversion

a) **In-Term.** During the term of Individual's relationship with Franchisee, Individual shall not, directly or indirectly, divert or attempt to divert any business or customer of Franchisee to any Competitive Business within the United States, by direct or indirect inducement or otherwise.

b) **Post-Term.** For a period of two (2) years after the expiration or termination of Individual's relationship with Franchisee, regardless of the cause of expiration or termination, Individual shall not, directly or indirectly, within any territory operated by Franchisee at the time of termination, or 50 miles from the boundary of any such territory, divert or attempt to divert any business or customer of Franchisee to any Competitive Business.

5. Non-Competition

a) **In-Term.** During the term of Individual's relationship with Franchisee, Individual shall not, directly or indirectly, engage in any Competitive Business anywhere in the United States without the express written Consent of Franchisor.

b) **Post-Term.** For a period of two (2) years after the expiration or termination of Individual's relationship with Franchisee, Individual shall not, directly or indirectly, within any territory operated by Franchisee at the time of termination, or 50 miles from the boundary of any such territory, engage in any Competitive Business without the express written consent of Franchisor.

6. Non-Solicitation

a) **In-Term.** During the term of Individual's relationship with Franchisee, Individual shall not, directly or indirectly, within the United States, solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisor, Franchisee, Company or any other ARCpoint Businesses to compete against, or terminate or modify his, her or its employment or business relationship with, Franchisee, Company or any other ARCpoint Businesses.

b) **Post-Term.** For a period of two (2) years after expiration or termination of Individual's relationship with Franchisee, regardless of the cause of termination, Individual shall not, directly or indirectly, within

any territory operated by Franchisee at the time of termination, or 50 miles from the boundary of any such territory, solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisee, Company or any other ARCpoint Businesses to compete against, or terminate or modify his, her or its employment or business relationship with, Franchisee, Company or any other ARCpoint Businesses.

7. Reasonableness of Restrictions

Individual acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisee, Company, and Company's Trade Secrets and other Confidential Information, the Company's business system, network of franchises and trade and service marks, and Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

8. Relief for Breaches of Confidentiality, Non-Solicitation and Non-Competition

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Company immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee and Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement without any requirement to show any actual damage or to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Company may have at law or in equity.

9. Miscellaneous

a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.

b) Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina (without reference to its conflict of laws principles). The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

c) Any action brought by any party, shall only be brought in the appropriate state or federal court located in or serving Greenville County, South Carolina. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Claims for injunctive relief may be brought by Company where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

d) Individual agrees if any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party shall be entitled to recover attorneys' fees, investigative fees, administrative fees billed by such party's attorneys, court costs and all expenses, including, without limitation, all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings incurred by the successful or prevailing party in that action or proceeding.

e) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisor and Franchisee, their affiliates, subsidiaries, successors and assigns.

f) The failure of either party to insist upon performance in any one (1) or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

g) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

h) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

i) This Agreement may be modified or amended only by a written instrument duly executed by Individual, Franchisee and Company.

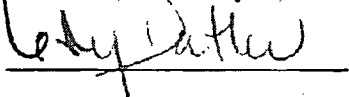
j) The existence of any claim or cause of action Individual might have against Franchisee or Company will not constitute a defense to the enforcement by Franchisee or Company of this Agreement.

k) Except as otherwise expressly provided in this Agreement, no remedy conferred upon Franchisee or Company pursuant to this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy pursuant to this Agreement shall preclude any other or further exercise thereof.

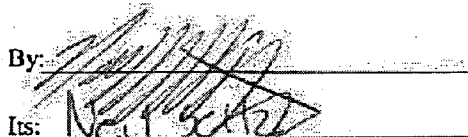
INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.

IN WITNESS WHEREOF, Franchisee, Individual, and Franchisor have caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, all being done in duplicate originals with one (1) original being delivered to each party as of the day and year first above written.

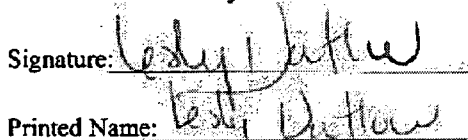
FRANCHISEE: Lesly Datlow



INDIVIDUAL: Neil Seltz

By: 
Its: 

INDIVIDUAL: Lesly Datlow

Signature: 
Printed Name: 

ARCPONT FRANCHISE GROUP, I.L.C.



Felix Mirando, CEO

ATTACHMENT C TO THE FRANCHISE AGREEMENT**UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS**

THIS UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this 17th day of October, 2013, by the below named Guarantor(s).

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date herewith ("Agreement") by ARCpoint Franchise Group, LLC ("Franchisor"), each of the undersigned hereby personally and unconditionally guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement. Each of the undersigned shall be personally bound by, and personally liable for, Franchisee's breach of any provision in the Agreement, including those relating to monetary obligations and obligations to take or refrain from taking specific actions or engaging in specific activities, such as those contemplated by Sections 7 and 16 of the Agreement. Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (d) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which it may be entitled.

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

This Guaranty represents the entire agreement and understanding of these parties concerning the subject matter hereof, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

Successors and Assigns; Death of Guarantor. This Guaranty shall be binding upon Guarantor and his or her heirs, executors, administrators, successors and assigns and shall inure to the benefit of Franchisor and its successors, endorsees, transferees and assigns. Without limiting any other provision hereof, Guarantor expressly agrees that Guarantor's death shall not serve as a revocation of or otherwise affect the guaranty made hereunder and that Guarantor's estate and heirs shall continue to be liable hereunder with respect to any Guaranteed Obligations created or arising after Guarantor's death.

The validity, interpretation and enforcement of this Guaranty and any dispute arising out of the relationship between Guarantor and Franchisor, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of South Carolina (without giving effect to principles of conflicts of law).

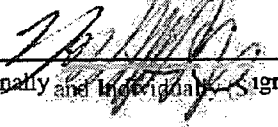
Guarantor hereby irrevocably consents and submits to the non-exclusive jurisdiction of the Courts of the State of South Carolina and the United States District Court located in or serving Greenville County, South Carolina and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Guaranty or any of the other Franchising Agreements or in any way connected with or related or incidental to the dealings of Guarantor and Franchisor in respect of this Guaranty or any of the other Franchising Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising and whether in contract, tort, equity or otherwise, and agrees that any dispute arising out of the relationship between Guarantor or

Franchisee and Franchisor or the conduct of any such persons in connection with this Guaranty, the other Franchising Agreements or otherwise shall be heard only in the courts described above (except that Franchisor shall have the right to bring any action or proceeding against Guarantor or his or her property in the courts of any other jurisdiction which Franchisor deems necessary or appropriate in order to realize on any collateral at any time granted by Franchisee or Guarantor to Franchisor or to otherwise enforce its rights against Guarantor or his or her property).

IN WITNESS WHEREOF, this Guaranty has been entered into the day and year first before written.

PERSONAL GUARANTOR

Neil Seltz
Personally and Individually (Printed Name)


Personally and Individually (Signature)

HOME ADDRESS

56 Carter Rd
Breckenridge, CO 80424

TELEPHONE NO.: 312-909-0665
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: 0 %

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

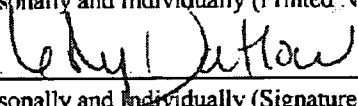
Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____ %

PERSONAL GUARANTOR

Lesly Datlow
Personally and Individually (Printed Name)


Personally and Individually (Signature)

HOME ADDRESS

56 Carter Rd
Breckenridge, CO 80424

TELEPHONE NO.: 312-217-1147
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: 100 %

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____ %

Addendum to ARCpoint Franchise Agreement

This document ("Addendum") is made on Oct. 17, 2013, by and between Lesly Datlow ("Franchisee") and ARCpoint Franchise Group, LLC ("AFG") modifies the Franchise Agreement dated Oct 17, 2013, between Franchisee and AFG.

May it be known that the undersigned parties have negotiated and agreed to modify various provisions of the Franchise Agreement, and for good consideration, do hereby agree to make the following changes and/or additions outlined below. Terms not otherwise defined in this Addendum have the meanings as defined in the Franchise Agreement.

These changes/additions shall be made valid as if they are included in the original stated Agreement. This Addendum is incorporated into the Agreement and supersedes any conflicting provisions in it. Each Party acknowledges and agrees that each reference in the Agreement shall be deemed to be a reference to the Agreement as amended by this Addendum. To the extent a conflict arises between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum shall control. Capitalized terms not otherwise defined in this Addendum have the meanings as defined in the Agreement.

Section 1 shall be modified so that the following definitions read as follows:

"Confidential Information" means any trade secret and any information or matter that is or may be used to gain a competitive advantage over Franchisor or any of its Affiliates and is not generally known by the public, whether or not in written or tangible form and regardless of the media (if any) on which it is stored, relating to the System (including knowledge and experience in operating an ARCpoint Business, product specifications, operational and production techniques and methods, record keeping and reporting methods, accounting systems, management and personnel training techniques, sales and promotion techniques, policies, procedures, standards, specifications for signs, displays, business forms and stationery, the Manual, research and development, lists of franchisees and suppliers, suggested pricing and cost information) and any other information or material identified to Franchisee by Franchisor as confidential; provided, however, notwithstanding the foregoing, Confidential Information shall not include: (i) information generally known to the public other than as a result of Franchisee's violation of its obligations in this Agreement, (ii) information known by Franchisee prior to execution of this Agreement, (iii) information required to be disclosed by order of a court of competent jurisdiction, and (iv) information which needs to be disclosed in the ordinary course of business;"

"Gross Sales" means the aggregate of all revenue actually collected by Franchisee from the sale of services and products from all sources in connection with the Franchised Business and whether by check, cash, credit or otherwise including, (a) all proceeds, received by Franchisee, from any business interruption insurance, but excluding (a) all refunds made in good faith, (b) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any

governmental taxing authority and paid thereto, (c) and the value of any allowance issued or granted to any customer of the Franchised Business that is credited by Franchisee in full or partial satisfaction of the price of any services and products offered in connection with the Franchised Business;"

Section 2.5.1 shall be modified to read as follows:

"Franchisee acknowledges that if he is in default of the Franchise Agreement, as defined in Section 15.1 below, subject to all applicable notice and cure periods, Franchisor expressly retains all rights and discretion with respect to the Marks and System, including the right to:..."

Section 2.5.2 shall be modified to read as follows:

"Franchisor retains the right to purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to the Franchised Business (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Protected Territory (a "Subject Business"). If Franchisor purchases or otherwise acquires franchises or licenses, by purchasing a Franchisor or Licensor, Franchisor may, in its sole discretion, act as franchisor or licensor with respect to such franchisees or licensees wherever located, pursuant to the individual franchise or license agreement(s) between Franchisor and such franchisee(s) or licensee(s). At the end of the franchise term under the franchise or license agreement for the acquired business, Franchisor shall offer franchisee the first right of refusal to purchase the business at fair market value, under terms of franchisor's then-current Franchise Agreement. If Franchisor purchases or acquires a non-franchised or non-licensed businesses within the Protected Territory, Franchisor shall:..."

Section 2.5.2.1 shall be modified to read as follows:

"offer the franchisee the right of first refusal to purchase such competing business in the franchisee's Protected Territory, or within 30 days of the closing on Franchisor's purchase of such business, offer franchisee first right to purchase any such businesses at the business's fair market value, to be operated as a ARCpoint Business. If franchisee does not accept the offer to purchase the business, franchisor may, at its option, sell or operate the business as it sees fit; or..."

Section 2.5.2.2 shall be modified to read as follows:

"offer the Franchisee the opportunity to operate such business(s) in partnership with Franchisor (or an Affiliate) under the business(s) existing trade name or a different trade name, with the terms of such agreement to be negotiated at that time."

Section 2.6.1 shall be modified to read as follows:

".....Franchisor shall further analyze the client's needs, per the criteria in the Operations Manual, and determine if the account will be designated an NRS account. All NRS accounts will be handled through Franchisor, as Third Party Administrator ("TPA"), with revenue from the account to be shared as designated in the Operations Manual..."

Section 2.6.2.1 shall be modified to read as follows:

"Subject to 2.6.2.2 below, Franchisee is strictly prohibited from directly marketing to, or soliciting customers, through the use of ARCpoint trademarks, or other channels of any nature, whose principal business office (or principal residence, if the client is an individual) is outside of Franchisee's Territory, without Franchisor's written permission, which will only be given in extremely compelling situations."

Section 2.6.2.2 shall be modified to read as follows:

"Franchisee may not advertise in a form of media specifically designed to be seen exclusively or predominantly in a territory other than one owned by Franchisee own (e.g.: advertising in a newspaper whose majority of subscribers live outside of your territory). Without negating the specific intent of this subsection, Franchisor acknowledges that in the situation where Franchisee's territory is a portion of a larger urban area, encompassing more than one territory, Franchisee's utilization of certain advertising media, with the intent to target only clients in Franchisee's territory, will, in fact, be seen in other territories and shall not violate 2.6.2.1 above. Advertising done via the internet, facilitated by Franchisor's approved vendors does not fall within this category of prohibited advertising."

Section 2.6.2.3 shall be modified to read as follows:

"Except as may be permitted pursuant to 2.6.2.2 above, Franchisee may only advertise and market to current or potential clients or customers, through media that is primarily directed to clients, customers, or potential clients of Franchisee's Territory, Further guidelines regarding Advertising and Marketing may be found in Item 11."

Section 4.2.6 shall be modified to read as follows:

"Franchisee has given written notice of renewal to Franchisor not less than six (6) months nor more than twelve (12) months prior to the end of the initial term;..."

Section 5.1.1 shall be added to Section 5, and shall read as follows:

"Should Franchisee and Mike Gammel, an ARCpoint Labs independent franchised business owner, ("Gammel") reach a legally binding contract, addressing Franchisee's use of Gammel's location in an adjoining Chicago-area territory, to service one of Franchisee's territories listed in their MUEDA, Franchisor agrees to approve Franchisee's use of location, if after reviewing the contract prior to execution, Franchisor, in its sole discretion, determines that the contract:

- a. is based on sound business principals,
- b. does not violate terms of either party's Franchise Agreement,
- a. does not serve to violate any fiduciary duty Franchisor owes to the remainder of the Franchise network,
- b. is in both the parties' and the Franchise network's best interests, and
- c. has been reviewed by counsel for both parties, prior to execution.

Section 5.2 shall be modified to read as follows:

"Should Franchisee fail to select a site for the Franchised Business, which meets with Franchisor's approval within 180 days after execution of the Franchise Agreement, Franchisee must submit to Franchisor, in writing, a request for an extension of time to find a suitable site, and such request will not be unreasonably denied. However, Franchisor has the right to terminate the Franchise Agreement if, Franchisee has not submitted a site for approval, nor requested an extension within 210 days of signing the Franchise Agreement.

If this Agreement is terminated pursuant to this Section 5.2, Franchisor shall return to Franchisee seventy five percent (75%) of the Franchise Fee paid by Franchisee upon Franchisor's receipt of a general release, the same as or similar to the General Release attached as Exhibit 1, releasing any and all claims against Franchisor, any Affiliate and their officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities)."

Section 5.3.7 shall be modified to read as follows:

"a provision prohibiting the premises from being used for any purpose other than the operation of the Franchised Business; however, Franchisee shall be permitted to also operate a law office out of the premises;"

Section 5.7 shall be modified to read as follows:

"Franchisee shall not use the Approved Location for any purpose other than for the operation of an ARCpoint Business in full compliance with this Agreement and the Operations Manual, unless approved in writing by Franchisor. Pursuant to paragraph 5.3.7 above, Franchisee shall have the right to operate a law office out of said location."

Section 7.2 shall be modified to read as follows:

"All ideas, concepts, techniques or materials concerning the Franchised Business, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Franchisor and will be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, with a reasonable compensation paid to Franchisee or its owners or employees, therefore, and Franchisee agrees to assign to Franchisor all right, title and interest in any intellectual property so developed. At Franchisor's discretion, such items may be incorporated into the System. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, Franchisee shall assign ownership of that item, and all related rights to that item, to Franchisor and must sign whatever assignment or other documents Franchisor requests to show Franchisor's ownership or to assist Franchisor in obtaining intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor's efforts

to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not."

Section 15.2.1.12 shall be modified to read as follows:

"if either the franchisee business or Franchisor is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless *supersedes* bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against its Approved Location or equipment is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed;

Section 17.2.8 shall be modified to read as follows:

"Franchisee, or the transferee, has paid to Franchisor a transfer fee in the amount of TWENTY THOUSAND DOLLARS (\$20,000), if transfer is made to any individual, other than the children of the Franchisee (or children of any holder of a legal or beneficial interest in the Franchisee, if Franchisee is a corporate entity), or another holder of a legal or beneficial interest in the Franchisee."

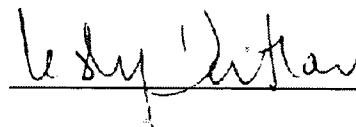
In addition to the above stated modifications, Franchisee shall receive a First Right of Refusal ("FRR") to purchase the "Evanston territory" (at the price of \$30,000.00), for which Franchisee shall sign an additional Franchise Agreement and an Addendum to the Multi-Unit Executive Development Agreement. The first right of refusal shall commence the date this Addendum is executed by Franchisee, and shall end 90 consecutive calendar days thereafter. The FRR shall be triggered when Franchisor grants financial approval to a franchise candidate, who is interested in purchasing the Evanston territory, via the usual procedure for such approvals. Once triggered, the Franchisee shall have 72 hours from the time they are notified by Franchisor, to indicate their willingness to exercise their option to purchase the territory, by signing, and forwarding to Franchisor, a Letter of Understanding (or similar document), to be followed within 15 days by a fully-executed Franchise Agreement.

No other terms or conditions of the above mentioned contract shall be negated or changed as a result of this here stated addendum.

ARCpoint Franchise Group, LLC
Felix Miranda, CEO



Franchisee: Lesly Datlow



Addendum to ARCpoint Franchise Agreement

This document is made on Oct. 17, 2013, by and between Lesly Datlow ("Franchisee") and ARCpoint Franchise Group, LLC ("AFG") modifies the Multiple Unit Executive Development Addendum ("MUEDA") dated July 16, 2013, which formed a part of three previous Franchise Agreements dated June 25, 2013, between Franchisee and AFG, and shall also form a part of the Franchise Agreement dated Oct. 17, 2013.

May it be known that the undersigned parties, for good consideration, do hereby agree to modify the above referenced MUEDA adopting, in total, the attached document labeled "**Attachment E to the Franchise Agreement ARCpoint Franchise Group, LLC Multiple Unit Executive Development Addendum**", as part of all four of the above referenced Franchise Agreements.

These changes/additions shall be made valid as if they are included in the original stated Agreement(s).

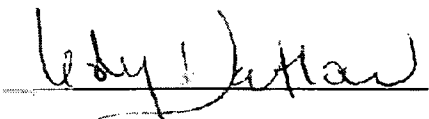
The Franchise Agreements and MUEDA shall hereby be modified by adopting, in total, the attached document labeled "**Attachment E to the Franchise Agreement ARCpoint Franchise Group, LLC Multiple Unit Executive Development Addendum**", and if it is ever found that language in the above referenced Agreements conflicts with anything contained in the attached document, the language in the attached document shall hold.

No other terms or conditions of the above mentioned contract(s) shall be negated or changed as a result of this herein stated addendum.

ARCpoint Franchise Group, LLC
Felix Miranda, CEO



Franchisee: Lesly Datlow



ATTACHMENT E TO THE FRANCHISE AGREEMENT

ARCPOINT FRANCHISE GROUP, LLC

MULTIPLE UNIT EXECUTIVE DEVELOPMENT ADDENDUM

1. Development Schedule.

Franchisee is acquiring the following multiple Protected Territories from Franchisor:

Berwyn (Chicago South)
Chicago (Chicago South)
Des Plaines (Chicago North)
Evanston (Chicago North)

Franchisor and Franchisee agree that Franchisee shall open an Approved Location in each of the above listed Territories pursuant to the following Development Schedule:

	<u>Open Date</u>	<u>Cumulative Number of Territories</u> <u>to be in Operation</u>
First Territory	November 29, 2013, or within 75 days thereafter	1
Second Territory	May 31, 2014	2
Third Territory	November 28, 2015	3
Fourth Territory	May 31, 2016	4
Fifth Territory	_____	5
Sixth Territory	_____	6
Seventh Territory	_____	7
Eighth Territory	_____	8

If Franchisee fails to meet or satisfy the timing in the above Development Schedule, Franchisor may terminate the franchise agreement(s) of Franchisee's unopened Territory(ies) by delivering notice of termination to Franchisee stating the reason for termination, but Franchisor must allow Franchisee 180 days after giving notice of termination, to cure this breach and meet Franchisee's obligations by opening the scheduled Franchised Business(es). Franchisor will refund 15% of the discounted Franchise Fees Franchisee paid for the multiple Protected Territory purchase for any Franchise(s) that Franchisee has not opened. (Example: 2nd unit 15% of \$40,000 or \$6,000; 3rd unit 15% of \$35,000 or \$5,250; 4th unit and above 15% of \$30,000 or \$4,500).

2. Royalty and Advertising Fees. Franchisor and Franchisee acknowledge that-

(a) for the first three calendar months in which Franchisee is open for business, Franchisee allows certain exceptions to payment of a \$350 minimum royalty fee pursuant to Section 3.4 of the franchise agreement;

licensed pursuant to a separate Franchise Agreement with AFG, which creates and governs the franchisor-franchisee relationship with each respective franchisee.

The Franchise Agreement sets forth, among other things, the franchisee's protected territory and the respective rights of the franchisor and franchisee within and outside of the territory; the rights and obligations with respect to marketing and solicitation; the franchisor's right to select and control the products and services offered by franchisees and the vendors and suppliers used by franchisees; the rights and obligations with respect to national, regional and state accounts; provisions to protect the franchisor's service marks and other intellectual property and the franchisor's confidential trade secrets; covenants to protect the franchisor from competition by the franchisee, its owners, executives and managers; and a provision for dispute resolution that includes a broad arbitration clause.

The nine Plaintiffs in this lawsuit are ARCpoint franchisees who operate franchises in thirteen territories in Florida, Tennessee, Arizona, Texas, Illinois and South Carolina.¹ Plaintiffs have asserted thirteen causes of action in the Complaint against AFG and ARCpoint Occupational Solutions, LLC ("AOS"), a third-party administrator of national accounts.

As set forth below, all of the disputes raised in Plaintiffs' Complaint arise out of the Franchise Agreements, are related to the Franchise Agreements, or at the very least, have a "substantial relationship" to the Franchise Agreements, and are therefore subject to mandatory arbitration.

¹ Plaintiffs' Franchise Agreements are attached to Defendants' motion as Exhibits 1 through 13. The terms of certain provisions vary among the thirteen Franchise Agreements. Exhibits 3, 6, and 9 illustrate typical variations of the provisions cited in this memorandum. For ease of reference, excerpts of Exhibits 3, 6 and 9 are included in the attached Addendum.

Argument

“The policy of the United States and South Carolina is to favor arbitration of disputes.” Zabinski v. Bright Acres Assocs., 346 S.C. 580, 553 S.E.2d 110, 118 (2001); Dean v. Heritage Healthcare of Ridgeway, LLC, 408 S.C. 371, 759 S.E.2d 727, 731-32 (2014) (“[A]rbitration agreements enjoy a strong presumption of validity in federal and state courts.”). Accordingly, “[a]ny doubts concerning the scope of arbitrable issues should be resolved in favor of arbitration.” Zabinski, 553 S.E.2d at 118.

“[T]he party resisting arbitration bears the burden of proving that the claims at issue are unsuitable for arbitration.” Dean, 759 S.E.2d at 731 (*quoting* Green Tree Fin. Corp.-Ala. v. Randolph, 531 U.S. 79, 91 (2000)). “[U]nless the court can say with positive assurance that the arbitration clause is not susceptible to an interpretation that covers the dispute, arbitration should be ordered.” Zabinski, 553 S.E.2d at 118.

1. The Franchise Agreements are governed by the Federal Arbitration Act.

Unless the parties have contracted otherwise, the Federal Arbitration Act (FAA) applies in federal or state court to any arbitration agreement involving interstate commerce. Munoz v. Green Tree Fin. Corp., 343 S.C. 531, 542 S.E.2d 360, 363 (2001). “[T]he reach of interstate commerce—and thus the FAA—[i]s coextensive with the broad reach of the Commerce Clause.” Dean, 759 S.E.2d at 731 (*citing* Allied-Bruce Terminix Cos. v. Dobson, 513 U.S. 265, 277, 115 S.Ct. 834, 130 L.Ed.2d 753 (1995)).

Here, each Franchise Agreement involves interstate commerce, and the parties expressly contracted for the application of the FAA. The arbitration provision in each Franchise Agreement begins with the following: “This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject

matter contained herein.” See Munoz, 542 S.E.2d at 363 (finding support for the application of the FAA where the arbitration provision expressly provided that it “shall be governed by the FAA”).

Further, the subject of the contracts are franchise rights in a national franchise with over 100 locations in 28 states. The Franchise Agreements that are the subject of Plaintiffs’ claims involve thirteen territories operated by Plaintiffs in Florida, Tennessee, Arizona, Texas, Illinois and South Carolina. In addition to the respective locations of the franchised businesses and the states of incorporation and residency of the parties, there are numerous ways that the products, services, and funds involved in establishing and operating these franchises cross state lines and use instrumentalities of commerce, from funding national advertising and servicing national accounts, to the franchisor’s selection and control the vendors, suppliers, and products used by franchisees. See e.g. Exhibit 3, ¶ 11.3 (National Marketing Fund); ¶ 13.1 (Authorized Products, Services and Suppliers); ¶ 14.2 (National Accounts).

As set forth in the Affidavit of Felix Mirando, those vendors, suppliers and manufacturers that the franchisees, including Plaintiffs, use are located throughout the United States and the world, including Massachusetts, Kansas, North Carolina, New Jersey, Illinois, Mississippi, and Georgia. Cf. Zabinski, 553 S.E.2d at 110 (explaining construction contracts involve interstate commerce because they are based on transactions for the purchase and use of materials and supplies from out-of-state vendors); Dean, 759 S.E.2d at 733 (interstate commerce is implicated when a contract entails providing “. . . medical supplies that are inevitably shipped across state lines from out-of-state vendors.”).

2. Plaintiffs are contractually bound to arbitrate the disputes raised in the Complaint.

Subject to an exception not applicable here,² each arbitration provision applies to “all disputes arising out of or relating to this Agreement.” Arbitration clauses that contain this “arising out of or relating to” language are considered broadly-worded and have application to all disputes that have a significant relationship to the contract, regardless of whether the claims arise out of the contract. American Bankers Ins. Group, Inc. v. Long, 453 F.3d 623, 630 (4th Cir. 2006); Zabinski, 553 S.E.2d at 119 (“A broadly-worded arbitration clause applies to disputes that do not arise under the governing contract when a ‘significant relationship’ exists between the asserted claims and the contract in which the arbitration clause is contained.”).

The “heavy presumption” in favor of arbitration is “strengthened when an arbitration clause is broadly written,” such as when language provides for arbitration of all disputes “arising out of or relating to” the contract. Landers v. Fed. Deposit Ins. Corp., 402 S.C. 100, 739 S.E.2d 209, 213 (2013). “[T]he scope of the clause does ‘not limit arbitration to the literal interpretation or performance of the contract [, but] embraces every dispute between the parties having a significant relationship to the contract.’” Id. at 214 (*quoting J.J. Ryan & Sons, Inc. v. Rhone Poulenc Textile, S.A.*, 863 F.2d 315, 321 (4th Cir. 1988) (second alteration by court)).

The Franchise Agreements attached as Exhibits 1 through 8 contain the following arbitration provision:

² The exception is for “controversies or claims relating to the ownership of any of Franchisor’s Marks, the unauthorized use or disclosure of Franchisor’s Confidential Information or covenants against competition[.]” which correlates to provisions in each Franchise Agreement that govern the licensing and use of the ARCpoint service mark and related intellectual property (e.g. Exhibit 3, ¶ 6); confidential trade secrets (e.g. Exhibit 3, ¶ 7.1); covenants not to compete and non-disclosure agreements for franchisees, owners, executives and managers (e.g. Exhibit 3, ¶¶ 7.3, 7.4); and post-termination covenants not to compete for franchisees, owners, executives and managers (e.g. Exhibit 3, ¶ 17.2; Exhibit 6 ¶ 16.2).

This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained herein. Except for controversies or claims relating to the ownership of any of Franchisor's Marks, the unauthorized use or disclosure of Franchisor's Confidential Information or covenants against competition, all disputes arising out of or relating to this Agreement or to any other agreements between the parties, or with regard to interpretation, formation or breach of this or any other agreement between the parties, shall be settled by binding arbitration conducted in Greenville County, South Carolina, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. A single arbitrator agreed upon by the parties or otherwise appointed by the Circuit Court located in or serving Greenville County, South Carolina, shall conduct the proceedings. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

Franchisee acknowledges that it has read the terms of this binding arbitration provision and affirms that this provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on the part of Franchisor or any of Franchisor's agents or employees.

E.g. Exhibit 3, ¶ 23.7; Exhibit 6, ¶ 22.7.

The arbitration provisions in Franchise Agreements attached as Exhibits 9 through 13 include the same language, except that the "interpretation, formation or breach of this or any other agreement" language is replaced by "any of the dealings between the parties" as follows:

. . . all disputes arising out of or relating to this Agreement, to any other agreements between the parties, or with regard to any of the dealings between the parties, shall be settled by binding arbitration

E.g. Exhibit 9, ¶ 22.7.

"To decide whether an arbitration agreement encompasses a dispute, a court must determine whether the factual allegations underlying the claim are within the scope of the broad arbitration clause, regardless of the label assigned to the claim." Zabinski v. Bright Acres Assocs., 346 S.C. 580, 597, 553 S.E.2d 110, 118 (2001). A review of the allegations in Plaintiffs' thirteen causes of action shows that each claim has, at a minimum, a significant relationship to the

Franchise Agreements, which is all that is required to compel arbitration. Any doubts about whether Plaintiffs' claims are subject to arbitration "should be resolved in favor of arbitration." *Id.*

(a) Breach of Contract

Eight of Plaintiffs' causes of action are for breach of the Franchise Agreements, and directly arise out of "the literal interpretation [and] performance of the contract." *Landers*, 739 S.E.2d at 214. The first cause of action brought by all Plaintiffs against AFG seeks a declaration that AFG materially breached each Franchise Agreement in various particulars, *see Compl.* ¶ 35; the third and fourth causes of actions are brought by Plaintiffs "AP Tallahassee" (Exhibit 1), "AP Nashville" (Exhibit 2), "On Trac" (Exhibit 3), "Employer's Choice" (Exhibit 4), and "Blue Lizard" (Exhibit 5) against AFG for breach of contract and breach of contract with fraudulent intent (with the latter incorporating the same alleged breaches giving rise to their third cause of action, *see Compl.* ¶ 87); the fifth and sixth causes of action are brought by Plaintiffs "Florence ODS (Exhibit 6), "Myrtle Beach ODS" (Exhibit 7) and "3 Sons" (Exhibit 8) against AFG for breach of contract and breach of contract with fraudulent intent (again with the latter incorporating the same alleged breaches as the former, *see Compl.* ¶ 118); and the seventh and eighth causes of action are brought by Plaintiffs "JumpR2" (Exhibit 9) and "Seltz and Datlow" (Exhibits 10, 11, 12 and 13) against AFG for breach of contract and breach of contract with fraudulent intent (with the latter incorporating the same alleged breaches as the former, *see Compl.* ¶ 139).

The remaining five causes of action are not labeled breach of contract claims, but as with the breach of contract claims, all arise out of the Franchise Agreements. They are all premised on the existence of the contractual franchisor-franchisee relationship created by the Franchise Agreements and are governed by the Franchise Agreements; all five implicate the respective rights

and obligations created by the Franchise Agreements; and they all require reference to and interpretation of relevant provisions in the Franchise Agreements.

(b) Civil Conspiracy

In Plaintiffs' second cause of action for civil conspiracy, the Franchise Agreements are the subject of the alleged conspiracy. Plaintiffs allege that "AFG and its affiliate/division, AOS, have combined for the purpose of improperly changing the relationship between AFG and its Franchisees" in a conspiracy "to materially alter the terms of Plaintiffs' franchise agreements." Compl., ¶¶ 38, 45. Plaintiffs quote, cite and reference provisions in the Franchise Agreements that AFG and AOS allegedly conspired to alter, and allege as part of this cause of action that AFG breached these provisions. Compl. ¶ 39 (quoting "Area of Primary Responsibility" and "Protected Territory" provisions); Compl. ¶ 52³ (citing "National Accounts" provisions); Compl. ¶ 40 (alleging that "despite the above provisions, [AFG] wrongfully allowed AOS to act as Franchisor's Third-Party Administrator with respect to National Accounts. . . ."); Compl. ¶45 (alleging that ". . . AFG has placed restrictions upon Franchisees that were never contemplated by their Franchise Agreements.").

Plaintiffs' civil conspiracy claim is premised on the existence of a franchisor-franchisee relationship, and the Franchise Agreements that created those relationships are the subject of the alleged conspiracy. The claim arises out of the Franchise Agreements. The claim necessarily implicates and requires reference to and interpretation of the provisions of each Franchise Agreement, including not only the Protected Territory and National Accounts provisions that AFG and AOS allegedly conspired to alter and that AFG allegedly breached, but also the provisions that set forth corresponding rights and obligations of the parties. *See e.g. Exhibit 6*, ¶ 2.5 (providing

³ Paragraphs 52 and 53 of the Complaint are numbered out of sequence.

for, among other rights, the right to establish, own, operate and license ARCpoint Businesses and other businesses offering the same or similar products inside and/or outside of the Protected Territory; the right to service National Accounts within the Protected Territory or allow other ARCpoint Businesses or third parties service National Accounts; the right to provide services and sell products authorized for ARCpoint Businesses, and provide services similar to those offered through the franchised business through alternate channels of distribution, including the internet).

(c) Unfair Trade Practices

In the ninth cause of action for violation of the South Carolina Unfair Trade Practices Act, Plaintiffs allege that AFG engaged in unfair trade practices by entering into the franchisor-franchisee relationship and then breaching the “Area of Primary Responsibility” or “Protected Territory” provisions in the Franchise Agreements. *See e.g. Exhibit 3, ¶ 2.5; Exhibit 6, ¶ 2.4; Exhibit 9, ¶ 2.4.*⁴ These same allegations are made in Plaintiffs’ third, fifth and seventh causes of action for breach of contract. *Compl. ¶ 67, 91, 122.* This is a breach of contract claim couched as one for violation of the Unfair Trade Practices Act. *See Zabinski*, 553 S.E.2d at 118 (“[A] court must determine whether the factual allegations underlying the claim are within the scope of the broad arbitration clause, *regardless of the label assigned to the claim.*”) (emphasis added); *see also Key Co., Inc. v. Fameco Distributors, Inc.*, 292 S.C. 524, 357 S.E.2d 476, 478 (Ct. App. 1987) (although not delineated as a breach of contract claim, the Unfair Trade Practices Act claim amounted to nothing more than an assertion of breach of contract, which is not actionable under the Unfair Trade Practices Act even if deliberate or intentional).

⁴ The “Area of Primary Responsibility” and “Protected Territory” provisions are subject to the corresponding “Franchisor’s Rights” provisions in each Franchise Agreement. *See e.g. Exhibit 3, ¶ 2.6; Exhibit 6, ¶ 2.5; Exhibit 9, ¶ 2.5.*

Regardless of the label, this claim arises out of the Franchise Agreements. The claim is premised on the existence of the franchisor-franchisee relationship and is governed by the Franchise Agreements that created that relationship. The claim incorporates and requires interpretation of the Franchise Agreements, it implicates the respective rights and obligations created therein, and prevailing on the claim would require a showing that the Franchise Agreements were breached.

The tenth cause of action for violation of the South Carolina Unfair Trade Practices Act is brought by Plaintiffs “Florence ODS (Exhibit 6), “Myrtle Beach ODS” (Exhibit 7) and “3 Sons” (Exhibit 8) against AFG. This Unfair Trade Practices Act claim is based on allegations that AFG has “arranged in South Carolina for preferential pricing from AFG’s approved vendors and suppliers for its AOS affiliate/division that it has not arranged for Florence ODS, Myrtle Beach ODS, and 3 Sons Ventures. . . .” Compl. ¶ 160. Plaintiffs allege that “pursuant to their respective Franchise Agreements, Florence ODS, Myrtle Beach ODS, and 3 Sons Ventures are locked into buying lab services and drug and employment screening testing products from AFG approved vendors and suppliers at the much higher pricing that AFG negotiated with those vendors and suppliers for ARCpoint Franchises.” Id.

As Plaintiffs acknowledge here and elsewhere in the Complaint, AFG’s selection and control of the vendors and suppliers is a matter of contract governed by the Franchise Agreements. *See e.g. Exhibit 6*, ¶ 13.1 (setting forth franchisor’s rights to select, approve and revoke approval for authorized products, services and suppliers in its sole discretion). Like Plaintiffs’ other Unfair Trade Practice Act claim, this is another rehashed breach of contract claim. Indeed, these same three Plaintiffs allege in their third cause of action for breach of contract that AFG breached this same provision in the Franchise Agreement based on these same allegations. Compl. ¶¶ 97-108.

Regardless of the label, this claim is governed by the Franchise Agreements. Plaintiffs' claim would not exist absent the franchisor-franchisee relationship created by the Franchise Agreements. The allegations incorporate and require interpretation of the Franchise Agreements and implicate the respective rights and obligations created therein, and prevailing on the claim would require a showing that the Franchise Agreements were breached.

(d) Tortious Interference with Contract

The eleventh and twelfth causes of action allege that AOS tortiously interfered with ten of the Franchise Agreements.⁵ Plaintiffs allege that AOS interfered with and has procured a breach of the Franchise Agreements by using the internet to solicit, market, advertise to, and provide ARCpoint's authorized products and services to all persons and entities and not just National Accounts. Compl. ¶¶ 165-166, 168-169.

These tortious interference claims arise out of the Franchise Agreements that AOS allegedly interfered with. The allegations refer to and incorporate provisions in the Franchise Agreements. The claims implicate the respective rights and obligations created by the Franchise Agreements and require interpretation of the provisions of each Franchise Agreement. *See e.g. Exhibit 3*, ¶ 2.6 (reserving franchisor's rights to provided the services and sell the products authorized for ARCpoint Businesses through alternate channels of distribution as deemed appropriate); Exhibit 3, ¶ 11.5 (providing for franchisor's exclusive rights to market on the internet). In order to prevail on their tortious interference claims, Plaintiffs would have to show that AOS both interfered with and procured a breach of the Franchise Agreements.

⁵ Plaintiffs' eleventh cause of action was brought by "AP Tallahassee" (Exhibit 1), "AP Nashville" (Exhibit 2), "On Trac" (Exhibit 3), "Employer's Choice" (Exhibit 4), and "Blue Lizard" (Exhibit 5); the twelfth was brought by Plaintiffs JumpR2 (Exhibit 9) and "Seltz and Datlow" (Exhibits 10, 11, 12 and 13). The allegations in these two causes of action otherwise mirror each other.

(d) Tortious Interference with Business Relationships

The thirteenth cause of action for tortious interference with business relationships is brought by all Plaintiffs against AFG. Plaintiffs allege that AFG has interfered with Plaintiffs' business relations with ARCpoint vendors and suppliers by replacing certain vendors and suppliers approved for use by franchisees. Compl. ¶¶ 171-194. Again, this is a matter of contract governed by each Plaintiff's Franchise Agreement. *See e.g. Exhibit 3, ¶ 13.1, Exhibit 6, ¶ 13.1, and Exhibit 9, ¶ 13.1* ("... Franchisor may revoke its approval of any product or supplier at any time, and in its sole discretion. . . .").

As with all other causes of action alleged by Plaintiffs, this last claim arises out of the Franchise Agreements and would not exist absent the franchisor-franchisee relationship created therein. The claim is governed by and directly implicates the contractual rights created by the Franchise Agreement, and the claim requires reference to and interpretation of the provisions in each Franchise Agreement.

3. AOS can enforce the arbitration provision in each Franchise Agreement.

AOS was not a signatory to Plaintiffs' Franchise Agreements with AFG, but can enforce the arbitration provisions as a nonsignatory. South Carolina has recognized "a party should not be allowed to avoid an arbitration agreement by naming nonsignatory parties in his complaint. . . because this would nullify the rule requiring arbitration." S.C. Pub. Serv. Auth. v. Great W. Coal (Ky.), Inc., 312 S.C. 559, 563, 437 S.E.2d 22, 24 (1993) (*citing Arnold v. Arnold Corp.*, 920 F.2d 1269 (6th Cir. 1990)). "Well-established common law principles dictate that in an appropriate case a nonsignatory can enforce, or be bound by, an arbitration provision within a contract executed by other parties." Pearson v. Hilton Head Hosp., 400 S.C. 281, 733 S.E.2d 597, 601 (Ct. App. 2012) (*quoting Int'l Paper Co. v. Schwabedissen Maschinen & Anlagen GMBH*, 206 F.3d 411, 416-417

(4th Cir. 2000)); *see id.* (collecting cases recognizing various theories based on principles of incorporation by reference, assumption, agency, veil piercing/alter ego, and estoppel).

The Pearson court cited with approval the following estoppel theories that a nonsignatory like AOS can assert to compel arbitration against a signatory:

Existing case law demonstrates that equitable estoppel allows a non-signatory to compel arbitration in two different circumstances. First, equitable estoppel applies when the signatory to a written agreement containing an arbitration clause must rely on the terms of the written agreement in asserting its claims against the nonsignatory. When each of a signatory's claims against a nonsignatory makes reference to or presumes the existence of the written agreement, the signatory's claims arise out of and relate directly to the written agreement, and arbitration is appropriate. Second, application of equitable estoppel is warranted when the signatory to the contract containing an arbitration clause raises allegations of substantially interdependent and concerted misconduct by both the nonsignatory and one or more of the signatories to the contract. Otherwise the arbitration proceedings between the two signatories would be rendered meaningless and the federal policy in favor of arbitration effectively thwarted.

Id. at 603 (*quoting Goer v. Jasco Indus., Inc.*, 395 F.Supp.2d 308, 314 n. 9 (D.S.C. 2005) (emphases added by court)); *see also American Bankers Ins. Group, Inc. v. Long*, 453 F.3d 623, 637, 631 n. 3 (4th Cir. 2006) (noting the Fourth Circuit's approval of the estoppel theories cited in Goer and Pearson).

The Pearson court also cited Int'l Paper Co. for its approval of the so-called "intertwined claims" test applied by the Eleventh Circuit in Sunkist Soft Drinks, Inc. v. Sunkist Growers, Inc., 10 F.3d 753, 757-58 (11th Cir. 1993):

Some courts have, at a nonsignatory's instance, required a signatory of an arbitration agreement to arbitrate with the nonsignatory because of "the close relationship between the entities involved, as well as the relationship of the alleged wrongs to the nonsignatory's obligations and duties in the contract . . . and [the fact that] the claims were intimately founded in and intertwined with the underlying contract obligations."

Id. at 601-02 (*quoting Int'l Paper Co.*, 206 F.3d at 418) (internal citations omitted) (alterations by court).

Each of these theories can be applied to Plaintiffs' claims against AOS to allow AOS to enforce the arbitration provisions in the Franchise Agreements. The claims against AOS include civil conspiracy (Plaintiffs' second cause of action, Compl. ¶¶ 37-63) and tortious interference with contract (Plaintiffs' eleventh and twelfth causes of action, Compl. ¶¶ 164-169).

As shown above in Section 2, Plaintiffs cannot assert these claims against AOS – claims for conspiring to materially alter the Franchise Agreements and for tortiously interfering with the Franchise Agreements – without relying on the Franchise Agreements. Pearson, 733 S.E.2d at 603. (“[E]quitable estoppel applies when the signatory to a written agreement containing an arbitration clause must rely on the terms of the written agreement in asserting its claims against the nonsignatory”). Similar to the first estoppel theory, the claims against AOS quote, cite, and necessarily incorporate by reference the relevant Franchise Agreements containing the arbitration provisions. Id. at 601 (recognizing incorporation by reference as one of several theories to compel arbitration).

The claims against AOS also raise “allegations of substantially interdependent and concerted misconduct by both the nonsignatory and one or more of the signatories to the contract.” Pearson, 733 S.E.2d at 603. The claims are based on an alleged conspiracy between AOS (the nonsignatory) and AFG (a signatory) against Plaintiffs (signatories) to materially alter the Franchise Agreements (the contracts containing the arbitration provisions), and to tortiously interfere with and procure breaches of those Franchise Agreements. And, similar to the second estoppel theory, each claim against AOS is premised on an alleged close relationship between

AOS and AFG⁶ and is “intimately founded in and intertwined with the underlying contract obligations.” Pearson, 733 S.E.2d at 601 (the “intertwined claims” test).

Conclusion

Our courts have provided considerable guidance on how broadly-worded arbitration provisions like these should be construed and applied, and all of that guidance weighs heavily in favor of compelling arbitration here for all of Plaintiffs’ claims: The claims do not need to arise out of the Franchise Agreements or even involve the literal interpretation or performance of them; a “significant relationship” is all that is required.

Resolving any doubts in favor of arbitration, the arbitration provisions here are susceptible of at least one interpretation that covers all of the disputes raised in Plaintiffs’ Complaint. Zabinski, 553 S.E.2d at 118 (“[U]nless the court can say with positive assurance that the arbitration clause is not susceptible to an interpretation that covers the dispute, arbitration should be ordered.”).

Accordingly, Defendants respectfully submit that arbitration should be ordered and Plaintiffs’ Complaint dismissed.

⁶ Plaintiffs allege that AOS “has some common ownership with AFG[.]” that “AFG holds AOS out as an affiliate and/or as a division of AFG[.]” and that AOS is a “Third Party Administrator facilitating drug and alcohol testing, DNA, clinical lab testing and employment/background screening for ARCpoint ‘National/Regional/State’ (‘NRS’) business customers/accounts.” Compl. ¶¶ 5-7.

Respectfully submitted,

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Group, LLC and ARCpoint Occupational
Solutions, LLC

STATE OF SOUTH CAROLINA)
COUNTY OF GREENVILLE)
ARCPPOINT OF TALLAHASSEE, INC.,)
GREG BOWMAN d/b/a Bowman Lab)
Solutions, Inc. d/b/a ARCpoint Labs of)
Nashville; GARY PATRONE d/b/a On Trac)
Holdings, Inc. d/b/a Arcpoint Labs of Tempe,)
ARCpoint Labs of Mesa, ARCpoint Labs of)
Phoenix- Black Canyon, EMPLOYER'S)
CHOICE TESTING, LLC, MICHAEL)
GAMMEL d/b/a Blue Lizard,)
INC., FLORENCE ODS, INC. MYRTLE)
BEACH ODS, INC. 3 SONS VENTURES,)
INC; JUMPR2, INCORPORATED, NEIL)
SELTZ AND LESLY DATLOW D/B/A)
SHAMEY, LLC,)

Plaintiffs,

v.

ARCPPOINT FRANCHISE GROUP, LLC)
f/k/a Accudiagnositcs, LLC and ARCPPOINT)
OCCUPATIONAL SOLUTIONS, LLC,)

Defendants.

IN THE COURT OF COMMON PLEAS
THIRTEENTH JUDICIAL CIRCUIT
CASE NO.: 2017-CP-23-03986

**AFFIDAVIT OF
FELIX MIRANDO, III**

PERSONALLY APPEARED BEFORE ME, Felix Mirando, III, who being duly sworn,
deposes and states the following:

1. I am over 18 years of age and competent to give this affidavit.
2. I am the CEO of ARCpoint Franchise Group, LLC ("AFG").
3. I am providing this affidavit based upon my personal knowledge and the regularly kept business records of AFG.
4. I am familiar with the Franchise Agreements attached to the Motion to Compel Arbitration filed in this action.

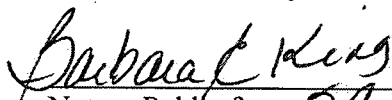
5. Each Franchise Agreement involves transactions that cross state lines.
6. AFG is the franchisor of ARCpoint Labs, a national third-party provider/administrator providing drug testing, alcohol screening, DNA & clinical lab testing, corporate wellness services and employment/background screening.
7. ARCpoint Labs franchisees currently operate over 100 locations in 28 states.
8. Plaintiffs operate ARCpoint Labs franchises at various locations in Florida, Tennessee, Arizona, Texas, Illinois and South Carolina.
9. The Franchise Agreements provide for, among other matters, AFG's right to select and control the vendors, suppliers, and products used by franchisees.
10. The vendors and suppliers of ARCpoint Labs franchisees, and the manufacturers of products used by ARCpoint Labs franchisees, are located throughout the United States and the world.
11. Although this is by no means a comprehensive list, certain vendors, suppliers and manufacturers used by ARCpoint Labs franchisees are located in, among other states, Massachusetts, Kansas, North Carolina, New Jersey, Illinois, Mississippi, and Georgia.

FURTHER AFFIANT SAYETH NOT.



Felix Mirando, III

Sworn to and subscribed before me
this 14th day of August, 2017.



Notary Public for: SC
My Commission Expires: 8/11/19

Addendum

Excerpts of Exhibits 3, 6 and 9



ARCPPOINT FRANCHISE GROUP, LLC

FRANCHISE AGREEMENT

This Franchise Agreement, made this 20 day of Dec, 2017, is by and between ARCpoint Franchise Group, LLC, a South Carolina limited liability company, having its principal place of business at 220 North Main St, Suite 325, Greenville, South Carolina 29601 ("Franchisor"), and Gary F. Patrone, whose principal address is 9391 East Whitewing Drive, Scottsdale, AZ 85262, an individual residing in the State of Arizona ("Franchisee").

WITNESSETH:

WHEREAS, Franchisor and its Affiliate* have developed and are in the process of further developing a System identified by the trademark "ARCpoint" and relating to the establishment, development and operation of "ARCpoint Businesses" that provide affordable, full-service drug screening, DNA testing and other logistical solutions for a wide variety of client organizations including businesses, schools, government and private individuals; and

WHEREAS, the distinguishing characteristics of the System include, among other things, uniform standards and procedures for business operations; procedures and strategies for sales, marketing, advertising and promotions; business techniques; the Marks; the Manual; training courses, all of which Franchisor may improve, further develop or otherwise modify from time to time; and

WHEREAS, Franchisor grants to certain qualified persons and business entities the right to own and operate a single ARCpoint Business under the System and using the Marks; and

WHEREAS, Franchisee desires to operate an ARCpoint Business, has applied for a Franchise and its application has been approved by Franchisor in reliance upon all of the representations made therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations and service and the necessity of operating its Franchised Business in strict conformity with Franchisor's System.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

1. DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

"Affiliate" means any entity that controls, is controlled by, or is under common control with Franchisor;

"Agreement" means this agreement entitled "ARCpoint Franchise Group, LLC Franchise Agreement" and all instruments supplemental hereto or in amendment or confirmation hereof;

"Approved Location" means the site for the operation of the Franchised Business selected by Franchisee and approved in writing by Franchisor;

* Capitalized terms not defined upon first use are defined in Section 1.

"Approved Supplier(s)" has the meaning given to such term in Section 13.1;

"Protected Territory" has the meaning given to such term in Section 2.5;

"Competitive Business" means any business that offers (or grants franchises or licenses to others to operate a business that offers) drug screening or other testing services the same as or similar to those provided by ARCpoint Businesses or in which Confidential Information could be used to the disadvantage of Franchisor, its Affiliate(s) or its other franchisees; provided, however, that the term "Competitive Business" shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest;

"Confidential Information" means any trade secret and any information or matter that is or may be used to gain a competitive advantage over Franchisor or any of its Affiliates and is not generally known by the public, whether or not in written or tangible form and regardless of the media (if any) on which it is stored, relating to the System (including knowledge and experience in operating an ARCpoint Business, product specifications, operational and production techniques and methods, record keeping and reporting methods, accounting systems, management and personnel training techniques, sales and promotion techniques, policies, procedures, standards, specifications for signs, displays, business forms and stationery, the Manual, research and development, lists of franchisees and suppliers, suggested pricing and cost information) and any other information or material identified to Franchisee by Franchisor as confidential;

"Cooperative Advertising" means the combined advertising of two (2) or more franchisees established within a common market which Franchisor may require for Franchised Businesses within a particular region, as further described in Section 11.4;

"Designated Manager" if Franchisee is a legal business entity, (such as a corporation, limited liability company and other legal business entity), "Designated Manager" means the individual holder of a legal interest in Franchisee, designated by Franchisee as having primary responsibility for managing the day-to-day affairs of the Franchised Business, and if Franchisee is an individual and not a business entity, the Designated Manager shall be Franchisee;

"Effective Date" means the date on which Franchisor and Franchisee fully execute this Agreement is fully executed, thereby commencing its effectiveness and term;

"Franchise" means the right granted to Franchisee by Franchisor to use the System and the Marks;

"Franchise Fee" has the meaning given to such term in Section 3.1;

"Franchised Business" means the ARCpoint Business to be established and operated by Franchisee pursuant to this Agreement;

"Franchisee" means the individual or entity defined as "Franchisee" in the introductory paragraph of this Agreement;

"Franchisor" means ARCpoint Franchise Group, LLC; a South Carolina limited liability company;

"Generally Accepted Accounting Principles" or "GAAP" means the standards, conventions and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements;

"Gross Sales" means the aggregate of all revenue from the sale of services and products from all sources in connection with the Franchised Business whether or not collected by Franchisee and whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance, but

excluding (a) all refunds made in good faith, (b) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, (c) and the value of any allowance issued or granted to any customer of the Franchised Business that is credited by Franchisee in full or partial satisfaction of the price of any services and products offered in connection with the Franchised Business;

"Incapacity" means the inability of Franchisee or any holder of a legal or beneficial interest in Franchisee to operate or oversee the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

"Internet" means any one (1) or more local or global interactive communications media that is now available, or that may become available, and includes sites and domain names on the World Wide Web;

"Local Advertising" has the meaning given to such term in Section 11.2;

"Manual" means the ARCpoint Operations Manual and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and managers' manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor;

"Marketing Fund" has the meaning given to such term in Section 11.3;

"Marketing Fund Contribution" has the meaning given to such term in Section 11.3;

"Marks" means the service mark "ARCpoint" and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with ARCpoint Businesses;

"National Accounts" means customers or referral sources with locations in, desiring ARCpoint services or products in, or referring customers from multiple ARCpoint market areas;

"Royalty Fee" has the meaning given to such term in Section 3.3; and

"System" means the uniform standards, methods, procedures and specifications developed by Franchisor and as may from time to time be added to, changed, modified, withdrawn or otherwise revised by Franchisor, in its sole discretion, for the operation of an ARCpoint Business.

"Territory Center" means the area within a Protected Territory which has been determined to be the weight average of the metrics of total business and total select businesses and the employees as well as factor such traffic patterns in computing the zip code that is the most central and well position location for an office.

2. GRANT OF FRANCHISE: APPROVED LOCATION

2.1 Grant

Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts, upon the terms and conditions herein contained, a revocable, limited license to operate one (1) ARCpoint Business using the System and Marks.

2.2 Approved Location

The street address (or detailed description of the premises) of the Approved Location is:

2.3 Approved Location Not Determined

If the Approved Location is determined as of the Effective Date, then this Section shall be inapplicable. If the Approved Location of the Franchised Business is not determined as of the Effective Date, Franchisee shall select an Approved Location within the Protected Territory according to the process described in Section 5.1. When the Approved Location is determined, its address shall be inserted into Section 2.2 by Franchisor and the Designated Area shall lapse. The failure to insert such address into Section 2.2 shall not automatically affect the enforceability of this Agreement.

2.4 Sub-franchising/Agents

Franchisee shall not sublicense the use of the System or Marks to any person or entity. Except as may be permitted pursuant to Section 18, Franchisee shall not grant any person or entity the right to perform any part of Franchisee's rights or obligations hereunder.

2.5 Protected Territory

2.5.1 So long as this Agreement is in force and effect and Franchisee is not in default under any of the terms hereof, subject to Franchisor's reservation of rights set forth in Section 2.6, Franchisor shall not establish, own or operate, or license any other person to establish, own or operate, any other ARCpoint Business or other substantially similar business within an area ("Protected Territory") surrounding the Approved Location and containing approximately two hundred fifty thousand (250,000) persons and at least 10,000 total businesses which includes a minimum of 4,000 targeted businesses (5 or more employees). Population demographics shall be determined by reference to the most recent figures available from research provided by Data Depot, 6822 22nd Avenue North, Suite 284 St. Petersburg, Florida, 33710 and Territory Solutions International, 11 Golden Corner Way, Randolph, NJ 07869. at the time the Protected Territory is designated. The Protected Territory shall be defined by and exist within the following physical, political or natural boundaries:

Market: Map #091 Arizona C.E.D.H.F. (see attached Territory Studies)

AND "G" AT NO CHARGE

(Signature)

2.6 Franchisor's Rights

Franchisee acknowledges that except to the extent provided in Section 2.5 above, Franchisor expressly retains all rights and discretion with respect to the Marks and System, including the right to:

2.6.1 establish, own or operate, and license others to establish, own or operate, ARCpoint Businesses outside of the Protected Territory as Franchisor deems appropriate;

2.6.2 establish, own or operate, and license others to establish, own or operate other businesses under other systems using other trademarks at locations inside and outside of the Protected Territory;

2.6.3 purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to the Franchised Business (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Protected Territory. If Franchisor purchases or acquires franchises or licenses, Franchisor may, in its sole discretion, act as franchisor or licensor with respect to such franchisees or licensees wherever located, pursuant to the individual franchise or license agreement(s) between Franchisor and such franchisee(s) or licensee(s). If Franchisor purchases or acquires such businesses within the Protected Territory which are not franchised or licensed, Franchisor may, in its sole discretion:

2.6.3.1 offer the franchisee the right of first refusal to purchase any competing business in the franchisee's Protected Territory or to sell any such businesses to Franchisee or to any third party at the business's fair market value to be operated as a ARCpoint Business; or

2.6.3.2 offer Franchisee the opportunity to operate such business(s) in partnership with Franchisor (or an Affiliate) under the business(s) existing trade name or a different trade name.

2.6.4 be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Protected Territory;

2.6.5 provide the services and sell the products authorized for ARCpoint Businesses using the Marks or other trademarks, service marks and commercial symbols through an alternate channel of distribution on such terms and conditions as Franchisor deems appropriate;

2.6.6 provide the services and sell the products authorized for ARCpoint Businesses to a customer whose principal residence (or principal business office if the client is a business entity) is located within the Protected Territory if contact with Franchisor is initiated by the client and not Franchisor; and

2.6.7 engage in any activities not expressly forbidden by this Agreement.

2.7 Marketing and Solicitation Restrictions

Franchisee shall not directly market to or solicit customers whose principal business office (or principal residence, (or principal business office, if the customer is a business entity), (if the client is a natural person) is within a defined geographic area ("Protected Territory") surrounding the Franchised Business and defined in Section 2.5.1; provided, however, Franchisee has the right to provide services and sell products to customers located outside of the Protected Territory if contact with such customer is initiated by the customer and not Franchisee. Except as part of Cooperative Advertising implemented pursuant to Section 11.4, Franchisee shall not advertise in any media whose primary circulation is within the Protected Territory of another Franchisee. Franchisor shall make reasonable efforts to enforce these restrictions with regard to Franchisee and any other ARCpoint Business, but under no circumstances shall Franchisor be required to engage in litigation or similar actions with regard to these restrictions.

Franchisor may establish National Accounts that franchisee will have an opportunity to provide services to. National Accounts are narrowly defined as corporations having branches or franchises in more than one state, that have agreed at the corporate level, to award ARCpoint and its franchises the first right of refusal in all territories in which they exist. If we do establish a National Account, we reserve the right to retain 25% of the revenue (or an agreed upon collection fee) received from National Accounts to compensate us for our sales, administration and billing efforts. At this time, we have no established National Accounts.

As a franchisee, if you establish a national account, you are required to allow other ARCpoint franchisees the first right of refusal to provide collection services to this account in territories you do not own. If another ARCpoint franchisee provides collection services you shall receive 25% of the revenue (or an agreed upon collection fee) to

compensate for the sales, administration and billing efforts. If an ARCpoint franchisee in a territory that you need to service per your National Account declines to provide collection services for the account, then you have the right to seek collection services through another third-party-provider.

As a franchisee if you establish a Regional Account that has locations in another franchisee's territory, you are required to allow the other ARCpoint franchisee the first right of refusal to provide collection services to this account in that territory. If they decline, you have the right to seek collection services through another third-party-provider. The fee for these collections shall be negotiated between the franchisees with our assistance if desired. We do not establish a definitive structure for sharing revenue as between franchisees regarding Regional Accounts. We do have a suggested in-network collection fee similar to those structured with national labs (which does not address travel to remote locations) and would also refer you to the revenue sharing structure for National Accounts as a guide.

As a franchisee, you are also free to establish accounts outside of your territory as long as no other franchisee has purchased that particular territory. If at any point in the future, a franchisee purchases that territory in which you currently do business, you are required to cease doing all business within that territory within 60 days of the purchase by franchisee and shall do all things necessary to transfer business to the new franchisee. However, should the customer you are doing business with, in the other franchisee's territory, express in writing to us that they wish to continue the business relationship with you, rather than establish a relationship with the new franchisee, you must allow then new franchisee first right of refusal to provide collection services for the account. If they decline, you have the right to seek collection services through another third-party-provider. The fee for these collections shall be negotiated between the franchisees with our assistance if desired. We do not establish a definitive structure for sharing revenue as between franchisees regarding this situation. We do have a suggested in-network collection fee similar to those structured with national labs (which does not address travel to remote locations) and would also refer you to the revenue sharing structure for National Accounts as a guide.

3. FEES

3.1 Franchise Fee

Total \$130,000 For All 6 Territories C, D, E, F, G, H

Upon execution of this Agreement, Franchisee shall pay a fee ("Franchise Fee") to Franchisor of One Hundred Thirty Thousand DOLLARS (\$130,000.00). The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable, except under certain conditions set forth under Section 8.3. The Franchise Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including general sales and marketing expenses, training, legal, accounting and other professional fees.

The Initial Franchise Fee is \$35,000 for either the Full Service market franchise and the ARCpoint Mobile franchise. If you wish to open additional franchises, you will receive a discount on the franchise fee as follows: Multi-Unit franchise fees for territory one is \$35,000, territory two is \$30,000, territory three is \$25,000 and territory four or more is \$20,000 for each additional territory. The franchise fees are paid to us in a lump sum when you sign the Franchise Agreement and is non refundable except as described below. The franchise fee is payment, in part, for expenses incurred by us in furnishing assistance and services to you as set forth in the Franchise Agreement and for costs incurred by us, including general sales and marketing expenses, training, legal, accounting and other professional fees If you purchase multiple territories, all franchise fees are payable when the franchise agreement is executed. You must sign separate franchise agreements for each additional franchise you acquire.

3.2 Initial Training Fees

terminated pursuant to this Section 5.6, Franchisor shall retain the entire Franchise Fee paid by Franchisee. The Franchise Fee retained shall be specifically understood and agreed by the parties to be in consideration of the services provided, time expended, work performed, and other efforts of Franchisor up to the date of Franchisee's failure to timely commence operations of the Franchised Business and shall not be construed as nor considered to be a penalty.

5.7 Use of Approved Location

Franchisee shall not use the Approved Location for any purpose other than for the operation of an ARCpoint Business in full compliance with this Agreement and the Manual, unless approved in writing by Franchisor.

5.8 Relocation

Franchisee shall not relocate the Franchised Business without the prior written consent of Franchisor, which may be withheld or delayed at Franchisor's sole discretion. If the lease for the Approved Location expires or is terminated without the fault of Franchisee or if the Franchised Business's premises is destroyed, condemned or otherwise rendered unusable, or as otherwise may be agreed upon in writing by Franchisor and Franchisee, Franchisor may, in its reasonable discretion, allow Franchisee to relocate the Franchised Business. Any such relocation shall be at Franchisee's sole expense, and shall proceed in accordance with the requirements set forth in Sections 5.1 through 5.5. Franchisor has the right to charge Franchisee for any costs incurred by Franchisor in providing assistance to Franchisee, including legal and accounting fees. Notwithstanding the foregoing, Franchisor has no obligation to provide relocation assistance. If Franchisor and Franchisee do not agree upon a substitute site within ninety (90) days after the lease expires or is terminated or the Approved Location is rendered unusable, this Agreement will terminate as provided in Section 16.2.1.1.

6. MARKS

6.1 Ownership

Franchisee acknowledges that Franchisor and its Affiliate are the exclusive owners of the Marks and that Franchisee's right to use the Marks is derived solely from this Agreement, is nonexclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee's use of the Marks, and any goodwill created thereby, shall inure to the benefit of Franchisor. Franchisee shall not at any time acquire rights in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, right, title or interest in the Marks to Franchisee. Franchisee 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.

6.2 Limitations on Use

Franchisee shall not use any Mark or portion of any Mark as part of any business entity name. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Franchised Business. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to

Franchisee. Franchisee shall include on its letterhead, forms, cards and other such identification a prominent notice stating that the Franchised Business is Franchisee's "Independently Owned and Operated ARCpoint Franchise."

6.3 Notification of Infringements and Claims

Franchisee shall immediately notify Franchisor of any infringement of the Marks or challenge to its use of any of the Marks or claim by any person of any rights in any of the Marks. Franchisee shall not communicate with any person other than Franchisor and Franchisor's counsel in connection with any such infringement, challenge or claim; provided, however, Franchisee may communicate with Franchisee's counsel at Franchisee's expense. Franchisor shall have sole discretion to take such action as deemed appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks. Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may in the opinion of Franchisor's counsel, be necessary or advisable to protect and maintain Franchisor's interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor's interest in the Marks.

6.4 Indemnification for Use of Marks

Franchisor shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar proceeding disputing Franchisee's authorized use of any Mark, provided that Franchisee has timely notified Franchisor of such proceeding and has complied with this Agreement and Franchisor's directions in responding to such proceeding. At Franchisor's option, Franchisor or its designee may defend and control the defense of any proceeding arising directly from Franchisee's use of any Mark. This indemnification shall not include the expense to Franchisee of removing signage or discontinuance of the use of the Marks. This indemnification shall not apply to litigation between Franchisor and Franchisee wherein Franchisee's use of the Marks is disputed or challenged by Franchisor. This indemnification shall not apply to any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee's use of the Marks.

6.5 Discontinuance of Use

If it becomes necessary, in Franchisor's sole discretion, for Franchisee to modify or discontinue use of any of the Marks, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions within ten (10) business days after notice to Franchisee by Franchisor and subject to the limitations in Section 10.2. Franchisor shall not be required to reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute Mark.

6.6 Right to Inspect

To preserve the validity and integrity of the Marks and any copyrighted materials licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the Franchised Business, Franchisor and its designees have the right to enter and inspect the Franchised Business and the Approved Location at all reasonable times and, additionally, have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, accessories, products, supplies, reports, forms and documents and related data to ensure that Franchisee is operating the Franchised Business in accordance with the quality control provisions and performance standards established by Franchisor. Franchisor and its agents shall have the right, at any reasonable time, to remove sufficient quantities of any product or other inventory items offered for retail sale, used in the preparation of products offered for retail sale or used in rendering services, to test whether such products or items meet Franchisor's then-current standards.

Franchisor or its designee has the right to observe Franchisee and its employees during the operation of the Franchised Business and to interview customers and employees and to photograph or videotape the premises.

6.7 Franchisor's Sole Right to Domain Name

Franchisee shall not establish, create or operate an Internet site or website using a domain name or uniform resource locator containing the Marks or the words "ARCpoint" or any variation thereof or any domain name that would be confusingly similar. Franchisor has the exclusive right to advertise on the Internet and create websites using or containing the "ARCpoint" name and any other Mark. Franchisor is the sole owner of all right, title and interest in and to such domain names, as Franchisor shall designate in the Manual.

7. CONFIDENTIAL INFORMATION

7.1 Requirement of Confidentiality

Franchisor shall disclose Confidential Information to Franchisee during the training program, through the Manual, and as a result of guidance furnished to Franchisee during the term of this Agreement. Franchisee shall not acquire any interest in the Confidential Information, other than the right to utilize it in the development and operation of the Franchised Business and in performing its duties during the term of this Agreement. Franchisee acknowledges that the use or duplication of the Confidential Information in any other business venture would constitute an unfair method of competition. Franchisee acknowledges that the Confidential Information is proprietary, includes Franchisor's trade secrets and is disclosed to Franchisee solely on the condition that Franchisee (and all holders of a legal or beneficial interest in Franchisee and all officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), of Franchisee) (a) shall not use the Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the Confidential Information. Franchisee shall enforce this Section as to its employees, agents and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of Confidential Information by any of them.

7.2 Additional Developments

All ideas, concepts, techniques or materials concerning the Franchised Business, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Franchisor and will be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation will be due to Franchisee or its owners or employees therefore and Franchisee agrees to assign to Franchisor all right, title and interest in any intellectual property so developed. At Franchisor's discretion, such items may be incorporated into the System. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, Franchisee shall assign ownership of that item, and all related rights to that item, to Franchisor and must sign whatever assignment or other documents Franchisor requests to show Franchisor's ownership or to assist Franchisor in obtaining intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor's efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

7.3 Exclusive Relationship

Franchisee acknowledges that Franchisor would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among ARCpoint franchisees if owners of ARCpoint Businesses and members of their immediate families and households were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of this Agreement, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee (or any member of their immediate families and households), nor any officer, director, executive, manager or member of the professional staff of Franchisee, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall:

7.3.1 Divert or attempt to divert any business, customer, referral source or supplier of the Franchised Business to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System; or

7.3.2 Own an interest in, manage, operate, or perform services for any Competitive Business wherever located.

7.4 Nondisclosure and Non-Competition Agreements with Certain Individuals

Franchisor has the right to require Franchisee and any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff of Franchisee to execute a standard form nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit B, upon execution of this Agreement or prior to each such person's affiliation with Franchisee. Upon Franchisor's request, Franchisee shall provide Franchisor with copies of all nondisclosure and non-competition agreements to be signed pursuant to this Section. Said agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein. Franchisor shall be a third party beneficiary with the right to enforce covenants contained in such agreements.

7.5 Reasonableness of Restrictions

Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that without their inclusion, Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, the System and the Marks and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable.

8. TRAINING AND ASSISTANCE

8.1 Initial Training

Franchisor shall make an initial training program available to the Designated Manager and one (1) assistant. At least two to four (2-4) weeks prior to the opening of the Franchised Business, the Designated Manager must attend and successfully complete, to Franchisor's satisfaction and not more than ninety (90) days after the Effective Date, an initial training program consisting of approximately eight (8) days of classroom instruction pertaining to operation of the Franchised Business including, but not limited to, collection, screening and analysis methods and procedures, sales and marketing methods; financial controls; maintenance of quality standards; customer service techniques, record keeping and reporting procedures and other operational issues.

11.3 National Marketing Fund

Franchisor has established and Franchisor administers a System-wide marketing, advertising and promotion fund ("National Marketing Fund"). Franchisee shall be required to contribute monthly to the National Marketing Fund Contributions in an amount specified by Franchisor and which Franchisor may adjust from time to time, but which is currently three (3)% of the previous month's gross sales. National Marketing Fund Contributions shall be made at the time and in the manner provided for Royalty Fees in Section 3.3. Franchisor shall notify Franchisee at least thirty (30) days before implementing or changing National Marketing Fund Contribution requirements. The National Marketing Fund shall be maintained and administered by Franchisor or its designee as follows:

11.3.1 Franchisor shall oversee all marketing programs, with sole discretion over the creative concepts, materials and media used in such programs, and the placement and allocation thereof. Franchisor does not warrant that any particular franchisee will benefit directly or *pro rata* from expenditures by the National Marketing Fund. The program(s) may be local, regional or System-wide. Franchisee's National Marketing Fund Contributions may be used to meet the costs of producing, maintaining, administering and directing consumer advertising (including, without limitation, the cost of preparing and conducting television, radio, Internet, magazine and newspaper advertising campaigns and other public relations activities; developing and/or hosting an Internet web page or site and similar activities; employing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees). All National Marketing Fund Contributions shall be maintained in a separate account from the monies of Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable costs and expenses, if any, that Franchisor may incur in activities reasonably related to the administration of the National Marketing Fund.

11.3.2 Although Franchisor intends the National Marketing Fund, to be of perpetual duration, Franchisor has the right to terminate the National Marketing Fund at any time. The National Marketing Fund shall not be terminated, however, until all National Marketing Fund Contributions have been expended for advertising and promotional purposes or returned to Franchisee and other franchisees on a *pro rata* basis.

11.3.3 It is anticipated that all National Marketing Fund Contributions shall be expended for programs during Franchisor's fiscal year within which such contributions are made. If excess amounts remain in any National Marketing Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of such excess amounts, including any interest or other earnings of the National Marketing Fund and next out of prior year contributions and then out of current contributions.

11.3.4 Each ARCpoint Business operated by Franchisor, or any Affiliate of Franchisor, shall make National Marketing Fund Contributions at the same rate as franchised ARCpoint Businesses.

11.3.5 At Franchisee's request, Franchisor shall prepare an accounting of the National Marketing Fund's operation during the most recently completed fiscal year. Franchisor retains the right to have the National Marketing Fund reviewed or audited and reported on, at the expense of the National Marketing Fund, by an independent certified public accountant selected by Franchisor.

11.3.6 Franchisee acknowledges that the National Marketing Fund is not a trust and Franchisor assumes no fiduciary duty in administering the National Marketing Fund.

11.4 Cooperative Advertising (CAMP A)

Franchisor has created a Cooperative Advertising Marketing/Operational and Promotional Association (CAMP A) program for the benefit of ARCpoint Businesses located in California and Nevada. Franchisor has the right to allocate any portion of the National Marketing Fund to the Cooperative Advertising Marketing/Operational and Promotional Association (CAMP A) program. A fee of SEVENTY FIVE HUNDRED DOLLARS (\$7,500.00) is due with the execution of the franchise agreement. Franchisee shall make monthly Cooperative Advertising Marketing/Operational and Promotional Association (CAMP A) fund payments in the form a monthly deduction from the Gross Sales, the amount of which will be set by Franchisor and may be adjusted from time to time, but shall not exceed two percent (2%) of that month's Gross Sales and is included in the monthly payment of 3% of Gross Sales to the National Marketing Fund described in Section 11.3 above. Franchisor has the right to determine the composition of all geographic territories and market areas for the implementation of each Cooperative Advertising Marketing/Operational and Promotional Association (CAMP A) program, and to require that Franchisee participate in such Cooperative Advertising Marketing/Operational and Promotional Association (CAMP A) programs when established within Franchisee's region. If a Cooperative Advertising Marketing/Operational and Promotional Association (CAMP A) program is implemented in a particular region, Franchisor has the right to establish an advertising council to self-administer the Cooperative Advertising Marketing/Operational and Promotional Association (CAMP A) program. Franchisee shall participate in the council according to the council's rules association and procedures and Franchisee shall abide by the council's decisions.

11.5 Internet Advertising

Franchisee may not establish a presence on, or market using, the Internet in connection with the Franchised Business without Franchisor's prior written consent. Franchisor has established and maintains an Internet website at www.arcpointlabs.com that provides information about the System and the services that ARCpoint Businesses provide. Franchisor may, at its option, include at the ARCpoint website an interior page containing information about the Franchised Business. If Franchisor includes such information on the ARCpoint website, Franchisor has the right to require Franchisee to prepare all or a portion of the page, at Franchisee's expense, using a template that Franchisor provides. All such information shall be subject to Franchisor's approval prior to posting. Franchisor retains the sole right to market on the Internet, including the use of websites, domain names, uniform resource locaters, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Franchisee may be requested to provide content for Franchisor's Internet marketing and shall be required to follow Franchisor's intranet and Internet usage rules, policies and requirements. Franchisor retains the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, and in connection with linking, marketing, co-branding and other arrangements. Franchisor retains the sole right to approve any linking to, or other use of, the ARCpoint website. If the Franchisor receives an order or lead over the Internet that originated within the Franchisee's territory, that order will be given to the Franchisee to fill. The website is intended to help promote the Franchisee's business with sales leads as an informal portal.

11.6 Telephone Directory Advertising

Franchisee must list and advertise the telephone number(s) for the Franchised Business in the "white pages" telephone directory and the classified or "yellow pages" telephone directory distributed in its trade area and in such directory heading or category as specified by Franchisor. Franchisee must place the classified directory advertisement and listings together with other ARCpoint Businesses operating within the distribution area of the directories. If a joint listing is obtained, all ARCpoint Businesses listed together shall pay a *pro rata* share of the cost of the advertisements and listings. Franchisor retains the right to order, install, manage and own the telephone number for the Franchisee.

12.6 Right to Inspect

Franchisor or its designee has the right, during normal business hours, to examine, copy and audit the books, records and tax returns of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of eighteen percent (18%) per annum (or the highest rate allowed by the law of the state where Franchisee is located, whichever is higher). If an audit discloses an underpayment of three percent (3%) or more of the amount due for any period covered by such audit, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have. If no discrepancies are found then Franchisor shall incur the cost for the audit.

12.7 Release of Records

At Franchisor's request, Franchisee shall authorize and direct any third parties, including accounting professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Gross Sales, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor. Franchisor shall accept copies of documents provided under third party supervision.

13. STANDARDS OF OPERATION**13.1 Authorized Products, Services and Suppliers**

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality services and products to its customers. Accordingly, Franchisee shall provide only those services, sell only those products and use only those supplies, signs, equipment and other products that Franchisor from time to time approves (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. If required by Franchisor, any such products shall be purchased only from "Approved Suppliers" that Franchisor designates or approves (which might include, or be limited to, Franchisor or its Affiliate). Franchisee shall not provide or offer for sale through the Franchised Business or from the Approved Location any services or products that Franchisor has not approved.

13.1.2 Franchisor shall provide Franchisee, in the Manual or other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, signs, equipment and other approved or specified products, and Franchisor may from time to time issue revisions to such list. If Franchisor or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor or an Affiliate. If Franchisee desires to offer for sale or use any product that Franchisor has not approved (for products that require supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and/or samples for Franchisor to determine whether the product complies with its standards and specifications, or whether the supplier meets its Approved Supplier criteria. Franchisee shall bear all reasonable expenses incurred by Franchisor in connection with determining whether it shall approve a product or supplier. Franchisor shall decide within thirty (30) days after receiving the required information whether Franchisee may purchase such products from such supplier. Approval of a supplier

may be conditioned on the supplier's ability to provide sufficient quantity of product; the quality and price of products; the supplier's production and delivery capability; and the supplier's dependability and general reputation. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor, in its discretion, deems confidential.

13.1.3 Notwithstanding anything contrary in this Agreement, Franchisor has the right to review from time to time its approval of any products or suppliers. Franchisor may revoke its approval of any product or supplier at any time, and in its sole discretion, by notifying Franchisee or the supplier. Franchisee shall, at its own expense, promptly cease using any products disapproved by Franchisor and shall promptly cease purchasing from suppliers disapproved by Franchisor.

13.1.4 Franchisor has the right to designate certain services and products, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. Franchisor has the right, in its sole discretion from time to time, to give its consent to one (1) or more franchisees to provide certain services or use certain products not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 10.3 and shall not create any rights in Franchisee to provide the same services or use the same products.

13.1.5 Franchisor has the right to retain volume rebates, markups and other benefits from suppliers or in connection with the furnishing of suppliers. Franchisee shall have no entitlement to or interest in any such benefits

13.1.6 At no time shall you offer any service or product, through any business entity in which you have any equity interest, to any customer or potential customer of any franchisee (including yourself) or affiliate. Likewise, at no time shall you offer any service or product, through any business entity in which you have any equity interest, to any competitor of any franchisee (including yourself) or affiliate. Such products and services shall include, but are not limited to, medical review officer services, training and compliance services, computer, internet, or accounting software services designed for the drug testing industry, policy implementation services and advice services (such as "Drug Free Work Place"), or training services of any kind related to the drug testing industry.

13.1.7 We may establish National Accounts that you will have an opportunity to provide services to. National Accounts are narrowly defined as corporations having branches or franchises in more than one state, that have agreed at the corporate level, to award ARCpoint and its franchises the first right of refusal in all territories in which they exist. If we do establish a National Account, we reserve the right to retain 25% of the revenue (or an agreed upon collection fee) received from National Accounts to compensate us for our sales, administration and billing efforts. At this time, we have no established National Accounts.

13.1.8 As a franchisee, if you establish a national account, you are required to allow other ARCpoint franchisees the first right of refusal to provide collection services to this account in territories you do not own. If another ARCpoint franchisee provides collection services you shall receive 25% of the revenue (or an agreed upon collection fee) to compensate for the sales, administration and billing efforts. If an ARCpoint franchisee in a territory that you need to service per your National Account declines to provide collection services for the account, then you have the right to seek collection services through another third-party-provider.

13.1.9 As a franchisee if you establish a Regional Account that has locations in another franchisee's territory, you are required to allow the other ARCpoint franchisee the first right of refusal to provide collection services to this account in that territory. IF they decline, you have the right to seek collection

services through another third-party-provider. The fee for these collections shall be negotiated between the franchisees with our assistance if desired. We do not establish a definitive structure for sharing revenue as between franchisees regarding Regional Accounts. We do have a suggested in-network collection fee similar to those structured with national labs (which does not address travel to remote locations) and would also refer you to the revenue sharing structure for National Accounts as a guide.

13.1.10 As a franchisee, you are also free to establish accounts outside of your territory as long as no other franchisee has purchased that particular territory. If at any point in the future, a franchisee purchases that territory in which you currently do business, you are required to cease doing all business within that territory within 60 days of the purchase by franchisee and shall do all things necessary to transfer business to the new franchisee. However, should the customer you are doing business with, in the other franchisee's territory, express in writing to us that they wish to continue the business relationship with you, rather than establish a relationship with the new franchisee, you must allow then new franchisee first right of refusal to provide collection services for the account. If they decline, you have the right to seek collection services through another third-party-provider. The fee for these collections shall be negotiated between the franchisees with our assistance if desired. We do not establish a definitive structure for sharing revenue as between franchisees regarding this situation. We do have a suggested in-network collection fee similar to those structured with national labs (which does not address travel to remote locations) and would also refer you to the revenue sharing structure for National Accounts as a guide.

13.2 Appearance and Condition of the Franchised Business

Franchisee shall maintain the premises of the Franchised Business and any vehicles, furniture, fixtures, equipment and signage in "like new" condition. The expense of such maintenance shall be borne by Franchisee and shall be in addition to any required System modifications as described in Section 10.2.

13.3 Ownership and Management

The Franchised Business shall, at all times, be under the direct full time day to day supervision of Franchisee and cannot be initially operated by an absentee owner. The Designated Manager shall devote his or her full-time efforts to the management of the day-to-day operation of the Franchised Business. "Full-time" means the expenditure of at least thirty-five (35) hours per week, excluding vacation, sick leave and similar absences, unless otherwise approved in writing by Franchisor. Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its Designated Manager who need not have an equity interest in the financial business.

13.4 Contributions and Donations

In order to protect the Marks, Franchisee must obtain Franchisor's prior written consent before making any contributions or donations of items, services or funds to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any organization). Franchisor may withhold any such consent in its sole and absolute discretion.

13.5 Licenses and Permits

Franchisee shall secure and maintain in force all required licenses, permits and certificates necessary for the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations. Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Franchised Business. Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Franchised Business.

however, that Franchisor retains the right to charge a fee or refuse any particular request for this service should Franchisee, in Franchisor's discretion, be deemed to be utilizing this service too frequently or in an unintended manner. Franchisor's advice or guidance to Franchisee relative to prices for services and products that, in Franchisor's judgment, constitutes good business practice is based upon the experience of Franchisor's Affiliate in operating a business similar to ARCpoint Businesses, the experience of Franchisor's franchisees in operating ARCpoint Businesses and an analysis of costs and prices charged for competitive services and products. Franchisee shall have the sole right to determine the prices to be charged by the Franchised Business.

14.2 National Accounts

Franchisor may, but is not obligated to, establish National Accounts requiring ARCpoint services in the Franchised Business's Protected Territory. National Accounts are narrowly defined as corporations having branches or franchises in more than one state, that have agreed at the corporate level, to award ARCpoint and its franchises the first right of refusal in all territories in which they exist. If Franchisor does establish such an account, Franchisee has the right to service such account. If Franchisor does establish a National Account, we reserve the right to retain 25% of the revenue (or an agreed upon collection fee) received from National Accounts to compensate us for our sales, administration and billing efforts. At this time, we have no established National Accounts.. If Franchisee elects not to service any National Account, Franchisor has the right to service National Accounts within the Protected Territory itself, or to allow other ARCpoint Businesses or third parties to service such accounts.

As a franchisee, if you establish a national account, you are required to allow other ARCpoint franchisees the first right of refusal to provide collection services to this account in territories you do not own. If another ARCpoint franchisee provides collection services you shall receive 25% of the revenue (or an agreed upon collection fee) to compensate for the sales, administration and billing efforts. If an ARCpoint franchisee in a territory that you need to service per your National Account declines to provide collection services for the account, then you have the right to seek collection services through another third-party-provider. .

As a franchisee if you establish a Regional Account that has locations in another franchisee's territory, you are required to allow the other ARCpoint franchisee the first right of refusal to provide collection services to this account in that territory. If they decline, you have the right to seek collection services through another third-party-provider. The fee for these collections shall be negotiated between the franchisees with our assistance if desired. We do not establish a definitive structure for sharing revenue as between franchisees regarding Regional Accounts. We do have a suggested in-network collection fee similar to those structured with national labs (which does not address travel to remote locations) and would also refer you to the revenue sharing structure for National Accounts as a guide.

As a franchisee, you are also free to establish accounts outside of your territory as long as no other franchisee has purchased that particular territory. If at any point in the future, a franchisee purchases that territory in which you currently do business, you are required to cease doing all business within that territory within 60 days of the purchase by franchisee and shall do all things necessary to transfer business to the new franchisee. However, should the customer you are doing business with, in the other franchisee's territory, express in writing to us that they wish to continue the business relationship with you, rather than establish a relationship with the new franchisee, you must allow then new franchisee first right of refusal to provide collection services for the account. If they decline, you have the right to seek collection services through another third-party-provider. The fee for these collections shall be negotiated between the franchisees with our assistance if desired. We do not establish a definitive structure for sharing revenue as between franchisees regarding this situation. We do have a suggested in-network collection fee similar to those structured with national labs (which does not address travel to remote locations) and would also refer you to the revenue sharing structure for National Accounts as a guide.

15.1.7 such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 21.3.

15.1.8 Medical mal practice insurance for clinical and wellness testing with a minimum liability coverage of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence or, if higher, the statutory minimum limit required by state law;

15.2 Future Increases

Franchisor has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances.

15.3 Carrier Standards

Such policies shall be written by an insurance company licensed in the state in which Franchisee operates, and having at least an "A" Rating Classification and within the Financial Size Category "IX" or higher, each as indicated in A.M. Best's Key Rating Guide. Although A.M. Best groups "A" and "A-" in the same classification, Franchisor demands an "A" rating.

15.4 Evidence of Coverage

Franchisee's obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 21.3. Franchisee shall provide, annually, certificates of insurance showing compliance with the foregoing requirements. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days prior written notice to Franchisor and shall reflect proof of payment of premiums.

15.5 Failure to Maintain Coverage

Should Franchisee not procure and maintain insurance coverage as required by this Agreement, Franchisor has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

16. DEFAULT AND TERMINATION

16.1 Termination by Franchisee

If Franchisee is in full compliance with all of the terms of this Agreement and Franchisor materially breaches this Agreement and fails to commence reasonable efforts to cure such breach within thirty (30) days after receiving written notice identifying the claimed breach, Franchisee may elect to terminate this Agreement unless the breach cannot reasonably be cured within such thirty (30) days. If the breach cannot reasonably be cured in such thirty (30) days, Franchisee may elect to terminate this Agreement only if Franchisor does not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish Franchisee reasonable proof of such efforts.

16.3 Reinstatement and Extension

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, Franchisor may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

16.4 Right of Franchisor to Discontinue Sales to Franchisee

If Franchisor delivers to Franchisee a notice of termination pursuant to Section 16.2.2, in addition to Franchisor's other remedies, Franchisor and its Affiliate(s) reserve the right to suspend the sale of any services or products to Franchisee for which Franchisor or an Affiliate is an Approved Supplier until such time as Franchisee corrects the default.

16.5 Right of Franchisor to Operate Franchised Business

Following the delivery of a notice of termination pursuant to Section 16.2.2 if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume the operation of the Franchised Business until such time as Franchisee corrects the breach. Franchisor may charge a management fee as stated in the Manual from time to time, currently equal to TWO HUNDRED DOLLARS (\$200.00) per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business.

17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION**17.1 Actions to be Taken**

Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee shall:

17.1.1 immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

17.1.2 cease to use the Trade Secrets, Confidential Information, the System and the Marks including, without limitation, all signs, slogans, symbols, logos, advertising materials, stationery, forms and any other items which display or are associated with the Marks;

17.1.3 upon demand by Franchisor, at Franchisor's sole discretion, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease), its interest in the lease then in effect for the Approved Location to Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

17.1.4 take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "ARCpoint" or any other Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

17.1.5 pay all sums owing to Franchisor and its Affiliate. In the event of termination for any default of Franchisee, such sums shall include, but shall not be limited to, all damages, costs and expenses, including reasonable attorneys' fees with respect to litigation, arbitration, appellate or bankruptcy proceedings, unpaid Royalty Fees, loss of future Royalty Fee payments incurred by Franchisor as a result of an early termination of this Agreement and any other amounts due to Franchisor or its Affiliate;

17.1.6 pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

17.1.7 immediately return to Franchisor the Manual and all other Confidential Information including records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property), and permanently remove from Franchisee's computer or computer data storage devices any electronic copy or backup of the Manual and all other Confidential Information;

17.1.8 assign all telephone listings and numbers for the Franchised Business to Franchisor and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Marks in any regular, classified or other telephone directory listing and shall authorize transfer of same to or at the direction of Franchisor; and

17.1.9 comply with all other applicable provisions of this Agreement.

17.2 Post-Termination Covenant Not to Compete

17.2.1 Franchisee acknowledges that the restrictive covenants contained in this Section are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

17.2.1.1 to protect the trade secrets of Franchisor;

17.2.1.2 to induce Franchisor to grant a franchise to Franchisee; and

17.2.1.3 to protect Franchisor against its costs in training Franchisee and its officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities).

17.2.2 Except as otherwise approved of in writing by Franchisor, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, shall, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

17.2.2.1 own an interest in, manage, operate or provide services to any Competitive Business located or operating (a) within a twenty-five (25) mile radius of the Approved Location or within the Protected Territory (whichever is greater), or (b) within a twenty-five (25) mile radius of the location of any other ARCPoint Business in existence at the time of termination or expiration; or

17.2.2.2 solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisor to terminate or modify his, her or its business relationship with Franchisor or to compete against Franchisor.

17.2.3 In furtherance of this Section, Franchisor has the right to require certain individuals to execute standard form nondisclosure or non-competition agreements in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit B.

17.3 Unfair Competition

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with Franchisor. This Section is not intended to grant Franchisee a right to operate other businesses and in no way is it intended to contradict Sections 17.1 or 17.2. If Franchisor elects not to receive an assignment or sublease of the Approved Location, Franchisee shall make such modifications or alterations to the Approved Location (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Approved Location. Franchisee shall make such specific additional changes to the Approved Location as Franchisor may reasonably request for that purpose including, without limitation, removal of all trade dress or other physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Approved Location for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

17.4 Franchisor's Option to Purchase Certain Business Assets

Franchisor has the right (but not the duty), for a period of thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Business including equipment, supplies and other inventory. The purchase price shall be equal to the assets' fair market value, as determined by an independent appraiser. If Franchisor elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price.

17.5 Survival of Certain Provisions

All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

18. TRANSFERABILITY OF INTEREST

18.1 Transfer by Franchisor

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by Franchisor and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor hereunder and Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement.

22. GENERAL CONDITIONS AND PROVISIONS

22.1 No Waiver

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

22.2 Injunctive Relief

As any breach by Franchisee of any of the restrictions contained in Sections 6, 7 and 17 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated and Franchisee shall be responsible for Franchisor's reasonable attorneys' fees incurred in pursuing the same. Franchisor's right to seek injunctive relief will not affect the parties' waiver of jury trial and covenant to arbitrate all disputes in accordance with Section 23.7. Franchisor's rights herein shall include pursuing injunctive relief through arbitration or in the state or federal court.

22.3 Notices

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by Registered Mail, return receipt requested. All notices shall be sent to Franchisee at the address listed on page one (1) of this Agreement, or such other address as Franchisee may designate in writing to Franchisor. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address:

ARCpoint Franchise Group, LLC
Attention: President
220 North Main St. Suite 325
Greenville, South Carolina 29601

22.4 Cost of Enforcement or Defense

If Franchisor or Franchisee is required to enforce this Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, in connection with such proceeding.

22.5 Unlimited Guaranty and Assumption of Obligations

All holders of a legal or beneficial interest in Franchisee of five percent (5%) or greater shall be required to execute, as of the date of this Agreement, the Unlimited Guaranty and Assumption of Obligations

attached as Exhibit C, through which such holders agree to assume and discharge all of Franchisee's obligations under this Agreement and to be personally liable hereunder for all of the same.

22.6 Approvals

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties nor guarantees upon which Franchisee may rely, and assumes no liability nor obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

22.7 Entire Agreement

This Agreement, its exhibits and the documents referred to herein shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof, and shall supersede all prior agreements. No other representation, oral or otherwise, has induced Franchisee to execute this Agreement, and there are no representations (other than those within Franchisor's ARCpoint Disclosure Document), inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with respect to the matters set forth in or contemplated by this Agreement or otherwise. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties. Nothing in the Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

22.8 Severability and Modification

22.8.1 Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable, and if any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of nor affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement; provided, however, that if Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement. Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

22.8.2 Notwithstanding the above, each of the covenants contained in Sections 7 and 17 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Confidential Information or on competition to the maximum extent provided or permitted by law.

22.9 Construction

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

22.10 Force Majeure

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

22.11 Timing

Time is of the essence. Except as set forth in Section 22.10, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

22.12 Withholding Payments

Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to any Affiliate. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

22.13 Further Assurances

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

22.14 Multiple Originals

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

23. DISPUTE RESOLUTION**23.1 Choice of Law**

Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina (without reference to its conflict of laws principles), excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law, as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

23.2 Consent to Jurisdiction

Any action brought by either party, except those claims required to be submitted to arbitration, shall be brought in the appropriate state or federal court located in or serving Greenville County, South Carolina. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. The parties hereby submit to service of process by registered mail, return receipt requested, or by any other manner provided by law. Claims for injunctive relief may be brought by Franchisor where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

23.3 Cumulative Rights and Remedies

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

23.4 Limitations of Claims

Any claim concerning the Franchised Business or this Agreement or any related agreement will be barred unless an action for a claim is commenced within one (1) year from the date on which Franchisee or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

23.5 Limitation of Damages

Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other, and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees as provided in Section 22.4. Franchisee waives and disclaims any right to consequential damages in any action or claim against Franchisor concerning this Agreement or any related agreement. In any claim or action, whether through litigation or arbitration, brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Franchise Fee and Royalty Fee payments.

23.6 Waiver of Jury Trial

Franchisee and Franchisor each irrevocably waive trial by jury in any action, whether at law or equity, brought by either of them.

23.7 Arbitration

This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained herein. Except for controversies or claims relating to the ownership of any of Franchisor's Marks, the unauthorized use or disclosure of Franchisor's Confidential Information or covenants against competition, all disputes arising out of or relating to this Agreement or to any other agreements between the parties, or with regard to interpretation, formation or breach of this or any other agreement between the parties, shall be settled by binding arbitration conducted in Greenville County, South Carolina, in accordance with the Commercial

Arbitration Rules of the American Arbitration Association then in effect. A single arbitrator agreed upon by the parties or otherwise appointed by the Circuit Court located in or serving Greenville County, South Carolina, shall conduct the proceedings. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

Franchisee acknowledges that it has read the terms of this binding arbitration provision and affirms that this provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on the part of Franchisor or any of Franchisor's agents or employees.

24. ACKNOWLEDGMENTS

24.1 Receipt of this Agreement and the Uniform Franchise Disclosure Document

Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Uniform Franchise Disclosure Document; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee further represents and acknowledges that it has received, at least fourteen (14) calendar days prior to the date on which this Agreement was executed, the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures.

24.2 Consultation by Franchisee

Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so.

24.3 True and Accurate Information

Franchisee represents that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

24.4 Risk

Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in an ARCpoint Business involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Franchisee. Franchisor makes no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

24.5 No Guarantee of Success

Franchisee represents and acknowledges that it has not received or relied on any guarantee, express or implied, as to the revenues, profits or likelihood of success of the Franchised Business. Franchisee represents and acknowledges that there have been no representations by Franchisor's directors, employees or agents that are not contained in, or are inconsistent with, the statements made in the Uniform Franchise Disclosure Document or this Agreement.



ARCPOINT FRANCHISE GROUP, LLC

FRANCHISE AGREEMENT

This Franchise Agreement, made this 6 day of February 2013, is by and between ARCpoint Franchise Group, LLC, a South Carolina limited liability company, having its principal place of business at 220 North Main St, Suite 325, Greenville, South Carolina 29601 ("Franchisor"), and FLORENCE DDS, INC, whose principal address is 203 W ELM ST, STE A FLORENCE, SC 29501, an individual/partnership/corporation/limited liability company established in the State of SC ("Franchisee").

WITNESSETH:

WHEREAS, Franchisor and its Affiliate* have developed and are in the process of further developing a System identified by the trademark "ARCpoint" and/or ARCpoint Labs relating to the establishment, development and operation of "ARCpoint Businesses" that provide affordable, full-service drug screening, DNA testing and other logistical solutions for a wide variety of client organizations including businesses, schools, government and private individuals; and

WHEREAS, the distinguishing characteristics of the System include, among other things, uniform standards and procedures for business operations; procedures and strategies for sales, marketing, advertising and promotions; business techniques; the Marks; the Manual; training courses, all of which Franchisor may improve, further develop or otherwise modify from time to time; and

WHEREAS, Franchisor grants to certain qualified persons and business entities the right to own and operate a single ARCpoint Business under the System and using the Marks; and

WHEREAS, Franchisee desires to operate an ARCpoint Business, has applied for a Franchise and its application has been approved by Franchisor in reliance upon all of the representations made therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations and service and the necessity of operating its Franchised Business in strict conformity with Franchisor's System.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

1. DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

* Capitalized terms not defined upon first use are defined in Section 1.

"Additional Employees" means any employee you request to receive training, after the one employee, who along with you, may attend both training Modules for the current training fee (See below – "First Employee") has been trained,;

"Affiliate" means any entity that controls, is controlled by, or is under common control with Franchisor;

"Agreement" means this agreement entitled "ARCpoint Franchise Group, LLC Franchise Agreement" and all instruments supplemental hereto or in amendment or confirmation hereof;

"Approved Location" means the site for the operation of the Franchised Business selected by Franchisee and approved in writing by Franchisor;

"Approved Supplier(s)" has the meaning given to such term in Section 13.1;

"Protected Territory" has the meaning given to such term in Section 2.5;

"Competitive Business" means any business that offers (or grants franchises or licenses to others to operate a business that offers) drug screening, wellness, clinical, or other testing services or Advanced Regulatory Compliance, including drug testing policies for all federal modalities (which includes but is not limited to The Federal Motor Carrier's Safety Administration "FMCSA" and The Department of Transportation "DOT"), the same as or similar to those provided by ARCpoint Businesses or in which Confidential Information could be used to the disadvantage of Franchisor, its Affiliate(s) or its other franchisees; provided, however, that the term "Competitive Business" shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest;

"Confidential Information" means any trade secret and any information or matter that is or may be used to gain a competitive advantage over Franchisor or any of its Affiliates and is not generally known by the public, whether or not in written or tangible form and regardless of the media (if any) on which it is stored, relating to the System (including knowledge and experience in operating an ARCpoint Business, product specifications, operational and production techniques and methods, record keeping and reporting methods, accounting systems, management and personnel training techniques, sales and promotion techniques, policies, procedures, standards, specifications for signs, displays, business forms and stationery, the Manual, research and development, lists of franchisees and suppliers, suggested pricing and cost information) and any other information or material identified to Franchisee by Franchisor as confidential;

"Cross-Territorial Sales" service of any customer or client inside or outside of your Territory, or inside the Territory or area that has been assigned to another franchisee, us, or our Affiliates.

"Designated Manager" if Franchisee is a legal business entity, (such as a corporation, limited liability company and other legal business entity), "Designated Manager" means the individual holder of a legal interest in Franchisee, designated by Franchisee as having primary responsibility for managing the day-to-day affairs of the Franchised Business, and if Franchisee is an individual and not a business entity, the Designated Manager shall be Franchisee;

"Development Territory" means the Development Rights Franchisor grants to Developer to establish and operate a set number of ARCpoint Businesses at sites located within an area defined in the same manner Franchisor defines Protected Territories.

"Effective Date" means the date on which Franchisor and Franchisee fully execute this Agreement is fully executed, thereby commencing its effectiveness and term;

"First Employee" the one employee, who along with you, may attend both training Modules for the current training fee;

"Franchise" means the right granted to Franchisee by Franchisor to use the System and the Marks;

"Franchise Fee" has the meaning given to such term in Section 3.1;

"Franchised Business" means the ARCpoint Business to be established and operated by Franchisee pursuant to this Agreement;

"Franchisee" means the individual or entity defined as "Franchisee" in the introductory paragraph of this Agreement;

"Franchisor" means ARCpoint Franchise Group, LLC; a South Carolina limited liability company;

"Generally Accepted Accounting Principles" or "GAAP" means the standards, conventions and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements;

"Gross Sales" means the aggregate of all revenue from the sale of services and products from all sources in connection with the Franchised Business whether or not collected by Franchisee and whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance, but excluding (a) all refunds made in good faith, (b) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, (c) and the value of any allowance issued or granted to any customer of the Franchised Business that is credited by Franchisee in full or partial satisfaction of the price of any services and products offered in connection with the Franchised Business;

"Incapacity" means the inability of Franchisee or any holder of a legal or beneficial interest in Franchisee to operate or oversee the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

"Internet" means any one (1) or more local or global interactive communications media that is now available, or that may become available, and includes sites and domain names on the World Wide Web;

"Local Advertising" has the meaning given to such term in Section 11.2

"Manual" means the ARCpoint Operations Manual and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and managers' manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor;

"Ad Fund" has the meaning given to such term in Section 11.1;

"Ad Fund Fee" has the meaning given to such term in Section 3.5;

"Marks" means the service mark "ARCpoint", ARCpoint Labs (trademark application filed (date here)), and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with ARCpoint Businesses;

"National Accounts" means a company, organization, client, or group of clients that has agreed or requested that we provide any of the services offered by our franchisees at multiple locations across different territories or for multiple clients. A National account can include many different types of organizations, including, but not limited to, private and publicly held corporations, educational institutions, governmental agencies, non-profit organizations, other third party providers, or referral agencies.

"Consortium/Third party administrator ("C/TPA") means a service agent that provides or coordinates one or more drug and/or alcohol testing services to DOT-regulated employers. C/TPAs typically provide or coordinate the provision of a number of such services and perform administrative tasks concerning the operation of the employers' drug and alcohol testing programs. This term includes, but is not limited to, groups of employers who join together to administer, as a single entity, the DOT drug and alcohol testing programs of its members (e.g., having a combined random testing pool). C/TPAs are not "employers" for purposes of this part.

"Royalty Fee" has the meaning given to such term in Section 3.4; and

"System" means the uniform standards, methods, procedures and specifications developed by Franchisor and as may from time to time be added to, changed, modified, withdrawn or otherwise revised by Franchisor, in its sole discretion, for the operation of an ARCpoint Business.

2. GRANT OF FRANCHISE: APPROVED LOCATION

2.1 Grant

Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts, upon the terms and conditions herein contained, a revocable, limited license to operate one (1) ARCpoint Business using the System and Marks.

2.2. Approved Location

Franchisee shall select an Approved Location within the Protected Territory according to the process described in Section 5.1, the Operations Manual and any other writing by Franchisor.

2.3. Sub-franchising/Agents

Franchisee shall not sublicense the use of the System or Marks to any person or entity. Except as may be permitted pursuant to Section 18, Franchisee shall not grant any person or entity the right to perform any part of Franchisee's rights or obligations hereunder.

2.4. Protected Territory

2.4.1 So long as this Agreement is in full force and effect and Franchisee is not in default under any of the terms hereof, subject to Franchisor's reservation of rights set forth in Section 2.5, Franchisor shall not establish, own or operate, or license any other person to establish, own or operate, any other ARCpoint Business or other substantially similar business within Franchisee's "Protected Territory" as set out below and further designated and defined in attached zip code list.

FLORENCE COUNTY, MARION COUNTY, CLARENDON COUNTY
SUMTER COUNTY, DARLINGTON COUNTY, MARLBORO COUNTY

2.5. Franchisor's Rights

Franchisee acknowledges that except to the extent provided in Section 2.3 above, Franchisor expressly retains all rights and discretion with respect to the Marks and System, including the right to:

2.5.1 establish, own or operate, and license others to establish, own or operate, ARCpoint Businesses inside and/or outside of the Protected Territory as Franchisor deems appropriate;

2.5.2 establish, own or operate, and grant others the right to establish or operate, other businesses offering the same or similar products utilizing the Marks or other trade names, trademarks and service marks at locations inside and/or outside of the Protected Territory;

2.5.3 service National Accounts within your Protected Territory, or allow other ARCpoint Businesses or third parties to service National Accounts;

2.5.4 purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to the Franchised Business (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Protected Territory. If Franchisor purchases or acquires franchises or licenses, Franchisor may, in its sole discretion, act as franchisor or licensor with respect to such franchisees or licensees wherever located, pursuant to the individual franchise or license agreement(s) between Franchisor and such franchisee(s) or licensee(s). If Franchisor purchases

or acquires such businesses within the Protected Territory which are not franchised or licensed, Franchisor may, in its sole discretion:

2.5.4.1 offer the franchisee the right of first refusal to purchase any competing business in the franchisees Protected Territory or to sell any such businesses to Franchisee or to any third party at the business's fair market value to be operated as a ARCpoint Business; or

2.5.4.2 offer Franchisee the opportunity to operate such business(s) in partnership with Franchisor (or an Affiliate) under the business(s) existing trade name or a different trade name.

2.5.5 be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Protected Territory;

2.5.6 provide the services and sell the products authorized for ARCpoint Businesses using the Marks or other trademarks, service marks and commercial symbols through an alternate channel of distribution on such terms and conditions as Franchisor deems appropriate;

2.5.7 provide services similar to those offered through the franchised business through any alternate channel of distribution, including through outlets at a fixed location and by Internet;

2.5.8 provide the services and sell the products authorized for ARCpoint Businesses to a customer whose principal residence (or principal business office if the client is a business entity) is located within the Protected Territory if contact with Franchisor is initiated by the client and not Franchisor; and

2.5.9 engage in any activities not expressly forbidden by this Agreement.

2.6 Marketing and Solicitation Restrictions

Franchisee has the right and the obligation to vigorously pursue all potential customers within the boundaries of the Protected Territory. The Cross-Territorial Sales Protocol addresses Franchisee rights and limitations as they apply to the marketing or advertising to, solicitation of, or service of any customer or client inside or outside of the Protected Territory, or inside the Protected Territory or area that has been assigned to another Franchisee, Franchisor, or Franchisor's Affiliates. Franchisor reserves the right to modify this Protocol from time to time, for the entire system, and Franchisee agrees to comply with these modifications. The Protocol does not permit franchisees to solicit or directly market to or service customers in another franchisee's territory.

The Protocol is set out in full in the Operations Manual and provides, in part, the following:

2.6.1 Franchisee is strictly prohibited from directly marketing to or soliciting customers, through the use of ARCpoint trademarks, or other channels of any nature, whose principal business office (or principal residence, if the client is an individual) is outside of Franchisee's Territory, without Franchisor's written permission.

2.6.2 Franchisee may not advertise in a form of media that must, by its nature, be seen outside of Franchisee's Territory, in addition to Franchisee's own Territory, without Franchisor's written permission (which will not be unreasonably withheld), unless the advertisement is part of a cooperative advertising program, or part of Franchisor-directed Internet marketing through a Franchisor-approved vendor.

2.6.3 Franchisee may advertise and market to clients, customers, or potential clients or customers only through media that is primarily directed to residents of Franchisee's Territory. Further guidelines regarding Advertising and Marketing may be found in Item 11 of the Franchise Disclosure Document and in the Franchise Agreement.

2.6.4 If Franchisee establishes a relationship with a customer or client within Franchisee's Territory, and that customer or client has additional locations outside of Franchisee's Territory and would like you to service these locations:

2.6.4.1 Franchisee must first check each location to see if it is within a Territory already assigned to a Franchisee, to Franchisor, or Franchisor's Affiliates. If so, Franchisee must give that Franchisee first right of refusal to service that business,

2.6.4.2 If that Franchisee refuses to service the client, or the client is not located within a Franchisee's territory, Franchisee has the right to seek collection service through another third party provider,

2.6.4.3 Franchisee must not service that client directly by traveling to the client, outside of Franchisee's territory,

2.6.4.4 Franchisee must pay any other franchisee a fee for collection services within their territory, to be determined with assistance by Franchisor.

2.6.4.5 If Franchisee receives a lead for, or a direct request for the performance of service or sale of goods, outside of Franchisee's territory, from a customer whose principal business office (or principal residence, if the client is an individual) is outside of Franchisee's Territory, (even if that territory is unassigned to a franchisee) Franchisee must refer those leads to Franchisor, to be directed to the appropriate Franchisee, Franchisor, or an Affiliate who is assigned that particular territory or area. Franchisee will not be entitled to any compensation for leads outside of Franchisee's Territory. Compliance with Franchisor's Cross-Territorial Protocol is mandatory and is set out in detail in Franchisor's Operations Manual.

2.6.5 Franchisor reserves the right to establish National Accounts for the benefit of the entire system. A National Account is a company, organization, client, or group of clients that has agreed or requested that we provide any of the services offered by our franchisees at multiple locations across different territories or for multiple clients. A National account can include many different types of organizations, including, but not limited to, private and publicly held corporations, educational institutions, governmental agencies, non-profit organizations, other third party providers, or referral agencies.

These National Accounts may be located within or outside of your territory however, you agree to assist us, despite any other provisions contained in the Franchise Agreement to advance this program. If you decide to participate in the National Accounts Program, you agree to all provisions of this program as outlined in the Operations Manual, including but not limited to the allocation of revenues. You

acknowledge that the provisions of the National Accounts Program may be modified from time to time and agree to adhere to those provisions as contained in the Operations Manual. If you decide not to participate in the National Accounts Program, and refuse to service these accounts in your territory, you agree to allow us, our Affiliates, or other franchisees to service these accounts, and agree that this will not be a violation of your territorial rights as outlined in this Franchise Disclosure Document or the Franchise Agreement, and that you will not be entitled to or receive any payments from the service of these accounts.

3. DEVELOPMENT FEE AND FRANCHISE FEES

3.1 Franchise Fee

Upon execution of this Agreement, Franchisee shall pay a fee ("Franchise Fee") to Franchisor of \$ 0 Renewal DOLLARS (\$ _____). The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable, except under certain conditions set forth under Section 8.5. The Franchise Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including general sales and marketing expenses, training, legal, accounting and other professional fees and is non-refundable except as described below.

Franchisee shall pay an Initial Franchise Fee based upon the number of Franchised Businesses for a single Franchised Business in the amount of \$45,000, which grants Franchisee the right to use the System and operate the Franchised Business at and from the Franchise Site Franchisee selects and Franchisor approves and to use and display the Marks, but only in operation of the Franchised Business. The Initial Franchise fee shall be paid in a lump sum upon the execution of the Franchise Agreement and is non-refundable except as described below. We do not finance any portion of the any fees.

3.2 Development Fees

Franchisee wishes to become a Developer and open multiple Franchised Businesses in a Development Territory. Franchisee shall execute the Multi-Unit Executive Development Agreement ("MUEA") attached as Exhibit E and pay the Development fee, which includes the Franchise Fee for the first business, and all other discounted Multi-Unit Franchise Fees for businesses to be developed at the same time as the Initial Franchise Agreement.

3.3 Initial Training Fees

Upon execution of this Agreement, Franchisee shall pay the training fee of \$12,500, which includes attendance for both you and one employee ("first employee") for both training Modules One and Two at our Headquarters in Greenville, South Carolina. The Training Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable, except under certain conditions set forth under Section 8.5. The Training Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including general sales and marketing expenses, training, legal, accounting and other professional fees.

ideas and information among ARCpoint franchisees if owners of ARCpoint Businesses and members of their immediate families and households were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of this Agreement, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee (or any member of their immediate families and households), nor any officer, director, executive, manager or member of the professional staff of Franchisee, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall:

7.3.1 Divert or attempt to divert any business, customer, referral source or supplier of the Franchised Business to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System; or

7.3.2 Own an interest in, manage, operate, or perform services for any Competitive Business wherever located.

7.4 Nondisclosure and Non-Competition Agreements with Certain Individuals

Franchisor has the right to require Franchisee and any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff of Franchisee to execute a standard form nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit B, upon execution of this Agreement or prior to each such person's affiliation with Franchisee. Upon Franchisor's request, Franchisee shall provide Franchisor with copies of all nondisclosure and non-competition agreements to be signed pursuant to this Section. Said agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein. Franchisor shall be a third party beneficiary with the right to enforce covenants contained in such agreements.

7.5 Reasonableness of Restrictions

Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that without their inclusion; Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, the System and the Marks and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable.

8. TRAINING AND ASSISTANCE

8.1 Initial Training

Franchisor shall make available to Franchisee an in-depth training program that covers material aspects of the operation of the franchised business, including, but not limited to, drug and alcohol, DNA, and clinical testing (unless not available under your Franchisee's state law), Wellness program, Department of Transportation Program training, marketing, sales, legalities, finance, franchise location organization, and on-the-job training at Franchisee's business location. Franchisor's training fee includes

(\$1.00) during the final year of the term of this Agreement if Franchisee provides written notice of its intention not to renew the Franchise. Any required expenditure for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 13.2. Notwithstanding the foregoing, Franchisee shall be required to make any and all improvements or modifications whenever such are required by law, regulation, agency decision or court order.

10.4 Variance

Franchisor has the right, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of any particular ARCpoint Business. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance hereunder.

11. MARKETING AND PROMOTIONAL ACTIVITIES

11.1 National Marketing/Advertising Fund ("Ad Fund")

Franchisee shall contribute 2% of gross sales or a minimum of \$100.00, whichever is greater (as set out in Section 3.5 above) to Franchisor's system-wide "Ad Fund". Franchisor established the Ad Fund to develop a system-wide advertising, promotion and marketing program to enhance the ARCpoint and ARCpoint Labs Brand and Marks. Franchisor shall administer the Ad Fund as follows:

(a) Franchisor shall maintain sole control over all creative concepts, materials, branding standards, and determine placement and allocation of advertisements. Franchisor shall determine the media to be used, which may vary from time to time, depending on a variety of factors, including, but limited to, the national economy, industry regulation regarding marketing and advertising, and research and advice from outside professionals. Franchisor does not guarantee that any one particular franchisee will benefit directly or in proportion to their contribution from the activities of the Ad Fund.

(b) Franchisor shall use Franchisee contributions to meet any cost of developing, producing, maintaining, administering, and directing consumer advertising. Franchisor, in its sole discretion may use the Ad Fund for any of, but not limited to the following: the cost of developing local marketing and advertising promotional materials, creating and implementing various Internet and other electronic media strategies, developing and maintaining the corporate website, creating advertising campaigns, implementing public relations activities, developing national, regional, or third party administration accounts, attending consumer or other end-user trade shows, employing advertising agencies, or other advertising and marketing professionals to assist in these efforts and others such as brand development and conducting a variety of market research. Franchisor in its sole discretion may use your contributions to pay for the services of a national or regional marketing or advertising agency.

(c) Franchisor shall maintain your Ad Fund contributions in a separate account from general operating funds and shall not use them for any of our general operating expenses, except (per FTC Guidelines) for reasonable administrative costs and overhead related to the administration of the Ad Fund. Franchisor shall not use Ad Fund contributions for the direct solicitation of franchise sales.

(d) Franchisor expects to use all contributions in the fiscal year they are made and intends for the Ad Fund to be perpetual, but maintains the right to terminate it if necessary. Franchisor shall not terminate the Ad Fund until all contributions have been used for advertising, marketing, and promotional purposes, or have been returned to our franchisees on a *pro rata* share.

(e) Franchisor shall have an accounting of the Ad Fund prepared each year and will provide Franchisee with a copy if requested. During the last fiscal year ending December 31, 2011, the Ad Fund spent 44% of its income on the production of advertisements and other promotional materials, 40% for sales support, subscriptions, and media placement, 12% for software and support, and 4% for general and administrative expenses. We may require that the annual accounting be reviewed or audited and reported on by an independent certified public accountant at the expense of the national advertising marketing fund. The Ad Fund is not a trust and we assume no fiduciary duty in administering the national advertising marketing fund.

(f) If Franchisee is in default of any of Franchisee's obligations to Franchisor and/or the Ad Fund, or this Agreement is otherwise subject to termination, Franchisee shall have no rights with respect to the Ad Fund, and Franchisor may deny access to any and all programs and/or materials created by and benefits of, the Ad Fund.

(g) Although Franchisor has not yet done so, but retains the power to require a Franchisee Advisory Council to be formed, changed, dissolved or merged. Franchisor reserves the right to form and periodically meet with, a council(s) of ARCpoint franchisees ("Franchisee Advisory Council") to provide us input. We will give due consideration to all input from the council(s) but we retain the ultimate decision-making authority and responsibility for all of these matters. If we submit a matter for approval by the Franchisee Advisory Council, if one is formed, and that matter is approved by a majority vote of the Franchisee Advisory Council, that approval will be fully binding on you.

11.2 Local Advertising and Marketing Investment Program

Franchisee shall participate in the Local Advertising and Marketing Investment Program, which shall begin just prior to opening for business. The Local Advertising Program is administered by Franchisor as follows:

(a) Franchisee shall be required to set aside a minimum of \$20,000 for initial launch of the Local Advertising Program, which will most likely be expended within the first twelve months of operations. Franchisee may choose to spend beyond this amount in the first 12 months you are open. Franchisor does not collect this money from Franchisee up front as a fee, however, Franchisee is required to open a separate business bank account, deposit \$12,000 into this account, and provide proof of that deposit to Franchisor within 10 days after signing the Franchise Agreement. The balance of \$8,000 must be deposited within 150 days after signing the Franchise Agreement and Franchisee must also provide proof of that deposit to Franchisor within that time frame. Franchisee shall also be required to provide proof of the balance and expenditures from that account at Franchisor's request. This program may include, but not be limited to, Social Media management, Google Ad Words campaign, initialization of your business website, organic search engine optimization, sales promotional start-up package, sales leads, target marketing list purchase, grand opening package, lab start-up package, and local networking (including dues and fees for associations and organizations, etc.). Franchisee may only use this fund for vendors, products, and services that are designated and pre-approved by Franchisor. Franchisee shall pay vendors directly or may be required to pay Franchisor for

repayment to vendors. All advertising must be conducted in the manner, style, media, and format, conforming to Franchisor's Brand Standards, and must be approved in advance as set out in Franchisor's Operations Manual. No materials or advertising venue may be utilized unless first approved by Franchisor in writing. Copyrights in any and all promotional materials developed by or for Franchisee, shall become Franchisor's sole property.

(b) Franchisee shall, beginning with the thirteenth (13th) month of operations, be required to continue many of these initial programs with the same vendors, in addition to any other local vendors you may request Franchisor's pre-approval for, but nonetheless, will be required to spend a minimum of \$750 per month on local marketing, advertising and promotion. Franchisor shall provide Franchisee access to all advertising and marketing materials prepared by Franchisor, and assist and guide Franchisee in the local advertising program.

(c) Franchisee must account to Franchisor, in any manner Franchisor may prescribe, for all amounts expended for local advertising. Franchisor reserves the right to collect the minimum required monthly local advertising expenditure from, and implement for Franchisee, a local advertising plan. Further, should Franchisee fail to expend the minimum monthly amount on local advertising, Franchisor reserves the right to collect this amount from Franchisee and contribute it to the Ad Fund without giving Franchisee credit toward the required monthly payment to that fund.

(d) Local advertising, marketing and promotion expenses shall include only those out-of-pocket costs directly associated with the development, production, placement, procurement of printed materials or advertising space or time (in any medium pre-approved by us) that is dispersed or disseminated in Franchisee's local area. Also included in these expenses are directly-associated, out-of-pocket costs for payment of marketing or advertising professionals, postage, printing, copying, long-distance phone calls, attendance or participation in local events meant to promote the business (including any hosted at Franchisee's business), and any other pre-approved costs and expenses. Any costs or expenses not specifically listed must be pre-approved by Franchisor.

(e) Franchisee is required to engage in system-approved, continuous and on-going, monthly, Search Engine Optimization (SEO) activities (both organic and paid), with the approved vendors used in the initial Local Advertising and Marketing Investment Program. The exact nature of these activities shall be prescribed by Franchisor from time to time in the Operations Manual and elsewhere. Should Franchisee fail to maintain this activity Franchisor reserves the right to administer SEO on Franchisee's behalf with the vendor of Franchisor's choice, and seek reimbursement for all expenses to do so, including reasonable expenses for administering the activity.

11.3 Internet Advertising and Marketing

(a) Franchisee is restricted from establishing a presence on, or marketing using, the Internet without Franchisor's consent. Franchisor has an Internet website at the uniform resource locator www.arcpointlabs.com and includes at the ARCpoint website an interior page containing all basic and system-wide standard information about Franchisee's franchised business, with set-up fees for this page being included in Franchisee's Local Advertising and Marketing Investment Program. Any requested additions or modifications to this page shall be made to, and pre-approved by, Franchisor with any expenses associated therewith being paid by Franchisee.

(b) Franchisor shall retain sole control and rights to, and final approval of, all Internet and other electronic media advertising and marketing done through use of Franchisor marks and otherwise, including but not limited to the use of websites, domain names, uniform resource locator's (URL's), linking, back-linking, search engines (and search engine optimization techniques), banner ads, meta-tags, auction sites, e-commerce and co-branding arrangements, coupon sites, etc. These rights also include Franchisor's control and rights to Franchisee's usernames and passwords for all advertising, social media and other activities utilizing Franchisor's marks on the internet. Franchisor's protocols for Internet Marketing are contained in the Operations Manual.

(c) Franchisee may be requested to provide content for Franchisor's Internet marketing and Franchisee must follow Franchisor's intranet and Internet usage rules, policies and requirements, and Naming Convention, which may change from time to time as the nature of the Internet itself does.

(d) Franchisee must comply with Franchisor requirements (as described in the Operations Manual or otherwise in writing) with respect to the transmission of all emails in connection with the Franchised Business and in connection with discussing, advertising, or disseminating any information, or otherwise having a presence, on the Internet, or in any other media, regarding the Franchised Business. These activities include participation in any Internet "blogs" or social networking sites. Any similar activities which are not expressly permitted in the Operations Manual or otherwise in writing, or for which Franchisee have not previously received Franchisor approval, will be subject to Franchisor approval of advertising as described above.

(e) Franchisee is restricted from utilizing the franchised business name for any marketing, advertising, promotional, or other purpose, in any media (including signage) without Franchisor's prior written consent. Franchisor will assign the name for Franchisee's franchised business, pursuant to Franchisor's Naming Convention, upon Franchisee's signing a lease for, or purchasing Franchisee's business location, within the protected territory Franchisee has purchased. Currently, the franchised business name will depend upon the actual physical address for Franchisee's location and cannot be modified for any reason. Any name or label associated with the protected territory as set out anywhere in this Franchise Agreement, is not guaranteed to be Franchisee's franchised business name and may not be used for any purpose whatsoever other than to denote Franchisee's protected territory in this agreement. Franchisor Naming Convention is contained in the Operations Manual and shall not be deviated from in any manner whatsoever without Franchisor's prior written consent.

12. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS

12.1 Records

During the term of this Agreement, Franchisee shall maintain full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Manual or otherwise in writing. Franchisee shall retain during the term of this Agreement, and for three (3) years thereafter, all books and records related to the Franchised Business including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law. Franchisor retains the right to outsource all accounting functions to a third party at negotiated prices.

reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of eighteen percent (18%) per annum (or the highest rate allowed by the law of the state where Franchisee is located, whichever is higher). If an audit discloses an underpayment of three percent (3%) or more of the amount due for any period covered by such audit, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have. If no discrepancies are found then Franchisor shall incur the cost for the audit.

12.7 Release of Records

At Franchisor's request, Franchisee shall authorize and direct any third parties, including accounting professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Gross Sales, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor. Franchisor shall accept copies of documents provided under third party supervision.

13. STANDARDS OF OPERATION

13.1 Authorized Products, Services and Suppliers

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality services and products to its customers. Accordingly, Franchisee shall provide only those services, sell only those products and use only those vendors or suppliers, supplies, signs, equipment and other products that Franchisor approves in advance (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. If required by Franchisor, any such products and/or services shall be purchased or distributed only from "Approved Suppliers" that Franchisor designates or approves (which might include, or be limited to, Franchisor or its Affiliate). Franchisee shall not provide or offer for sale through the Franchised Business or from the Approved Location any services or products that Franchisor has not approved.

13.1.2 Franchisor shall provide Franchisee, in the Manual or other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, signs, equipment and other approved or specified products, and Franchisor may from time to time issue revisions to such list. If Franchisor or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor or an Affiliate. If Franchisee desires to offer for sale or use any product that Franchisor has not approved (for products that require supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and/or samples for Franchisor, pursuant to the procedure set out in the Manual, to determine whether the product complies with

its standards and specifications, or whether the supplier meets its Approved Supplier criteria. Franchisee shall bear all reasonable expenses incurred by Franchisor in connection with determining whether it shall approve a product or supplier. Franchisor shall decide within thirty (30) days after receiving the required information whether Franchisee may purchase such products from such supplier. Approval of a supplier may be conditioned on the supplier's ability to provide sufficient quantity of product; the quality and price of products; the supplier's production and delivery capability; and the supplier's dependability and general reputation. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor, in its discretion, deems confidential.

13.1.3 Notwithstanding anything contrary in this Agreement, Franchisor has the right to review from time to time its approval of any products or suppliers. Franchisor may revoke its approval of any product or supplier at any time, and in its sole discretion, by notifying Franchisee or the supplier. Franchisee shall, at its own expense, promptly cease using any products disapproved by Franchisor and shall promptly cease purchasing from suppliers disapproved by Franchisor.

13.1.4 Franchisor has the right to designate certain services and products, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. Franchisor has the right, in its sole discretion from time to time, to give its consent to one (1) or more franchisees to provide certain services or use certain products not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 10.4 and shall not create any rights in Franchisee to provide the same services or use the same products.

13.1.5 Franchisor may receive volume rebates, markups and other tangible monetary amounts from suppliers or in connection with the furnishing of supplies or suppliers to Franchisee. Should Franchisor receive any such tangible monetary amounts from such suppliers, they shall be deposited into the National Marketing Fund for the benefit of all Franchises in the system at that time.

13.1.6 Franchisee shall comply with all terms, conditions, and obligations of all contracts and arrangements with suppliers, including contracts and arrangements negotiated by Franchisor or third parties as part of a network or multiple-franchise supply and distribution arrangement, and Franchisee's contracts with and obligations to suppliers. Franchisee shall promptly pay all suppliers in accordance with the agreed-upon terms. In the event Franchisee fails to promptly pay one or more suppliers as required, Franchisor may, but is not required to, pay such suppliers on behalf of Franchisee, and Franchisee shall promptly reimburse Franchisor for such payment following notice from Franchisor, or Franchisor may obtain payment through electronic fund transfer procedures.

13.2 Appearance and Condition of the Franchised Business

Franchisee shall maintain the premises of the Franchised Business and any vehicles, furniture, fixtures, equipment and signage in "like new" condition. The expense of such maintenance shall be borne by Franchisee and shall be in addition to any required System modifications as described in Section 10.3.

service in the operation of the Franchised Business. Franchisee shall at all times give prompt, courteous and efficient service to customers of the Franchised Business. The Franchised Business shall in all dealings with its customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee did not fairly handle a customer complaint, Franchisor has the right to intervene and satisfy the customer. Franchisor has the right to terminate this Agreement for repeated violation of this Section. Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in servicing a customer of the Franchised Business pursuant to this Section.

13.8 Uniforms

Franchisee shall abide by any uniform requirements stated in the Manual. Uniforms, if required, must be purchased from an Approved Supplier, if such is designated, or if none, then a supplier who meets Franchisor's specifications and quality standards for uniforms.

13.9 Best Efforts

Franchisee shall use its best efforts to promote and increase the sales and recognition of services offered through the Franchised Business. Franchisee shall require all of Franchisee's employees, managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all services and products provided as part of the System.

13.10 E-Mail

Franchisee shall, at all times and at Franchisee's expense, maintain an e-mail address and account for communicating with Franchisor. Franchisee will use the ARCpoint domain with first initial and last name @arcpointlabs.com as their e-mail address. Franchisor initiates, activates, and maintains full control of this email address and may set protocols and procedures for Franchisee to follow regarding use of this email address and any other email address assigned to the Franchised Business. Additional email addresses shall be assigned to the Franchised Business at Franchisor's discretion and per Franchisor's protocol and procedures. Neither Franchisee nor any other person employed by the Franchised Business will be allowed to communicate with vendors, customers, or potential customers or any other person or entity on behalf of the Franchised Business using an email address that was not initiated or activated by and under Franchisor's full control.

13.11 National Accounts

Franchisor reserves the right to establish National Accounts for the benefit of the entire system. A National Account is a company, organization, client, or group of clients that has agreed or requested that we provide any of the services offered by our franchisees at multiple locations across different territories or for multiple clients. A National account can include many different types of organizations, including, but not limited to, private and publicly held corporations, educational institutions, governmental agencies, non-profit organizations, other third party providers, or referral agencies.

These National Accounts may be located within or outside of Franchisee's territory however, Franchisee agrees to assist us, despite any other provisions contained in the Franchise Agreement, to advance this program. If Franchisee decides to participate in the National Accounts

Program, Franchisee agrees to all provisions of this program as outlined in the Operations Manual, including but not limited to the allocation of revenues. Franchisee acknowledges that the provisions of the National Accounts Program may be modified from time to time and agree to adhere to those provisions as contained in the Operations Manual. If Franchisee decides not to participate in the National Accounts Program, and refuses to service these accounts in Franchisee's territory, Franchisee agrees to allow Franchisor, Franchisor's Affiliates, or other Franchisees to service these accounts, and agrees that this will not be a violation of territorial rights as outlined in this Franchise Disclosure Document or the Franchise Agreement, and that Franchisee shall not be entitled to nor receive any payments from the service of these accounts.

If at any point a disagreement between Franchisees occurs that cannot be resolved without outside assistance, Franchisor has the power to form a council(s) of ARCpoint Franchisees ("Franchisee Advisory Council") to provide Franchisor input. Franchisor shall give due consideration to all input from the council(s) but retains ultimate decision-making authority and responsibility for all of these matters. If Franchisor submits a matter for approval by the Franchisee Advisory Council, if one is formed, and that matter is approved by a majority vote of the Franchisee Advisory Council, that approval will be fully binding on Franchisee. Franchisor has the right to change, dissolve or merge the Council.

14. INSURANCE

14.1 Types and Amounts of Coverage

At its sole expense, Franchisee shall procure within sixty (60) days of the Effective Date, and maintain in full force and effect during the term of this Agreement, the types of insurance listed below. All policies, except those identified in Section 14.1.2, shall expressly name Franchisor as an additional insured or loss payee and shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns. In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:

14.1.1 "all risk" property insurance coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Franchised Business. Franchisee's property insurance policy shall include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost;

14.1.2 workers' compensation insurance that complies with the statutory requirements of the state in which the Franchised Business is located and employer liability coverage with a minimum limit of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) or, if higher, the statutory minimum limit as required by state law;

14.1.3 comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Franchised Business, or Franchisee's conduct of business pursuant to this Agreement, with a minimum liability coverage of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence or, if higher, the statutory minimum limit required by state law;

14.1.4 errors and omissions insurance, whether as a stand-alone policy or as part of the comprehensive general liability insurance, against claims for negligence in connection with the

DOLLARS (\$600.00) per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business.

16. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

16.1 Actions to be Taken

Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee shall:

16.1.1 immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

16.1.2 cease to use the Trade Secrets, Confidential Information, the System and the Marks including, without limitation, all signs, slogans, symbols, logos, advertising materials, stationery, forms and any other items which display or are associated with the Marks;

16.1.3 upon demand by Franchisor, at Franchisor's sole discretion, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease), its interest in the lease then in effect for the Approved Location to Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

16.1.4 take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "ARCpoint", "ARCpoint Labs", or any other Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

16.1.5 pay all sums owing to Franchisor and its Affiliate. In the event of termination for any default of Franchisee, such sums shall include, but shall not be limited to, all damages, costs and expenses, including reasonable attorneys' fees with respect to litigation, arbitration, appellate or bankruptcy proceedings, unpaid Royalty Fees, loss of future Royalty Fee payments incurred by Franchisor as a result of an early termination of this Agreement and any other amounts due to Franchisor or its Affiliate;

16.1.6 pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

16.1.7 immediately return to Franchisor the Manual and all other Confidential Information including records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property), and

permanently remove from Franchisee's computer or computer data storage devices any electronic copy or backup of the Manual and all other Confidential Information;

16.1.8 assign all telephone listings and numbers for the Franchised Business to Franchisor and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Marks in any regular, classified or other telephone directory listing and shall authorize transfer of same to or at the direction of Franchisor; and

16.1.9 comply with all other applicable provisions of this Agreement.

16.2 Post-Termination Covenant Not to Compete

16.2.1 Franchisee acknowledges that the restrictive covenants contained in this Section are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

16.2.1.1 to protect the trade secrets of Franchisor;

16.2.1.2 to induce Franchisor to grant a franchise to Franchisee; and

16.2.1.3 to protect Franchisor against its costs in training Franchisee and its officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities).

16.2.2 Except as otherwise approved of in writing by Franchisor, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, shall, for a period of at least two (2) years (or, in the case of termination for non-compliance by Franchisor, for a period of time equal to the period of non-compliance even if greater than 2 years), after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

16.2.2.1 own an interest in, manage, operate or provide services to any Competitive Business located or operating (a) within a twenty-five (25) mile radius of the Approved Location or within the Protected Territory (whichever is greater), or (b) within a twenty-five (25) mile radius of the location of any other ARCpoint Business in existence at the time of termination or expiration; or

16.2.2.2 solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisor to terminate or modify his, her or its business relationship with Franchisor or to compete against Franchisor.

16.2.3 In furtherance of this Section, Franchisor has the right to require certain individuals to execute standard form nondisclosure or non-competition agreements in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit B.

16.3 Unfair Competition

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with Franchisor. This Section is not intended to grant Franchisee a right to operate other businesses and in no way is it intended to contradict Sections 16.1 or 16.2. If Franchisor elects not to receive an assignment or sublease of the Approved Location, Franchisee shall make such modifications or alterations to the Approved Location (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Approved Location. Franchisee shall make such specific additional changes to the Approved Location as Franchisor may reasonably request for that purpose including, without limitation, removal of all trade dress or other physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Approved Location for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

16.4 Franchisor's Option to Purchase Certain Business Assets

Franchisor has the right (but not the duty), for a period of thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Business including equipment, supplies and other inventory. The purchase price shall be equal to the assets' fair market value, as determined by an independent appraiser. If Franchisor elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price.

16.5 Survival of Certain Provisions

All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

17. TRANSFERABILITY OF INTEREST**17.1 Transfer by Franchisor**

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by Franchisor and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor hereunder and Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement.

20.3 Indemnification

Franchisee shall hold harmless and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities, successors and assigns (collectively "Franchisor Indemnities") from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon Franchisee's (a) ownership or operation of the Franchised Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or any Affiliate); (d) defamation of Franchisor or the System; (e) acts, errors or omissions committed or incurred in connection with the Franchised Business, including any negligent or intentional acts; or (f) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Confidential Information. The obligations of this Section 21.3 shall expressly survive the termination of this Agreement.

20.4 Right to Retain Counsel

Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnitee. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If Franchisor's exercise of its rights under this Section causes any of Franchisee's insurers to refuse to pay a third party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

21. GENERAL CONDITIONS AND PROVISIONS**21.1 No Waiver**

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by

Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

21.2 Injunctive Relief

As any breach by Franchisee of any of the restrictions contained in Sections 6, 7 and 16 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated and Franchisee shall be responsible for Franchisor's reasonable attorneys' fees incurred in pursuing the same. Franchisor's right to seek injunctive relief will not affect the parties' waiver of jury trial and covenant to arbitrate all disputes in accordance with Section 22.7. Franchisor's rights herein shall include pursuing injunctive relief through arbitration or in the state or federal court.

21.3 Notices

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by Registered Mail, return receipt requested. All notices shall be sent to Franchisee at the address listed on page one (1) of this Agreement or such other address as Franchisee may designate in writing to Franchisor. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address:

ARCpoint Franchise Group, LLC
Attention: President
220 North Main St. Suite 325
Greenville, South Carolina 29601

21.4 Cost of Enforcement or Defense

If Franchisor or Franchisee is required to enforce this Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, in connection with such proceeding.

21.5 Unlimited Guaranty and Assumption of Obligations

All holders of a legal or beneficial interest in Franchisee of five percent (5%) or greater shall be required to execute, as of the date of this Agreement, the Unlimited Guaranty and Assumption of Obligations attached as Exhibit C, through which such holders agree to assume and discharge all of Franchisee's obligations under this Agreement and to be personally liable hereunder for all of the same.

21.6 Approvals

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties nor guarantees upon which Franchisee may rely, and assumes no liability nor obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

21.7 Entire Agreement

This Agreement, its exhibits and the documents referred to herein shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof, and shall supersede all prior agreements. No other representation, oral or otherwise, has induced Franchisee to execute this Agreement, and there are no representations (other than those within Franchisor's ARCPoint Disclosure Document), inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with respect to the matters set forth in or contemplated by this Agreement or otherwise. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties. Nothing in the Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

21.8 Severability and Modification

21.8.1 Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable, and if any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of nor affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement; provided, however, that if Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement. Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

21.8.2 Notwithstanding the above, each of the covenants contained in Sections 7 and 16 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Confidential Information or on competition to the maximum extent provided or permitted by law.

21.9 Construction

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

21.10 Force Majeure

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

21.11 Timing

Time is of the essence. Except as set forth in Section 21.10, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

21.12 Withholding Payments

Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to any Affiliate. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

21.13 Further Assurances

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

21.14 Multiple Originals

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

22. DISPUTE RESOLUTION

22.1 Choice of Law

Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and

construed in accordance with the laws of the State of South Carolina (without reference to its conflict of laws principles), excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law, as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

22.2 Consent to Jurisdiction

Any action brought by either party, except those claims required to be submitted to arbitration, shall be brought in the appropriate state or federal court located in or serving Greenville County, South Carolina. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. The parties hereby submit to service of process by registered mail, return receipt requested, or by any other manner provided by law. Claims for injunctive relief may be brought by Franchisor where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

22.3 Cumulative Rights and Remedies

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

22.4 Limitations of Claims

Any claim concerning the Franchised Business or this Agreement or any related agreement will be barred unless an action for a claim is commenced within one (1) year from the date on which Franchisee or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

22.5 Limitation of Damages

Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other, and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees as provided in Section 21.4. Franchisee waives and disclaims any right to consequential damages in any action or claim against Franchisor concerning this Agreement or any related agreement. In any claim or action, whether through litigation or arbitration, brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Franchise Fee and Royalty Fee payments.

22.6 Waiver of Jury Trial

Franchisee and Franchisor each irrevocably waive trial by jury in any action, whether at law or equity, brought by either of them.

22.7 Arbitration

This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained herein. Except for controversies or claims relating to the ownership of any of Franchisor's Marks, the unauthorized use or disclosure of Franchisor's Confidential Information or covenants against competition, all disputes arising out of or relating to this Agreement or to any other agreements between the parties, or with regard to interpretation, formation or breach of this or any other agreement between the parties, shall be settled by binding arbitration conducted in Greenville County, South Carolina, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. A single arbitrator agreed upon by the parties or otherwise appointed by the Circuit Court located in or serving Greenville County, South Carolina, shall conduct the proceedings. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

Franchisee acknowledges that it has read the terms of this binding arbitration provision and affirms that this provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on the part of Franchisor or any of Franchisor's agents or employees.

23. ACKNOWLEDGMENTS

23.1 Receipt of this Agreement and the Uniform Franchise Disclosure Document

Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Uniform Franchise Disclosure Document; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee further represents and acknowledges that it has received, at least fourteen (14) calendar days prior to the date on which this Agreement was executed, the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures.

23.2 Consultation by Franchisee

Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so.

Addendum to ARCpoint Franchise Agreement

This document is made on 6 FEBRUARY 2013, by and between FLORENCE ODS, INC. ("Franchisee") and ARCpoint Franchise Group, LLC ("AFG") and modifies the Franchise Agreement dated 21 NOVEMBER 2006 ("Current Agreement") between Franchisee and AFG. April 30, 2012

May it be known that the undersigned parties, for good consideration, do hereby agree to make the following changes and/or additions outlined below. These changes/additions shall be made valid as if they are included in the original stated Agreement.

Franchisee executed his first Franchise Agreement ("Original Agreement") with AFG on 21 NOVEMBER 2006. His Franchise expired on 21 NOVEMBER 2011. Since that time the parties have been negotiating, in good faith, regarding modification of certain clauses in the Franchise Agreement, the results of which are memorialized below.

Section 2.4 of the Franchise Agreement shall be modified to read:

So long as this Agreement is in full force and effect and Franchisee is not in default under any of the terms hereof, subject to Franchisor's reservation of rights set forth in Section 2.5, Franchisor shall not establish, own or operate, or license any other person to establish, own or operate, any other ARCpoint Business or other substantially similar business within Franchisee's "Protected Territory". Franchisee's current Protected Territory as granted in his original Franchise Agreement, shall be expanded to include Darlington and Marlboro counties in South Carolina.

Section 3.1 of the Franchise Agreement shall be modified to read:

Because this Franchise Agreement is executed based on Franchisee's rights as set out in Section 4.2 of his original Franchise Agreement, Franchisee shall not pay a Franchise Fee for his Franchised business.

Section 3.3 of the Franchise Agreement shall be modified to read:

Because Franchisee was trained upon execution of the Original Agreement, Franchisor will not require a training fee under the Current Agreement.

Section 3.4 of the Franchise Agreement shall be modified as follows:

Each month, Franchisee shall pay to Franchisor without offset, credit or deduction of any nature, so long as this Agreement shall be in effect, a monthly fee ("Royalty Fee") equal to seven percent (5%) of Gross Sales for the preceding month, or a monthly

minimum of THREE HUNDRED FIFTY DOLLARS (\$350.00) per month, whichever is greater.

Franchisee shall pay the Royalty Fee and submit the Gross Sales Report from the previous month's sales (as required by Section 12.2 below), on or before the 10th of each month.

Franchisee shall pay the Royalty Fee directly to Franchisor. Franchisor requires Franchisee, within 10 days of the execution of the Current Agreement, to sign all documents necessary with Franchisee's bank, to allow Franchisor to be paid via electronic transfer, as set forth above in Section 3.8, the minimum monthly Royalty Fee of THREE HUNDRED FIFTY DOLLARS (\$350.00), on the 10th of each month. Should the Gross Sales Report reflect a balance in Royalty Fees due Franchisor, over and above the minimum amount, this balance shall be simultaneously submitted on the 10th of each month by Franchisee directly to Franchisor via check, money order, or certified funds. As noted in Section 12.6 of the Franchise Agreement, Franchisee is subject to random financial audits by Franchisor.

Section 3.6 of the Franchise Agreement shall be modified to allow Franchisee to continue to spend on local advertising as stated in his original Franchise Agreement.

Section 3.7 of the Franchise Agreement shall be modified to allow Franchisee to continue pay technology fees as he has under his original Franchise Agreement.

Section 4.2.8 of the Franchise Agreement shall be stricken as it is inapplicable to the Current Agreement.

Section 5.1 of the Franchise Agreement shall be modified to read:

Franchisee's current location was previously approved by Franchisor who now confirms same. However, should Franchisee's location change in the future, the requirements of Section 5.1 shall be applied in accordance with Section 5.8.

Section 5.2 of the Franchise Agreement shall be modified to read:

Franchisee's current location was previously approved by Franchisor who now confirms same. However, should Franchisee's location change in the future, the requirements of Section 5.2 shall be applied in accordance with Section 5.8.

Section 5.3 of the Franchise Agreement shall be modified to add the following language to the beginning of the paragraph:

Franchisee's current location was previously approved by Franchisor who now confirms same and acknowledges that at the time of execution of the Current Document, there was a current lease in effect making the remainder of this Section 5.3 currently inapplicable. However, should Franchisee's location change in the future, the requirements of Section 5.3 shall be applied in accordance with Section 5.8.

Section 5.4 of the Franchise Agreement shall be modified to read:

Franchisee's current location was previously approved by Franchisor who now confirms same. However, should Franchisee's location change in the future, the requirements of Section 5.4 shall be applied in accordance with Section 5.8.

Section 5.5 of the Franchise Agreement shall be stricken as it is inapplicable to the Current Agreement.

Section 5.6 of the Franchise Agreement shall be stricken as it is inapplicable to the Current Agreement.

Section 8.1 of the Franchise Agreement shall be stricken as it is inapplicable to the Current Agreement.

Section 8.5 of the Franchise Agreement shall be stricken as it is inapplicable to the Current Agreement.

Section 11.2 of the Franchise Agreement shall be modified to allow Franchisee to continue to spend on local advertising as stated in his original Franchise Agreement.

→ I DO NOT WISH TO WAIVE OUR RIGHT TO A JURY TRIAL. *AL*

No other terms or conditions of the above mentioned contract shall be negated or changed as a result of this here stated addendum.

ARCpoint Franchise Group, LLC

By: *Felix Miranda*

Signature: *[Signature]*

Title: *CEO*

Franchisee: FLORENCE ODS, INC

By: *Jon Lewis*

Signature: *[Signature]*

Title: *Pres. (owner)*



ARCPOINT FRANCHISE GROUP, LLC

FRANCHISE AGREEMENT

This Franchise Agreement, made this 31 day of JULY, 2013, is by and between ARCpoint Franchise Group, LLC, a South Carolina limited liability company, having its principal place of business at 220 North Main St, Suite 325, Greenville, South Carolina 29601 ("Franchisor"), and the below named franchisee ("Franchisee").

WITNESSETH:

WHEREAS, Franchisor and its Affiliate have developed and are in the process of further developing a System identified by the trademark "Mesquite" and/or ARCpoint Labs relating to the establishment, development and "Mesquite" that provide affordable, full-service drug screening, DNA testing services for a wide variety of client organizations including businesses, individuals; and

WHEREAS, the distinguishing features of the System include, among other things, uniform standards and procedures for business operations; marketing strategies for sales, marketing, advertising and promotions; business development; the Manual; training courses, all of which Franchisor may improve, further develop, or otherwise modify from time to time; and

WHEREAS, Franchisor grants to certain qualified persons and business entities the right to own and operate a single ARCpoint Business under the System and using the Marks; and

WHEREAS, Franchisee desires to operate an ARCpoint Business, has applied for a Franchise and its application has been approved by Franchisor in reliance upon all of the representations made therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations and service and the necessity of operating its Franchised Business in strict conformity with Franchisor's System.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

1. DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

"Affiliate" means any entity that controls, is controlled by, or is under common control with Franchisor;

* Capitalized terms not defined upon first use are defined in Section 1.

graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with ARCpoint Businesses;

"National/Regional/State ("NRS") Accounts" refers to certain clients that meet specific criteria detailed in the Operations Manual. The minimum requirement, and baseline definition of this type of account is: a company, organization, or client that requires services at multiple locations, or that require providing services to a number of people so that it extends beyond your ability to directly service the account. The multiple locations could all be inside the boundaries of one or more territories you own, or both inside and outside of one or more territories you own, which may or may not extend into another franchisee's territory.

"Third party administrator ("TPA") means a service agent that provides or coordinates one or more drug and/or alcohol testing services to employers under either a Drug-Free Workplace program or DOT guidelines. TPAs typically provide or coordinate the provision of a number of such services and perform administrative tasks concerning the operation of the employers' drug and alcohol testing programs. TPAs are not "employers" for purposes of our definition.

"Royalty Fee" has the meaning given to such term in Section 3.4; and

"System" means the uniform standards, methods, procedures and specifications developed by Franchisor and as may from time to time be added to, changed, modified, withdrawn or otherwise revised by Franchisor, in its sole discretion, for the operation of an ARCpoint Business.

2. GRANT OF FRANCHISE; APPROVED LOCATION

2.1 Grant

Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts, upon the terms and conditions herein contained, a revocable, limited license to operate one (1) ARCpoint Business using the System and Marks.

2.2 Approved Location

Franchisee shall select an Approved Location within the Protected Territory according to the process described in Section 5.1, the Operations Manual and any other writing by Franchisor.

2.3 Sub-franchising/Agents

Franchisee shall not sublicense the use of the System or Marks to any person or entity. Except as may be permitted pursuant to Section 18, Franchisee shall not grant any person or entity the right to perform any part of Franchisee's rights or obligations hereunder.

2.4 Protected Territory

2.4.1 So long as this Agreement is in full force and effect and Franchisee is not in default under any of the terms hereof, and is able and willing to provide necessary products or services under this Agreement, subject to Franchisor's reservation of rights set forth in Section 2.5,

[Type text]

Franchisor shall not establish, own or operate, or license any other person to establish, own or operate, any other ARCpoint Business or other substantially similar business within Franchisee's "Protected Territory" as set out below and further designated and defined in the Schedule of Territory Zip Codes attached as Schedule 1.

MARKET: 060.TX Dallas C MESQUITE

2.5 Franchisor's Rights

2.5.1 Franchisee acknowledges that if he is in default of the Franchise Agreement, or is unable or unwilling to provide necessary products or services under this Agreement, Franchisor expressly retains all rights and discretion with respect to the Marks and System, including the right to:

2.5.1.1 establish, own or operate, and license others to establish, own or operate, ARCpoint Businesses inside and/or outside of the Protected Territory as Franchisor deems appropriate;

2.5.1.2 establish, own or operate, and grant others the right to establish or operate, other businesses offering the same or similar products utilizing the Marks or other trade names, trademarks and service marks at locations inside and/or outside of the Protected Territory;

2.5.1.3 service accounts within your Protected Territory, or allow other ARCpoint Businesses or third parties to service these accounts;

2.5.2 Franchisor retains the right to purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to the Franchised Business (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Protected Territory. If Franchisor purchases or acquires franchises or licenses, Franchisor may, in its sole discretion, act as franchisor or licensor with respect to such franchisees or licensees wherever located, pursuant to the individual franchise or license agreement(s) between Franchisor and such franchisee(s) or licensee(s). If Franchisor purchases or acquires such businesses within the Protected Territory which are not franchised or licensed, Franchisor may, in its sole discretion:

2.5.2.1 offer the franchisee the right of first refusal to purchase any competing business in the franchisee's Protected Territory or to sell any such businesses to Franchisee or to any third party at the business's fair market value to be operated as a ARCpoint Business; or

2.5.2.2 offer the Franchisee the opportunity to operate such business(s) in partnership with Franchisor (or an Affiliate) under the business(s) existing trade name or a different trade name.

2.5.3 Franchisor may be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises, and/or licenses Competitive Businesses within the Protected Territory;

2.5.5 Franchisor can solicit, market, advertise, and provide ARCpoint-authorized products and services to a designated National/Regional/State ("NRS") accounts whose principal residence (or

principal business office if the client is a business entity) is located within the Protected Territory through Franchisor's TPA Program; and

2.5.6 Franchisor may engage in any activities not expressly forbidden by this Agreement.

2.6 Marketing and Solicitation Restrictions

2.6.1 National/Regional/State ("NRS") Accounts

Franchisor reserves the right to maintain control over certain accounts designated as National/Regional/State ("NRS") Accounts, and to market directly to, solicit, and establish NRS accounts for the benefit of the entire system.

Franchisee shall notify Franchisor of any potential clients that meet the following baseline definition of an NRS account: a company, organization, or client that requires services at multiple locations, or that require providing services to a number of people so that it extends beyond your ability to directly service the account. These multiple locations could all be inside the boundaries of one or more territories owned by Franchisee, or both inside and outside of one or more territories owned by Franchisee, which may or may not extend into another Franchisee's territory.

Franchisor shall further analyze the client's needs, per the criteria in the Operations Manual, and determine if the account will be designated an NRS account. All NRS accounts will be handled through Franchisor, as Third Party Administrator ("TPA").

Any type of organization can be designated as an NRS account, including, but not limited to, private and publicly held corporations, educational institutions, governmental agencies, non-profit organizations, other third party administrators, or referral agencies.

2.6.2 Cross-Territorial Protocol

Franchisee has the right to pursue all potential clients within the boundaries of the Protected Territory. Should Franchisee's client have additional locations or employees located anywhere outside of the Protected Territory, Franchisee's actions regarding that client shall be governed by Franchisor's mandatory Cross-Territorial Sales Protocol, as currently written in the Operations Manual, and as modified from time to time by Franchisor.

Franchisor's Cross-Territorial Sales Protocol addresses Franchisee's rights and limitations as they apply to the marketing or advertising to, solicitation of, or service of any customer or client inside or outside of the Protected Territory, or inside the Protected Territory or area that has been assigned to another Franchisee, Franchisor, or Affiliates, and provides, in part, the following:

2.6.2.1 Franchisee is strictly prohibited from directly marketing to, or soliciting customers, through the use of ARCpoint trademarks, or other channels of any nature, whose principal business office (or principal residence, if the client is an individual) is outside of Franchisee's Territory, without Franchisor's written permission, which will only be given in extremely compelling situations.

2.6.2.2 Franchisee may not advertise in a form of media specifically designed to be seen exclusively or predominantly in a territory other than one owned by Franchisee own (e.g.: advertising in a newspaper whose majority of subscribers live outside of your territory). Advertising done via the

internet, facilitated by Franchisor's approved vendors does not fall within this category of prohibited advertising.

2.6.2.3 Franchisee may only advertise and market to current or potential clients or customers, through media that is primarily directed to clients, customers, or potential clients of Franchisee's Territory. Further guidelines regarding Advertising and Marketing may be found in Item 11.

2.6.2.4 If Franchisee establishes a relationship with a customer or client within Franchisee's Territory, and that customer or client has additional locations (or employees) outside of Franchisee's Territory, and would like you to maintain those additional locations/employees as well:

2.6.2.4.1 If the client falls under the baseline definition as set out in this Agreement, Franchisee shall notify the Franchisor immediately and Franchisor shall determine if the account shall be designated as NRS, per the criteria set out in the Operations Manual. If Franchisor designates account as NRS, the Franchisee and Franchisor shall adhere to the guidelines set out in the Operations Manual regarding account administration and revenue sharing.

2.6.2.4.2 If Franchisor does not designate the Franchisee's client as NRS, but there are client locations/employees in another franchisee's (or Affiliate's) territory, Franchisee shall give the other franchisee the first right of refusal to provide collection services for the client, and shall pay for these services the then-current, system-wide, collection fee, as set out in the Operations Manual.

2.6.2.4.3 If the other franchisee refuses to provide collection service for the client, or the client is not located within a current franchisee's territory, Franchisee has the right to seek collection services through another third party provider, however, Franchisee shall not service that client directly by traveling to the client, outside of Franchisee's territory.

2.6.2.5 If Franchisee receives a lead for, or a direct request for the performance of service or sale of goods, from a client whose principal business office (or principal residence, if the client is an individual) is outside of Franchisee's Territory, (even if that territory is unassigned to another franchisee) Franchisee shall refer those leads to Franchisor for a determination of how the client will be serviced. Franchisee shall not be entitled to compensation for leads outside of Franchisee's Territory.

2.6.2.6 If Franchisee establishes a relationship with a client inside Franchisee's Territory, which has additional locations/employees outside of the Protected Territory, which are not currently located inside another franchisee's Territory (non-protected Territory), and has been determined by Franchisor not fall under the NRS program, if in the future, the non-protected Territory is sold to a franchisee, the protocol for dealing with those particular locations/employees shall change accordingly. Once sold, Franchisor reserves the right to determine all issues with regard to the status of business inside that Territory, with input from the ARCpoint National Franchisee Advisory Council ("NAC"). Franchisee may be granted a share of the revenue, all of the revenue, or none of the revenue.

2.6.3 If at any point a disagreement between you and another franchisee occurs that cannot be resolved without outside assistance, the ARCpoint National Franchise Advisory Council ("NAC") will be asked to assess the situation and to provide input to us for resolution. We will give due consideration to all input from the council(s) but we retain the ultimate decision-making authority and responsibility for all of these matters. If we submit a matter for approval by the NAC, and the matter is approved by a majority vote, it

22.7 Arbitration

This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained herein. Except for controversies or claims relating to the ownership of any of Franchisor's Marks, the unauthorized use or disclosure of Franchisor's Confidential Information or covenants against competition, all disputes arising out of or relating to this Agreement, to any other agreements between the parties, or with regard to any of the dealings between the parties, shall be settled by binding arbitration conducted in Greenville County, South Carolina, in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") then in effect. A single arbitrator agreed upon by the parties or otherwise appointed by the AAA shall conduct the proceedings. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

Franchisee acknowledges that it has read the terms of this binding arbitration provision and affirms that this provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on the part of Franchisor or any of Franchisor's agents or employees.

23. ACKNOWLEDGMENTS

23.1 Receipt of this Agreement and the Uniform Franchise Disclosure Document

Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Uniform Franchise Disclosure Document; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee further represents and acknowledges that it has received, at least fourteen (14) calendar days prior to the date on which this Agreement was executed, the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures.

23.2 Consultation by Franchisee

Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so.

23.3 True and Accurate Information

Franchisee represents that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

COUNTY OF GREENVILLE

IN THE COURT OF COMMON PLEAS

THIRTEENTH JUDICIAL CIRCUIT

C.A. No. 2017-CP-23-03986

ARCPPOINT OF TALLAHASSEE, INC.,
GREG BOWMAN d/b/a Bowman Lab
Solutions, Inc. d/b/a ARCPpoint Labs of
Nashville; GARY PATRONE d/b/a On
Trac Holdings, Inc. d/b/a Arcpoint Labs
of Tempe, ARCPpoint Labs of Mesa,
ARCPpoint Labs of Phoenix- Black Canyon,
EMPLOYER'S CHOICE TESTING, LLC
MICHAEL GAMMEL d/b/a Blue Lizard,
Inc., FLORENCE ODS, INC. MYRTLE
BEACH ODS, INC. 3 SONS VENTURES,
INC; JUMPR2, INCORPORATED, NEIL
SELTZ AND LESLY DATLOW d/b/a
Shamey, LLC

Plaintiffs,

 $\mathbf{y}_i$

ARCPOINT FRANCHISE GROUP, LLC.
f/k/a Accudiagnosites, LLC and ARCPOINT
OCCUPATIONAL SOLUTIONS, LLC

Defendants.

**RESPONSE IN OPPOSITION TO
DEFENDANTS' MOTION TO
DISMISS AND COMPEL
ARBITRATION**

This matter comes before the court on Defendants ARCPoint Franchise Group, LLC (“AFG”) and ARCPoint Occupational Solutions, LLC’s (“AOS”) (collectively “Defendants”) Motion to Dismiss and Compel Arbitration. Plaintiffs ARCpoint of Tallahassee, Inc. (“AP Tallahassee”), Greg Bowman d/b/a Bowman Lab Solutions, Inc. d/b/a Bowman Lab Solutions, Inc. d/b/a ARCpoint of Nashville (“AP Nashville”), Gary Patrone d/b/a On Trac Holdings, Inc. d/b/a ARCpoint Labs of Tempe, ARCpoint Labs of Mesa, ARCpoint Labs of Phoenix-Black Canyon (“On Trac Holdings”), Employer’s Choice Testing, LLC (“Employer’s Choice”), Michael Gammel d/b/a Blue Lizard, Inc. (“Blue Lizard”), Myrtle Beach ODS, Inc. (“Myrtle Beach ODS”), Florence ODS, Inc. (“Florence ODS), 3 Sons Ventures, Inc. (“3 Sons”), JumpR2, Incorporated (“JumpR2”), and Neil Seltz and Lesly Datlow d/b/a Shamey, LLC (“Shamey”)

(collectively "Plaintiffs") submit the following memorandum in opposition to Defendants' motion. For the reasons set forth below, Defendants' motion lacks merit and should be denied.

SUMMARY ARGUMENT

1. Defendants' motion should be denied in total as the ARCPoint Franchise Group, LLC Franchise Agreements ("Franchise Agreement") signed by the Plaintiffs are not in compliance with South Carolina law. In accordance with the Franchise Agreement drafted by AFG and entered into between AFG and the Plaintiffs, AFG asserts that the "Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina..." AFG further asserts "[t]he Federal Arbitration Act shall govern all matters subject to arbitration." Because the Franchise Agreement specifies that the Federal Arbitration Act ("FAA") only governs "matters subject to arbitration", by agreement, initial questions of enforcement and arbitrability are governed by the law of the state of South Carolina. Because the Franchise Agreement fails to adhere to the notice requirements set out in S.C. Code Ann. § 15-48-10, the Franchise Agreement is not arbitrable. For this reason, Defendants' motion should be denied.
2. In the alternative, as to Defendant AOS' motion to dismiss and compel arbitration, AOS has no basis to demand and move to compel arbitration as there exists no agreement to arbitrate between AOS and the Plaintiffs. To the extent AOS asserts that Plaintiffs should be equitably estopped from denying AOS right to arbitrate, AOS lacks merit because (a) the AFG arbitration agreement is contractually limited to "the parties" therefore AOS has not basis to claim equitable estoppel and (b) the claims

against AFG and AOS are sufficiently distinct such that AOS cannot meet its burden to establish equitable estoppel. For these reasons, AOS' motion should be denied.

3. In the alternative, Plaintiffs Florence ODS, Inc. and Myrtle Beach ODS, Inc., included a hand written term within the February 6, 2013 addendum to their Franchise Agreements signed by AFG which set for the following: Florence ODS, Inc. - "I do not wish to waive our right to a jury trial", Myrtle Beach ODS, Inc. - "Do not wish to waive our rights to a jury trial". Given that Florence ODS, Inc. and Myrtle Beach ODS, Inc. cannot receive a jury trial in arbitration, the mutually agreed to and bargained for provision in the February 6, 2013 addendums control and render AFG's arbitration clause void and the Franchise Agreement not arbitrable. For this reason, Defendants' motion to dismiss and compel arbitration against Plaintiffs Florence ODS, Inc. and Myrtle Beach ODS, Inc. should be denied.

BACKGROUND

Plaintiffs are the owner/operators of several franchises of AFG. Plaintiffs each signed the ARCPoint Franchise Group, LLC Franchise Agreement and established their franchises as follows:

1. AP Tallahassee entered into a Franchise Agreement with AccuDiagnostics, LLC n/k/a AFG on or about December 21, 2009, pursuant to which ARCpoint of Tallahassee was granted the exclusive franchise to establish, own and operate the ARCpoint Franchise Business in the greater Tallahassee/Leon County, Florida area.
2. AP Nashville entered into a Franchise Agreement with AFG on or about January 19, 2010, pursuant to which AP Nashville was granted the exclusive franchise to

establish, own and operate the ARCpoint Franchise Business in the greater Eastern Nashville/Brentwood Tennessee area.

3. Patrone, who does business as On Trac Holdings, Inc., entered into a Franchise Agreement with AFG in approximately November 2011, pursuant to which Patrone d/b/a On Trac Holdings d/b/a ARCpoint Labs of Tempe, ARCpoint Labs of Mesa, ARCpoint Labs of Phoenix-Black Canyon ("On Trac Holdings") was granted the exclusive franchise to establish, own and operate the ARCpoint Franchise Business in the greater Phoenix, Arizona area:
4. Plaintiff, Employer's Choice entered into a Franchise Agreement with AFG on March 14, 2012, pursuant to which Employer's Choice was granted the exclusive franchise to establish, own and operate the ARCpoint Franchise Business in the greater South San Antonio, Texas area.
5. Michael Gammel d/b/a Blue Lizard entered into a Franchise Agreement with AFG in April 2012, pursuant to which Gammel d/b/a Blue Lizard ("Blue Lizard") was granted the exclusive franchise to establish, own and operate the ARCpoint Franchise Business in a portion of Chicago, Illinois and certain of its Northwestern Suburbs.
6. Florence ODS and Myrtle Beach ODS, two of the first AFG franchises, entered into a "renewal" Franchise Agreement with AFG on February 6, 2013, pursuant to which Florence ODS was granted the exclusive franchise to establish, own and operate the ARCpoint Franchise Business in the greater Florence and Myrtle Beach, South Carolina areas.
7. Joseph M. Regan and his wife, Sally W. Regan entered into a Franchise Agreement with AFG on March 2, 2013, which agreement was then assigned to 3 Sons Ventures

pursuant to a March 2, 2013 Addendum and Assignment of the Franchise Agreement. At the same time, 3 Sons Ventures also entered into a March 2, 2013 Addendum to ARCpoint Franchise Agreement and Business Purchase Agreement. As a result of the aforesaid Agreements, 3 Sons Ventures was granted the exclusive franchise to establish, own and operate the ARCpoint Franchise Business in the greater Charleston, South Carolina area.

8. Gregory A. Jump and Robert E. Robert entered into a Franchise Agreement with AFG on July 13, 2013, which agreement was then assigned to JumpR2, pursuant to a July 2013 Addendum to and Assignment of ARCpoint Franchise Agreement. As result of the aforesaid Agreements, JumpR2 was granted the exclusive franchise to establish, own and operate the ARCpoint Franchise business in the greater Dallas, Texas metropolitan area.
9. Neil Seltz and Lesly Datlow d/b/a Shamey, LLC ("Shamey") entered into three (3) Franchise Agreements with AFG on June 25, 2013, pursuant to which Neil Seltz and Leslie Datlow were granted the exclusive franchise to establish, own and operate the ARCpoint Franchise Business in the central and southern portion of Chicago, the Western portion of Chicago and its Western and Southwestern Suburbs, and certain of Chicago's Northern/Northwestern suburbs. Lesly Datlow/Shamey also entered into a Franchise Agreement with AFG on October 17, 2013, pursuant to which Lesly Datlow/Shamey was granted the exclusive franchise to establish, own and operate the ARCpoint Franchise Business in a portion of the North Side of Chicago, Evanston and certain other Northern Suburbs of Chicago.

The Franchise Agreements are between the Plaintiffs and AFG. AOS was not a signatory of the Franchise Agreements. None of the Plaintiffs have entered into any agreement with AOS. In fact, according to the records of the South Carolina Secretary of State, Defendant ARCPoint Occupational Solutions, LLC did not exist until it was incorporated on November 12, 2013, (see Online Records of the South Carolina Secretary of State, <https://businessfilings.sc.gov/BusinessFiling/Entity/Profile/7df9d9a6-a028-4d7a-a762-c79abc7859ea>), approximately a month after the latest Franchise Agreement was signed by Shamey on October 17, 2013.

As more fully set forth in the Complaint, AFG has engaged in acts that are in breach of the AFG Franchise Agreement, as well as other activities complained of that violate South Carolina statutory and common law and have and will cause significant damage to the Plaintiffs. AOS, separate and apart from AFG, has engaged in activities more specifically set forth in Plaintiffs' complaint that violate South Carolina statutory and common law and have and will cause significant damage to the Plaintiffs. In response, AFG and AOS now ask this court to enter an order dismissing Plaintiffs' Complaint and compelling arbitration. For the reasons below, defendants' motion should be denied.

ANALYSIS

1. By the terms of the Franchise Agreement, questions of enforceability and arbitrability are controlled by South Carolina law. Because the Franchise Agreement fails to properly notice the arbitration clause as required by S.C. Code Ann. § 15-48-10, the franchise agreement is not arbitrable.

In this matter, because the Franchise Agreement's "Choice of Law" provision specifies that initial questions of enforceability and arbitrability are governed by South Carolina law, AFG's failure to include proper notice of arbitration on the first page of the Franchise Agreement renders the agreement not arbitrable as a matter of law.

The Franchise Agreements contain identical sections entitled “**Choice of Law**” and “**Arbitration**”. The “**Arbitration**” clause within the Franchise Agreements drafted by AFG is as follows:

This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United State Code is applicable to the subject matter contained herein. Except for controversies or claims relating to the ownership of any of Franchisor’s Marks, the unauthorized use or disclosure of Franchisor’s Confidential Information or covenants against competition, all disputes arising out of or relating to this Agreement or to any other agreements between the parties, or with regard to interpretation, formation or breach of this or any other agreement between the parties, shall be settled by binding arbitration conducted in Greenville County, South Carolina, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. A single Arbitrator agreed upon by the parties or otherwise appointed by the Circuit Court located in or serving Greenville County, South Carolina, shall conduct the proceedings. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

Franchisee acknowledges that is has read the terms of this binding arbitration provision and affirms that this provision is entered into willingly and voluntarily and without any fraud duress or undue influence on the part of the Franchisor or any of Franchisor’s agents or employees.

The “**Choice of Law**” provision within the Franchise Agreements drafted by AFG is as follows:

Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina (without reference to its conflict of law principles), excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer to successor laws and to any published regulations for such law, as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

These clauses are two of seven buried within the Franchise Agreement under a heading entitled “**Dispute Resolution**” which is contained near the end of AFG’s 50 page Franchise Agreement,

excluding exhibits and addendums. The “**Arbitration**” clause is the last of the seven provisions categorized as “**Dispute Resolution**”. Outside of setting the font to bold, the “**Arbitration**” clause is not otherwise distinguishable in any manner from the other terms of the section on “**Dispute Resolution**” or the Franchise Agreement as a whole.

AFG’s “Choice of Law” provision provides that “The Federal Arbitration Act shall govern all matters subject to arbitration.” In order for a “matter” to “subject to arbitration” such that the “Federal Arbitration Act shall govern”, the matter and agreement must be determined to be enforceable and arbitrable. Given that the Franchise Agreement otherwise specifies by agreement that “...this Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina....”, the determination of the construction of the Franchise Agreement, enforceability and arbitrability is governed by state law and a question for the trial court. See c.f., Zabinski v. Bright Acres Assoc., 346 S.C. 580, 596-97, 553 S.E.2d 110, 118-19 (2001) (“Unless the parties provide otherwise, the question of the arbitrability of a claim is an issue for judicial determination.”). As a matter of law, South Carolina requires that all agreements subject to arbitration include a notice of arbitration on the first page of the agreement in underlined capital letters. See S.C. Code Ann. § 15-48-10. AFG’s failure to do so renders the Franchise Agreement not arbitrable as a matter of law.

Plaintiffs anticipate that Defendants’ would attempt to counter Plaintiffs’ opposition to their by claiming preemption. Plaintiffs acknowledge that as a matter of general interpretation and application, when a contract in and affecting interstate commerce contains an arbitration clause, the FAA controls and has been generally held to preempt state law provisions that may otherwise limit the arbitrability of the contract. See Bradley v. Brentwood Homes, Inc., 398 S.C. 447 (2012). However, “[t]he FAA contains no express pre-emptive provision, nor does it reflect

a congressional intent to occupy the entire field of arbitration.” Volt Information Sciences, Inc. v. Board of Trustees of Leland Stanford Junior University, 489 U.S. 468, 477 (1989).

Federal preemption in arbitration is not enforced by rigid application. Freedom of contract ultimately prevails. Specifically, the Supreme Court of the United States has held that the purpose of the FAA was “not [to] mandate arbitration of all claims, but merely the enforcement ... of privately negotiated arbitration agreements.” Id. at 472, *quoting Dean Witter Reynolds, Inc. v. Byrd*, 470 U.S. 213, 219 (1985). “While the FAA ... preempts application of state laws which [**categorically**] render arbitration agreements unenforceable, it does not follow, however, that the federal law has preclusive effect in a case where the parties have chosen in their arbitration agreement to abide by state rules.” Id. (emphasis added). “[B]ecause the thrust of federal law is that arbitration is strictly a matter of contract, the parties to an arbitration agreement should be at liberty to choose the terms under which they will arbitrate.” Id. “Where ... the parties have chosen in their agreement to abide by the state rules of arbitration, application of the FAA to prevent enforcement of those rules would actually be inimical to the policies underlying state and federal arbitration law, because it would force the parties to arbitrate in a manner contrary to their agreement.” Id.

AFG drafted the Franchise Agreement. “Ambiguous language in a contract ... should be construed liberally and interpreted strongly in favor of the non-drafting party.” S. Atl. Fin. Svcs. v. Middleton, 356 S.C. 444, 447, 562 S.E.2d 482 (2002). “[T]he drafting party has the greater opportunity to prevent mistakes in meaning. It is responsible for any ambiguity and should be one to suffer from its shortcomings.” Id. “This rule applies with particular force in cases involving a contract of adhesion.” S. Atl. Fin. Svcs. v. Middleton, 349 S.C. 77, 84, 562 S.E. 2d 482, 486 (Ct. App. 2002). AFG chose the language in the Franchise Agreement and the rules by

which the parties' were to abide. Despite the choice of South Carolina law to determine issues of enforcement and arbitrability, AFG failed to meet the requirements of South Carolina law. As a result, the Franchise Agreement, by law, is not arbitrable. For this reason, the defendants' motion to dismiss and to compel arbitration must be denied.

2. In the alternative, because no agreement to arbitrate exists between the Plaintiffs and AOS, AOS is not entitled to an order dismissing Plaintiffs' claims against AOS and compelling arbitration.

In alternative, even if the AFG arbitration clause is deemed enforceable, the Plaintiffs may not nevertheless be compelled to arbitrate with AOS. The AFG arbitration clause provides in pertinent part: "...all disputes arising out of or relating to this Agreement or to any other agreements **between the parties**, or with regard to interpretation, formation or breach of this or any other agreement **between the parties**, shall be settled by binding arbitration conducted in Greenville County, South Carolina, ..." (emphasis added). The parties to the AFG arbitration clause are the Plaintiffs and AFG. The Plaintiffs are not a party to any agreement to arbitrate with AOS. As set forth above, AOS did not even exist at the time the Plaintiffs entered into their Franchise Agreements with AFG.

AOS is predictably proceeding upon a theory that it is entitled to "graft" to the AFG arbitration agreement and allege that the court should order the Plaintiffs are equitably estopped from denying AOS' right to compel arbitration. For the reasons set forth herein, Defendants assertions are without merit.

First, it is this court that determines questions of arbitrability and enforceability of the arbitration clause and the limits of the arbitration agreement, if enforceable, between AFG and the Plaintiffs. "Arbitration is a matter of contract, and a party cannot be required to submit to arbitration any dispute that he or she has not agreed to submit. Because arbitration rests on the

agreement of the parties, the range of issues that can be arbitrated is restricted by the terms of the agreement.” Faltaous v. Anderson Ocean Club Dev., LLC, 388 S.C. 45, 48, 693 S.E.2d 434, 435 (Ct. App. 2010). In this matter, AOS is not able to take advantage of the AFG arbitration clause because the arbitration clause is specifically limited to “disputes ... between the parties”; to the Franchise Agreement. Because the arbitration clause is so restricted and AOS is clearly not a party to the Franchise Agreement and arbitration clause, the court must deny AOS’ motion to dismiss and compel arbitration. This issue was recently before the United States Court of Appeals for the Eleventh Circuit in the matter of Kroma Makeup EU, LLC v. Boldface Licensing + Branding, Inc., 854 F.3d 1351 (11th Cir. 2017).

In Kroma, Kimberly, Kourtney and Khloe Kardashian (collectively the “Kardashians”) moved to compel arbitration of Plaintiff Kroma’s trademark infringement claims. In addition to the Kardashians, two other parties to the dispute were Boldface Licensing + Branding, Inc. and Lee Tillet, Inc. Lee Tillet, Inc. and the Kardashians moved to compel arbitration. Lee Tillet, Inc.’s motion was based upon the arbitration clause between itself and Plaintiff. The Kardashians proceeded under a theory of equitable estoppel. Lee Tillet, Inc.’s motion was granted. The Kardashians motion was denied. Id. at 1353-54. The arbitration clause provided as follows: “... the Parties agree that the disputes arising between them ...”. Id. at 1353. The court reasoned and held that the arbitration clause was limited to “the parties”. The therefore compel arbitration, the court would be “effectively ... rewriting the agreement between the signatories about which disputes they would arbitrate to require one of them to arbitrate disputes that they had not agreed to. That would violate the basic principle that parties can be forced to arbitrate only disputes that they have agreed to arbitrate.” Id. at 1356. The court continued:

This does not mean that equitable estoppel can never be used by a non-signatory to force a signatory to the agreement to arbitrate a dispute involving the agreement. If the parties had consented in the arbitration clause to arbitrate any disputes concerning the validity, interpretation, etc., of the contract, instead of consenting to arbitrate only "disputes arising between them" concerning the validity, interpretation, etc., of the contract, the Kardashians may have been able to use equitable estoppel to require Kroma EU to arbitrate the dispute between it and them. But, as the "between them" language shows, that is not what the parties to the agreement consented to do in the arbitration provision.

Our holding is that Florida's doctrine of equitable estoppel permits a non-signatory to an agreement to avail herself of an arbitration clause only when the claims asserted against her fall within the scope of the clause that the signatories had agreed upon. This is consistent with the reasoning behind the doctrine, which is that "[o]ne cannot both take advantage of contract provisions to seek to impose liability . . . and at the same time avoid another contract term or provision for which it has no use." One does not avoid or violate an arbitration clause by refusing to arbitrate a dispute that is not covered by the clause. (internal citations omitted).

Id. at 1356; see also, World Rentals & Sales, LLC v. Volvo Constr. Equip. Rents, Inc., 517 F.3d 1240, 1247, (11th Cir. 2008) (holding "the arbitration provisions in the Franchise Agreements are expressly limited to the immediate parties (Volvo Rents and World Rentals), and they expressly exclude any affiliates such as Volvo Finance. In other words, the language of the arbitration provisions expressly and unambiguously exclude from their scope any dispute between the World Parties and Volvo Finance. Thus, we are constrained to conclude that the district court correctly refused to compel Volvo Finance to arbitrate on an incorporation-by-reference theory. Any other result would not only "unduly stretch," but completely rewrite the arbitration clause, and compel a non-party to arbitrate in the absence of ever having agreed to do so in the first place."').¹

As in the Kroma matter, the language in the AFG Franchise Agreement's arbitration clause is identically restricted to "the Parties". To compel the Plaintiffs to arbitrate with AOS,

¹ The World Rentals court likewise extended its reasoning to deny a motion to compel arbitration with a non-signatory on theories of "Agency and Veil-piercing" and "Estoppel". See World Rentals, 517 F.3d at 1248, 1249.

the court would be required to go outside of the scope of the arbitration clause. As the 11th Circuit held, “[s]uch a holding would be, well, inequitable.” *Id.* For this reason, AOS’ motion to dismiss and compel arbitration should be denied.

Additionally, AOS’ sole theory relies on equitable estoppel and specifically on the notion that the Plaintiffs claims rely on terms of the written agreement and the claims against AFG and AOS are substantially interdependent. AOS’ assertions are inaccurate. Plaintiffs’ claims against AOS are only tangentially related to AFG. At best, the claims against AOS only require that Defendants not deny the existence of the Franchise Agreements. Otherwise, the claims against AOS are independent of the Franchise Agreement. AOS is an independent actor in the claims against it. AFG and the Franchise Agreement play only a factual role in Plaintiffs’ claims. The harm suffered by the Plaintiffs from AOS is independent of the harm Plaintiffs suffer from AFG. For this reason, AOS is not entitled to an order compelling arbitration and estopping the Plaintiffs from denying the arbitration clause as to AOS.

For these reasons, AOS’ motion to dismiss and compel arbitration must be denied.

3. In the alternative, because Plaintiffs Florence ODS, Inc. and Myrtle Beach ODS, Inc., are specifically entitled to a jury trial, which cannot be provided in arbitration, AFG’s arbitration is unenforceable against Plaintiffs Florence ODS, Inc. and Myrtle Beach ODS, Inc.

In the alternative, Plaintiffs Florence ODS, Inc. and Myrtle Beach ODS, Inc. cannot, by specific agreement between themselves and AFG, be compelled to arbitrate. In its addendum to the February 6, 2013 Franchise Agreement with AFG, Florence ODS, Inc. included the following handwritten term: “I do not wish to waive our right to a jury trial”. The addendum was signed by company President Felix Mirando on behalf of AFG. **(Ex. 6, pg. 66, Def.’s Mot. to Dismiss.)** In its addendum to the February 6, 2013 Franchise Agreement with AFG, Myrtle

Beach ODS, Inc. included the following handwritten term: "Do not wish to waive our rights to a jury trial". The addendum was signed by company President Felix Mirando on behalf of AFG.

(Ex. 7, pg. 67, Def.'s Mot. to Dismiss.)

Article I, section 14 of the South Carolina Constitution provides as follows:

The right of trial by jury shall be preserved inviolate. Any person charged with an offense shall enjoy the right to a speedy and public trial by an impartial jury ...

Florence ODS and Myrtle Beach ODS specifically included a term in their Franchise Agreements that they were not waiving their right to a jury trial. By including this term, Florence ODS and Myrtle Beach ODS did definitively reserve the right to a jury trial as their means of dispute resolution. By signing the addendum, AFG agreed to the term. The right to a jury trial conflicts directly with an agreement to arbitrate. The mutually negotiated term in the addendum trumps any agreement to arbitrate included within the standard/default language of the AFG Franchise Agreement. Given that the right to a jury trial cannot be preserved in arbitration, the court must provide the right to a jury trial over and above a separate, conflicting agreement to arbitrate. As a result, the arbitration clause in the Myrtle Beach ODS and Florence ODS Franchise Agreements is null and void. For this reason, in the alternative, defendants' motion should be denied as to Myrtle Beach ODS and Florence ODS.

CONCLUSION

For the reasons set forth above, defendants' motion to dismiss and to compel arbitration should be denied.

[Signature Below]

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As to Plaintiffs Florence ODS and Myrtle Beach ODS

Defendants respectfully submit that the Court erred in finding that the arbitration provisions in the Franchise Agreements of Plaintiffs Florence ODS, Inc. and Myrtle Beach ODS, Inc. were rendered unenforceable based upon their revocations of jury trial waivers in their Franchise Agreements based on the following:

1. Each Franchise Agreement includes a mutual jury trial waiver. *See Exhibit 6* (Florence ODS, Inc.) and *Exhibit 7* (Myrtle Beach ODS, Inc.), ¶ 22.6 (“Franchisee and Franchisor each irrevocably waive trial by jury in any action, whether at law or equity, brought by either of them”). The jury trial waiver is separate and apart from the arbitration clause, and it applies to those disputes that are not subject to mandatory arbitration. *See id.* ¶ 22.7 (excepting from arbitration “controversies or claims relating to the ownership of any of Franchisor’s Marks, the unauthorized use or disclosure of Franchisor’s Confidential Information or covenants against competition. . . .”).

2. Plaintiffs Florence ODS, Inc. and Myrtle Beach ODS, Inc. revoked the jury trial waivers in their Franchise Agreements via separate addendums. Each addendum specifically provides that “[n]o other terms or conditions of the above-mentioned contract shall be negated or changed as a result of this here stated addendum.” *Exhibit 6*, p. 66; *Exhibit 7*, p. 67. In other words, the express language provides that their revocations of the jury trial waivers in Paragraph 22.6 should not be construed to negate their agreements to arbitrate those disputes subject to mandatory arbitration in Paragraph 22.7.

3. The Court erred in finding these provisions are in conflict. Reading the Franchise Agreement as a whole, their revocations and the arbitration provisions are not mutually exclusive. The Court can impart meaning to both the revocations and the mandatory arbitration provisions by

construing the addendum as it was intended, to preserve these franchisees' right to a jury trial only in those matters that are not subject to mandatory arbitration. Had the parties intended to revoke their separate agreement to arbitrate, they should have done so unambiguously by specific reference to the arbitration provision in the contract. Resolving any doubts in favor of arbitration as this Court is required to do, these arbitration provisions in Plaintiff Florence ODS's and Plaintiff Myrtle Beach ODS's Franchise Agreements are susceptible of at least one interpretation that covers their claims raised in the Complaint. Accordingly, the Court erred in denying Defendants' motion as to Florence ODS and Myrtle Beach ODS.

As to Defendant AOS

Defendants respectfully submit that the Court erred in finding that Defendant AOS cannot enforce the arbitration provisions in the each of the Franchise Agreements based on the following:

1. As raised at the hearing of Defendants' motion, Plaintiffs allege that AOS and AFG are one in the same,¹ such that AOS should not be treated as a "nonsignatory" for purposes of enforcing the Arbitration Provisions. See T&S Brass and Bronze Works, Inc. v. Slanina, 6:16-cv-03687-MGL *13 (D.S.C. May 4, 2017 (rejecting argument that defendant Basinger was unable to enforce the arbitration provision because she was not a party to the Agreement where, "according to Plaintiffs' own allegations, Advantagreen and Basinger are one and the same.")).

¹ Plaintiffs allege in the Complaint that "AOS is an AFG/ARCpoint Business[.]" Compl. ¶ 147; that AOS is "AFG's affiliate/division[.]" id. ¶ 94; that "AFG holds AOS out as an affiliate and/or as a division of AFG[.]" id. ¶ 5; that AOS "holds itself out as an affiliate of AFG[.]" id. ¶ 165; that AOS "shares many key personnel with AFG[.]" Compl. ¶ 165; that AOS "has some common ownership with AFG[.]" id. ¶ 5; that "AOS operates under the 'ARCpoint' name[.]" id. ¶ 60; that AOS's "employees answer the telephone as 'ARCpoint'" id. ¶ 60; that "AOS offers the products and services it sells as ARCpoint products and services[.]" id.; that "AOS and AFG occupy corporate office space across the street from one another, share the same executive team, the same name and trademarks" and that "AOS and AFG are not substantially distinguishable from one another." id. ¶ 147.

2. Notwithstanding Plaintiffs' allegations that AOS and AFG are one in the same, the Court's ruling that AOS cannot enforce the arbitration provisions as a nonsignatory conflicts with the Court of Appeals' decision in Pearson v. Hilton Head Hosp., 400 S.C. 281, 733 S.E.2d 597 (Ct. App. 2012). Any one of the theories set forth in Pearson can be applied to Plaintiffs' claims against AOS for conspiring with AFG to materially alter the Franchise Agreements and for tortiously interfering with the Franchise Agreements.

3. Plaintiffs **must rely on the respective Franchise Agreements** in asserting their claims against AOS for conspiring to materially alter the Franchise Agreements and for tortiously interfering with the Franchise Agreements. *See e.g. Compl.* ¶ 3 ("AFG entered into Franchise Agreements with each of the Plaintiffs"); *id.* ¶ 45 ("Through AOS, AFG has attempted to materially alter the terms of Plaintiffs' franchise agreements"); *id.* ¶¶ 165, 168 ("The Franchise Agreements of Plaintiffs . . . are "valid" contracts of which AOS has full knowledge"); *id.* ¶¶ 166, 169 ("AOS is intentionally procuring a breach of AFG's Franchise Agreement").

4. Plaintiffs' claims against AOS for conspiring with AFG to materially alter the Franchise Agreements and for tortiously interfering with the Franchise Agreements **raise allegations of substantially interdependent and concerted misconduct** by both AOS and AFG. *See e.g. Compl.* ¶ 45 ("Through AOS, AFG has attempted to materially alter the terms of Plaintiffs' franchise agreements"); *id.* ¶ 48 ("As part of their combination to expand AOS' role and detrimentally circumscribe and restrict the business activities of the Plaintiffs, AOS, with the active support of AFG, has been bidding on state governmental drug and alcohol testing"); *id.* ¶ 55 ("AFG used its leverage and market power as the Franchisor of approximately 100 ARCpoint Lab Franchisees nationwide to obtain extremely low wholesale lab service and testing product prices from vendors and suppliers for its AOS affiliate/division"); *id.* ¶ 63 ("[Plaintiffs] will be and are

being substantially damaged by AFG's conduct of arranging for preferential (predatory) pricing for AOS that is not available to these Plaintiffs, who are contractually bound to use AFG's approved vendors and suppliers"); *id.* ¶ 68 ("Notwithstanding the above provision in each of the foregoing Franchise Agreements, AFG has wrongfully allowed AOS to operate a web page on the world-wide web/internet through which AOS is soliciting, marketing, advertising and providing all of ArcPoint's authorized products and services to all persons and entities throughout the United States."); *id.* ¶¶ 166, 169 ("By operating a web page on the world wide web/internet in each of the Franchisee's Protected Territories though which AOS is soliciting, marketing, advertising, and providing all of ARCpoint's authorized products and services to all persons and entities . . . and not just National Accounts, AOS is intentionally procuring a breach of AFG's Franchise Agreement with these Franchisees without justification and resulting in damages to these Franchisees.").

5. Plaintiffs' claims against AOS for conspiring to materially alter the Franchise Agreements and for tortiously interfering with the Franchise Agreements **make reference to or presume the existence of the Franchise Agreements.** *See e.g.* Compl. ¶ 3 ("AFG entered into Franchise Agreements with each of the Plaintiffs"); *id.* ¶ 45 ("Through AOS, AFG has attempted to materially alter the terms of Plaintiffs' franchise agreements"); *id.* ¶¶ 165, 168 ("The Franchise Agreements of Plaintiffs . . . are "valid" contracts of which AOS has full knowledge since it shares many key personnel with AFG and is held out and holds itself out as an affiliate of AFG."); *id.* ¶¶ 166, 169 ("AOS is intentionally procuring a breach of AFG's Franchise Agreement"); Pltfs. Memo in Opposition, p. 13 ("At best, the claims against AOS only require that Defendants not deny the existence of the Franchise Agreements.").

6. Plaintiffs' claims against AOS for conspiring with AFG to materially alter the Franchise Agreements and for tortiously interfering with the Franchise Agreements **allege a close relationship between AFG and AOS and the alleged wrongs.** Compl. ¶ 147 ("AOS is an AFG/ARCpoint Business[.]"); id. ¶ 94 (AOS is "AFG's affiliate/division[.]"); id. ¶ 165 (AOS "shares many key personnel with AFG[.]"); id. ¶ 5 (AOS "has some common ownership with AFG[.]"); id. ¶ 60 ("AOS operates under the 'ARCpoint' name[.]"); id. ¶ 60 (AOS's "employees answer the telephone as 'ARCpoint'" [and] offers the products and services it sells as ARCpoint products and services[.]); id. ¶ 147 ("AOS and AFG occupy corporate office space across the street from one another, share the same executive team, the same name and trademarks" and that "AOS and AFG are not substantially distinguishable from one another."); id. ¶ 45 ("Through AOS, AFG has attempted to materially alter the terms of Plaintiffs' franchise agreements"); id. ¶ 48 ("As part of their combination to expand AOS' role and detrimentally circumscribe and restrict the business activities of the Plaintiffs, AOS, with the active support of AFG, has been bidding on state governmental drug and alcohol testing"); id. ¶ 55 ("AFG used its leverage and market power as the Franchisor of approximately 100 ARCpoint Lab Franchisees nationwide to obtain extremely low wholesale lab service and testing product prices from vendors and suppliers for its AOS affiliate/division"); id. ¶ 63 ("[Plaintiffs] will be and are being substantially damaged by AFG's conduct of arranging for preferential (predatory) pricing for AOS that is not available to these Plaintiffs, who are contractually bound to use AFG's approved vendors and suppliers"); id. ¶ 68 ("AFG has wrongfully allowed AOS to operate a web page on the world-wide web/internet through which AOS is soliciting, marketing, advertising and providing all of ArcPoint's authorized products and services to all persons and entities throughout the United States."); id. ¶¶ 165, 168 ("The Franchise Agreements of Plaintiffs . . . are "valid" contracts of which AOS has full

knowledge since it shares many key personnel with AFG and is held out and holds itself out as an affiliate of AFG.”); *id.* ¶¶ 166, 169 (“By operating a web page on the world wide web/internet in each of the Franchisee’s Protected Territories though which AOS is soliciting, marketing, advertising, and providing all of ARCpoint’s authorized products and services to all persons and entities . . . AOS is intentionally procuring a breach of AFG’s Franchise Agreement with these Franchisees without justification and resulting in damages to these Franchisees.”).

7. Plaintiffs’ claims against AOS for conspiring with AFG to materially alter the Franchise Agreements and for tortiously interfering with the Franchise Agreements are **intimately founded in and intertwined with the contractual obligations** in the Franchise Agreements. *See e.g. Compl.* ¶ 45 (“Through AOS, AFG has attempted to materially alter the terms of Plaintiffs’ franchise agreements”); *id.* ¶ 63 (“[Plaintiffs] will be and are being substantially damaged by AFG’s conduct of arranging for preferential (predatory) pricing for AOS that is not available to these Plaintiffs, who are contractually bound to use AFG’s approved vendors and suppliers”); *id.* ¶ 68 (“Notwithstanding the above provision in each of the foregoing Franchise Agreements, AFG has wrongfully allowed AOS to operate a web page on the world-wide web/internet through which AOS is soliciting, marketing, advertising and providing all of ArcPoint’s authorized products and services to all persons and entities throughout the United States.”); *id.* ¶¶ 166, 169 (“By operating a web page on the world wide web/internet in each of the Franchisee’s Protected Territories though which AOS is soliciting, marketing, advertising, and providing all of ARCpoint’s authorized products and services to all persons and entities . . . and not just National Accounts, AOS is intentionally procuring a breach of AFG’s Franchise Agreement with these Franchisees without justification and resulting in damages to these Franchisees.”).

8. Plaintiffs' claims against AOS for conspiring to materially alter the Franchise Agreements and for tortiously interfering with the Franchise Agreements **incorporate the Franchise Agreements by reference**. See e.g. Compl. ¶ 3 ("AFG entered into Franchise Agreements with each of the Plaintiffs"); id. ¶ 45 ("Through AOS, AFG has attempted to materially alter the terms of Plaintiffs' franchise agreements"); id. ¶¶ 165, 168 ("The Franchise Agreements of Plaintiffs . . . are "valid" contracts of which AOS has full knowledge since it shares many key personnel with AFG and is held out and holds itself out as an affiliate of AFG."); id. ¶¶ 166, 169 ("AOS is intentionally procuring a breach of AFG's Franchise Agreement with these Franchisees without justification and resulting in damages to these Franchisees.").

9. In denying the motion as to AOS, the Court further found that the arbitration provisions were narrowly limited to "disputes . . . between the parties' to the Franchise Agreement, *i.e.*, AFG and the Plaintiffs." Respectfully, this was in error, as the Court's reading is neither supported by a literal reading of the language or the guidance our courts have provided in construing such broadly-worded arbitration clauses. The arbitration clauses apply to "all disputes arising out of or relating to this Agreement," which is the language our courts consider in determining whether a clause is broadly-worded. The inclusion of additional language further extends the scope to "any other agreements between the parties," and "any of the dealings between the parties." The language "between the parties" modifies "other agreements" and "any of the dealings," not "all disputes." See Pearson v. Hilton Head Hosp., 400 S.C. 281, 733 S.E.2d 597, 599 (Ct. App. 2012) (describing a similarly worded clause as broadly-worded notwithstanding inclusion of "between the parties" language.).

10. The Court's citation to Kroma Makeup Eu, LLC v. Boldface Licensing + Branding, Inc., 845 F.3d 1351, 1353 (11th Cir. 2017) and World Rentals & Sales, LLC v. Volvo Constr.

Equip. Rents, Inc., 517 F.3d 1240, 1247 (11th Cir. 2008), fail to account for the language of the arbitration provisions at issue in those case, which are distinguishable from both the language at issue language here, and the language in the arbitration clause at issue in Pearson v. Hilton Head Hosp., 400 S.C. 281, 733 S.E.2d 597, 599 (Ct. App. 2012). Compare Kroma Makeup Eu, LLC, 845 F.3d at 1353 (“... the Parties agree that the disputes *arising between them* concerning the validity, interpretation, termination or performance of the present Contract, should be considered [in] independent arbitration in the State of Florida, United States.”), and World Rentals & Sales, LLC, 517 F.3d at 1247 (“[a]ll disputes, claims, controversies or causes of action *arising between Franchisee and Franchisor*” and expressly excluding its affiliates), with Pearson, 733 S.E.2d at 599 (“Any controversy or claim *arising out of or relating to the interpretation, enforcement or breach of this Agreement* or the relationship between the parties hereto shall be resolved by binding arbitration”), with Exhibits 1-8 (“all disputes *arising out of or relating to this Agreement* or to any other agreements between the parties, or with regard to interpretation, formation or breach of this or any other agreement between the parties”), and Exhibits 9-13 (“all disputes *arising out of or relating to this Agreement*, to any other agreements between the parties, or with regard to any of the dealings between the parties”) (emphasis added to all).

11. Defendants also respectfully request that the Court reconsider, alter and amend the portion of its Order considering the date of incorporation of Defendant AOS and whether the parties to the Franchise Agreements contemplated AOS at the time the Franchise Agreements were executed, as there are no authorities to suggest that such factors are relevant in analyzing whether a nonsignatory can enforce an arbitration provision. Further, the Court erred in finding and considering that there were no agreements between Plaintiffs AFG after AOS’s incorporation

where the record demonstrates otherwise. *See Exhibits* 10, 11, 12 and 13 (multiple addenda and modifications signed by Plaintiffs in December 2013, January 2014 and July 2016).

12. Finally, although implicit in the portion of the Order granting Defendant AFG's motion to compel arbitration as to the remaining claims and parties, Defendants request that the Court amend its order to include specific findings and conclusions on the application of the Federal Arbitration Act and the scope of the arbitration provisions, namely, that the Franchise Agreements involve interstate commerce and are governed by the Federal Arbitration Act, that the arbitration provisions are broadly-worded and that all of Plaintiffs' claims have a significant relationship to the Franchise Agreements are otherwise within the scope of the arbitration provisions in each Franchise Agreement.

Defendants respectfully submit that upon reconsideration of the above issues and those previously briefed and argued, the Court should reconsider its Order of September 20, 2017 and grant Defendants' motion in full. Barring reconsideration, Defendants respectfully request that the Court alter or amend its Order to include specific findings of fact and/or conclusions of law addressing all of the above issues.

[SIGNATURE PAGE FOLLOWS]

This 29th day of September, 2017.

Respectfully submitted,

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EXHIBITSNODESCRIPTIONIDEVD

There were no exhibits introduced.

P R O C E E D I N G S

(WHEREUPON, proceedings began at 2:42 p.m.)

THE CLERK: Case Number 2017-CP-23-03986, ARCpoint of Tallahassee, Inc. v. ARCpoint Franchise Group, LLC.

THE COURT: It looks like this is a motion to dismiss and compel arbitration. Are there any other -- it looks like that's the only motion before the Court.

MR. MCCALL: That's Correct, Your Honor.

THE COURT: Who wishes to --

MR. MCCALL: It's my motion. I'm happy to start off.

THE COURT: All right.

MR. MCCALL: Good afternoon, Your Honor. My name is Mike McCall. I represent the defendants in this case, ARCpoint Franchise Group, LLC, and ARCpoint Occupational Solutions, LLC. I have with me Trey Odom who is general counsel for ARCpoint.

MR. ODOM: Good morning, Your Honor.

MR. MCCALL: This is our motion to compel arbitration.

ARCpoint is a national franchisor of ARCpoint Labs which provides drug and alcohol testing throughout the country. They have -- they're based here in Greenville. They have, I believe, 100-plus locations in 28 states. Each of those locations and protective territories are

1 governed by a franchise agreement with ARCpoint, and that
2 franchise agreement creates the franchisor/franchisee
3 relationship, and it governs that relationship. And each
4 one of those franchise agreements contains an arbitration
5 provision which is why we're here today.

6 The 13 plaintiffs in this lawsuit -- I don't know if
7 -- well, 9 plaintiffs representing 13 franchises all have
8 franchise agreements with ARCpoint, they all have the
9 arbitration provisions in their contracts, and they have
10 asserted, coincidentally, 13 causes of action against
11 ARCpoint and AOS, which is ARCpoint Occupational
12 Solutions.

13 We've set forth in our memo -- I don't know if Your
14 Honor has a copy of the memo, but I brought some extras,
15 if you need one.

16 THE COURT: If you've got a hard copy to hand up.

17 MR. McCALL: Absolutely.

18 THE COURT: I've got the file, but ---

19 MR. McCALL: And I hope you didn't print out all the
20 exhibits because it was about a thousand pages by the
21 time ---

22 THE COURT: I have not printed them out.

23 MR. McCALL: There were 13, 80-page contracts.

24 THE COURT: E-filing is a good thing.

25 MR. McCALL: Yes. Yes, it is.

1 So here -- may I approach, Your Honor?

2 THE COURT: Yes, sir.

3 MR. McCALL: So this is two copies of the memo, and
4 then this is the addendum trying to boil down that
5 thousand pages into something less than 100.

6 So, Your Honor, each franchise agreement has this
7 arbitration provision in it. It is a broadly worded
8 arbitration provision, according to our state Supreme
9 Court and the Fourth Circuit, because it includes the
10 words "arising out of or related to the agreement." The
11 13 claims that the plaintiffs have asserted against
12 ARCpoint and AOS all arise out of and are related to these
13 franchise agreements. And that's not even the standard
14 for compelling arbitration when there is such a broad
15 arbitration clause like this. The question is really
16 whether there is a substantial relationship between the
17 claims and the contracts that contain them. And so we
18 submit that that burden is met based on the allegations in
19 the complaint, especially considering that any doubts
20 about arbitrability should be resolved in favor of
21 arbitration here.

22 The other issue, of course, is AOS doesn't have a
23 signature block on these franchise agreements. Even
24 though the plaintiffs allege that AOS is essentially one
25 and the same as the franchise group, we believe that AOS

1 can assert the arbitration provision as a nonsignatory
2 based on these principles of estoppel that our courts
3 have recognized, most particularly in that Pearson case
4 that we've cited in the memo.

5 And so with that, Judge, we would submit that we're
6 entitled to compel arbitration of all the claims in the
7 complaint.

8 THE COURT: Thank you.

9 Yes, sir.

10 MR. HOWARD: Your Honor, Josh Howard here for the
11 plaintiffs. Seated with me is John Lewis. John Lewis is
12 the owner of the Myrtle Beach and Florence franchises.

13 Your Honor, I also have a memorandum, if you would
14 like a copy of that.

15 THE COURT: Yes.

16 MR. HOWARD: Your Honor, in this case, you're going
17 to have to parse out, and we would submit that the Court
18 has to parse out these parties. And there are three
19 different issues that are happening here.

20 The parties signed the franchise agreements with
21 ARCpoint Franchise Group which is one of the plaintiffs in
22 this. The ARCpoint Franchise Group signatures were -- all
23 happened before -- all put in place before October of
24 2013. Each of the plaintiffs signed. In Mr. Lewis's
25 case, his original franchise goes back about 11 years. He

1 re-signed a franchise agreement sometime in 2013, and we
2 will get to his agreement last because there's some
3 subtleties related to his agreement that are important to
4 this motion, and especially our opposition.

5 With regard to AFG -- and then we have AOS. AOS is a
6 party, ARCpoint Occupational Solutions. ARCpoint
7 Occupational Solutions was brought into existence by
8 filing with the Secretary of State in November of 2013.
9 So when ARCpoint Occupational -- so when every one of my
10 client franchisees signed that agreement, ARCpoint
11 Occupational Solutions did not exist, was not even within
12 their contemplation at any point.

13 So now what we have to do and what the Court
14 instructs us to do, and this is the Supreme Court, and
15 I'll read from this, in Volt vs. Stanford University,
16 which is a case that we cited in there, the Supreme Court
17 told us that the purpose of the FAA was not to mandate
18 arbitration of all claims, but merely the enforcement of
19 privately negotiated agreements. I would submit, Your
20 Honor, that what the Court is telling us there is that the
21 words matter, so we have to look very carefully at the
22 contract itself as to the agreement that was struck
23 between the franchisees and the franchisor.

24 In this case, if you look at the franchise agreement,
25 because, ultimately, what the Supreme Court has told us is

1 the parties are free to contract, and they are free to
2 contract their arbitration rights and change them up, they
3 are free to accept state law standards, they are free to
4 accept standards that the FAA -- or set more limited
5 standards than the FAA would allow them to do. It's part
6 of that freedom of contract that comes in place.

7 In this case, there is a dispute resolution provision
8 that contains seven separate provisions and clauses in the
9 contract. Let me see. It might be easier if I just give
10 you one of these and you take a look at it.

11 MR. McCALL: If you use the addendum, it's --

12 MR. HOWARD: I don't have a copy of your addendum.

13 MR. McCALL: You don't have a copy? I've got an
14 extra copy.

15 But, Judge, it's page 23 of that addendum.

16 You're trying to point him to the choice of law
17 provision?

18 MR. HOWARD: I'm just trying to point him to the
19 dispute resolution provisions. It's actually quoted in my
20 memorandum, also, Your Honor.

21 MR. McCALL: It's at page 23, and then there's a
22 second one that starts at 49. And I'm using the bottom
23 left corners of the --

24 MR. HOWARD: Sure.

25 MR. McCALL: -- those page numbers.

1 MR. HOWARD: Now, if you look at addendum, page 23,
2 and this is part of the defendant's exhibit, Your Honor,
3 it starts there with the dispute resolution in Section 23,
4 and it starts with choice of law, and then it carries on
5 to two, three, four, five, six and seven.

6 Now, this provision in the agreement is identical, as
7 far as I can tell. I didn't put it through a program or
8 anything to sort it out, but it's identical as far as we
9 can tell.

10 The choice of law provision in this agreement becomes
11 very important when looking at the arbitration clause.
12 And if you look -- and I've cited to several Supreme Court
13 cases in our memorandum. And the Volt case talks about
14 it, and there's a line of cases that come after it which
15 address issues related around the choice of law provisions
16 and how those might affect questions of arbitrability,
17 questions about what is the actual agreement between the
18 parties.

19 In this case, they use a rather unique choice of law
20 provision, and it's got some unique language in it.
21 Number one, it starts out where it says, "This agreement
22 shall be governed by and construed in accordance with the
23 laws of the State of South Carolina." It goes on to say
24 that the Federal Arbitration Act shall govern all matters
25 subject to arbitration. We would submit, Your Honor what

1 that tells us is that the FAA and Federal law comes into
2 place by agreement not before this court finds as a matter
3 -- finds a matter arbitrable under South Carolina state
4 law.

5 Now, South Carolina state law requires all agreements
6 subject to arbitration to have certain requirements as
7 required by South Carolina code annotated
8 Section 15-48-10, South Carolina. That requires that any
9 agreement subject to arbitration has to state on the first
10 page that it is subject to arbitration, and it has to meet
11 certain requirements of South Carolina law.

12 Now, under normal circumstances -- and I know exactly
13 what they're going to say. They're going to say, Your
14 Honor, that's preempted by Federal law. This is covered
15 -- this has been covered over and over again. And I would
16 submit, under normal circumstances, if we had just had a
17 provision in this -- in the choice of law provision in
18 this case that only said this matter is subject to South
19 Carolina law, or these agreements or South Carolina law
20 shall govern this agreement, then that has been addressed
21 by the Supreme Court. That has been decided that that
22 doesn't get in the way of the preemption arguments, it
23 doesn't trump.

24 But in this case, what they've decided is they've
25 decided that Federal law doesn't come into play until this

1 court makes determinations of arbitrability and
2 enforcement under South Carolina law. That's for this
3 court to decide. They contractually bound themselves to
4 meet South Carolina requirements by their own agreement,
5 and we would submit it fails to do so, and for that
6 reason, it is this contract is wholly inarbitrable based
7 upon their own contract.

8 The second argument, Your Honor, is related to
9 ARCpoint Occupational Solutions. Their agreement cites to
10 judicial estoppel as a basis to allow ARCpoint
11 Occupational Solutions -- now, you have to remember, that
12 is a completely separate entity. It's completely separate
13 from ARCpoint Franchise Group. They have some
14 interaction, basically, some overlap with executives, but
15 it is a completely separate entity. That entity,
16 according to our complaint and according to our plaintiffs
17 and according to Mr. Lewis's experience, is directly
18 competing with the franchises. That entity is in and of
19 itself creating damages, and it significantly damaged
20 Mr. Lewis and his business, and that is part of the
21 purpose of this complaint.

22 That entity, as I stated before, was not in existence
23 when these agreements were signed. It came into existence
24 later, in November of 2013, and all these agreements were
25 signed before that. My clients had no knowledge of the

1 existence or even contemplation of ARCpoint Occupational
2 Solutions when they signed that agreement. They have no
3 agreement to arbitrate with ARCpoint Occupational
4 Solutions. None whatsoever. There are no agreements
5 between any of my plaintiff franchisees and ARCpoint
6 Occupational Solutions. They've signed nothing. They
7 can't point to anything that would other than an equitable
8 argument. And the equitable argument is that you should
9 be judicially estopped from denying that the arbitration
10 clause doesn't apply to AOS.

11 Well, here's where they're failing, and here's where
12 that argument fails. And it goes back to another
13 fundamental issue of this is your agreement, you drafted
14 it, they chose the language, and so they have to be held
15 to the language that they chose. In their agreement, they
16 use the words -- and if you turn to page addendum 23 and
17 you get to the actual arbitration clause down at the
18 bottom, and I'll read from it: All disputes arising out
19 of or relating to this agreement or to any other
20 agreements between the parties or with regard to
21 interpretation, formation or breach of this or any other
22 agreement between the parties shall be settled by binding
23 arbitration.

24 The difference here, Your Honor, is the term and the
25 use "between the parties." "Between the parties" are the

1 parties to this agreement, which is AFG, an individual
2 franchisee. The franchisee did not agree to arbitrate
3 with anybody but AFG. AFG did not agree to arbitrate with
4 anybody but them. It's limited to the terms of the
5 agreement. Arbitration should not be extended beyond it.

6 In this case -- and I've cited two cases. One is a
7 very recent 11th Circuit case that stands for that
8 proposition. It's based upon Florida law which is
9 extremely similar to South Carolina law. It's equitable
10 principles. It is the case of Kroma Makeup -- and I'll
11 hand this case up to you. But there is also another
12 Eleventh Circuit case that comes on in front of the Kroma
13 Makeup case, and that's World Rentals.

14 Now, Your Honor, I don't expect you to read those at
15 this point, but I will summarize them for you. Both of
16 them state this proposition is that when you've got a --
17 it's not as broad as they want to say. When you've got an
18 arbitration provision that is limited to two parties,
19 that's -- you cannot expand that agreement with the use of
20 judicial estoppel. And I'll quote -- and this is from the
21 -- this is what the Eleventh Circuit said. Such a holding
22 -- this is the question in the Kroma case. The Eleventh
23 Circuit -- and it's on page 13 of my memorandum. The
24 Eleventh Circuit held that to allow such a holding --
25 which is to allow you to expand this arbitration agreement

1 to a nonsignatory party such as AOS when the parties have,
2 by contract, restricted it to themselves, such a holding
3 would be well inequitable, according to the Court.

4 The Court goes on, and it stated well over before,
5 and it goes in -- once you read it, you'll get a sense of
6 it, but what it ultimately is saying is that when you've
7 got this limitation, it's limited to the parties. That's
8 the contract. That's the agreement they -- that's their
9 draft, their franchise agreement, their draft, their
10 language, and they chose it. The Eleventh Circuit has
11 issued opinions which the State of South Carolina, I will
12 submit, has relied upon the Eleventh Circuit cases in the
13 cases that they cited. For the proposition of equitable
14 estoppel, they're using, and the State of South Carolina
15 has used in the Supreme Court Eleventh Circuit, cases to
16 support that proposition. So I would submit the Eleventh
17 Circuit, while not precedent, but it certainly is
18 persuasive, and the decision of the Eleventh Circuit
19 should be persuasive because it is -- I would submit that
20 it would be a decision that certainly this court would
21 adhere to and would also find.

22 Last argument, Your Honor, is related to a very
23 specific provision that is related to Mr. Lewis's
24 franchise agreement. Mr. Lewis is one of the first
25 franchises within ARCpoint. ARCpoint used to be called

1 Accudiagnostics. Mr. Lewis believes he's either maybe
2 number two, maybe number three, somewhere in there,
3 probably at least top five, one of the first franchises
4 that was created under ARCpoint under the franchise group.

5 Mr. Lewis has been a part of this franchise system
6 for 11 years. He's been a very good soldier. He's been
7 -- he's trained other owners. He's been on their national
8 advisory council. He is here, and he has filed this
9 lawsuit in order to save the life of his business.

10 He has chosen -- what he's chosen, his own agreement,
11 and specifically in his agreement is when they re-signed
12 this in 2013, there was an addendum that was added to the
13 end of his agreement. And just to make it very easy to
14 read, I've got -- let's see if I can find it. Here we go.
15 What I have is I have the first and last page, which is
16 the operative language in the agreement.

17 If you turn to the second page, Your Honor, you can
18 see where there is a handwritten provision in there on
19 exhibit -- and this is Defendant's Exhibit 6 and
20 Defendant's Exhibit 7. These are the documents they
21 attached to their motion. On the second page of the
22 agreement, you can see where it's handwritten. On 6 it
23 states, "I do not wish to waive our right to a jury
24 trial." On 7 it states, "Do not wish to waive our right
25 to a jury trial."

1 Your Honor, that is fundamentally at odds with an
2 arbitration clause. We would submit that Mr. Lewis chose
3 the dispute resolution. This agreement was signed by both
4 parties, it was agreed to by both parties, by Mr. Lewis's
5 and Myrtle Beach ODS and Florence ODS's statement of
6 intent that they are not waiving their right to a jury
7 trial. We would submit that, given the internal
8 disagreement with the arbitration clause, that that, based
9 off principles of contract interpretation that South
10 Carolina has embraced over the years, and that's a very
11 specific handwritten statement and term in this agreement,
12 and that term trumps any arbitration clause. We would
13 submit that Mr. Lewis and his companies, Myrtle Beach ODS
14 and Florence ODS, based on that term, based upon their
15 expression, based upon their constitutional right that is
16 guaranteed to them by the South Carolina Constitution that
17 they are asserting here cannot be compelled to arbitrate
18 because they cannot receive a jury trial in arbitration.

19 And so, based upon those three arguments, Your Honor,
20 we would submit that AFG, the arbitration agreement
21 overall, should not be deemed arbitrable based upon the
22 failure to comply with South Carolina law. We would state
23 in the alternative, even if you didn't find -- if you
24 found that it was arbitrable, we would submit that AOS,
25 based upon the agreement, is excluded from the arbitration

1 clause and cannot -- and we cannot -- my clients cannot be
2 compelled to arbitration with AOS and should not be
3 compelled.

4 And lastly, in the alternative, we would state that
5 Myrtle Beach ODS and Florence ODS, based upon their
6 expression and the term that was agreed to between all the
7 parties, that they are not waiving their right to a jury
8 trial, cannot, in any way, be compelled to arbitrate with
9 AFG or AOS based upon the terms of the agreement and their
10 failure and their lack of waiver of a jury trial.

11 Thank you, Your Honor.

12 THE COURT: Mr. Howard, let me ask you this. When
13 you look at Paragraph 23 of the dispute resolution on page
14 -- page 23 of the addendum ---

15 MR. HOWARD: Yes, Your Honor.

16 THE COURT: --- and both of you have referred to this
17 paragraph since it locks in, has the statement "the
18 Federal Arbitration Act shall govern all matters subject
19 to arbitration," how do you interpret the first line? And
20 I understand your argument about state law and the first
21 page requirement under the South Carolina law. How do you
22 interpret the first sentence where it says "or other
23 Federal law"?

24 MR. HOWARD: Your Honor, they're talking about --
25 number one, what they're talking about here, they're very

1 specific with the Federal Arbitration Act, then they go to
2 Title IX, and then they also -- I'm looking at exactly
3 where you're at.

4 THE COURT: It says specifically "the Trademark Act
5 of 1946," and then it says "or other Federal law." How do
6 you interpret that?

7 MR. HOWARD: Well, they have -- they reference also
8 in here -- they reference -- let me see. Well, your
9 Honor, what I would state is that they have -- they make
10 it very specific. So other Federal law, this arbitration
11 provision also speaks to issues of trademark law,
12 copyright law. I was trying to think because they've got
13 some exceptions here.

14 So I would submit you've got trademark law, copyright
15 law. There are also some laws on trade which are related
16 -- that are part of the FTC and other regulations that
17 apply to franchises when you're doing franchise offerings,
18 and so I would submit that there is definitely some other
19 Federal law that can come into play from the standpoint,
20 but they are very specific that the FAA does not come into
21 play until such time as a matter is subject to
22 arbitration, which, in my view and I would submit is based
23 upon this court's determination of whether it's arbitrable
24 or not.

25 THE COURT: All right. Well, let me ask you the next

1 question. If I determine that the dispute is subject to
2 arbitration, what requirements -- are you saying that the
3 state arbitration law has to be met before the Federal
4 law? Or, as you correctly noted, they -- I haven't,
5 obviously, had an opportunity to read all the briefs, but
6 Federal preemption, I'm sure, is the argument that's going
7 to come from the other side. So if they're in compliance
8 with the Federal Arbitration Act, does it matter what the
9 state arbitration act says?

10 MR. HOWARD: I would submit that under normal
11 circumstances, under generalized principles, I would say
12 no. Preemption is going to apply normally. This is
13 unique, though, I would submit, based upon the language
14 that they've chosen to use. And so it is based upon their
15 choice to contract in the way and draft in the way that
16 they did, which subjects them to requirements that they
17 normally would not be required to meet. But it's their
18 language. I would submit that this agreement is an
19 adhesive -- a contract of adhesion. This is a form
20 agreement that they are using, so ambiguities, if they
21 exist ---

22 THE COURT: Well, now let me ask you on that. This
23 is not a consumer. These are two corporations, are they
24 not?

25 MR. HOWARD: Oh, certainly. No, it's not. And I'm

1 not standing up here, and that's why we did not come here
2 to make an unconscionability argument or something such as
3 that. We had conversations about that. I was -- I told
4 them we're not making that argument. You've got what --
5 but what needs to be understood, though, is that my
6 clients didn't draft this arbitration provision. This is
7 -- and it's very clear that they didn't because it's the
8 same all the way through. It's not been adjusted or
9 changed by any of them.

10 But let me make sure I'm very clear on this, too.
11 The argument against AFG, if you were to find that -- I
12 would submit if you were to find on Argument 1 that we
13 don't win, that's only as to AFG. AOS is a completely
14 separate issue based upon the agreement itself in the
15 arbitration clause. And that's why I put it in the
16 alternative. I would submit that the first argument we
17 make applies to all the parties, AFG, AOS. It just
18 strikes the arbitration clause for failing to meet South
19 Carolina law.

20 The second one is contractual against AOS,
21 contractually states because the parties, if you find the
22 agreement enforceable, then, I would submit, that the
23 argument against enforcing it in favor of AOS is that the
24 parties restricted the arbitration clause to only between
25 themselves; therefore, AOS can't equitably graft onto

1 that, and the Court should not extend the arbitration to
2 AOS. AOS, these parties should be able to litigate
3 against AOS in this court.

4 And lastly, obviously, Myrtle Beach ODS and Florence
5 ODS, relieves them completely from arbitration based upon
6 their specific language which is in direct conflict with
7 the arbitration clause.

8 Thank you, Your Honor.

9 THE COURT: Thank you, Mr. Howard.

10 Your response?

11 MR. McCALL: Yes, Your Honor. May I approach ---

12 THE COURT: Yes.

13 MR. McCALL: --- with some -- I'm going to call these
14 handouts, for lack of a better word. My sons go to school
15 today and I've got handouts on my mind. It's just four
16 pages, not stapled.

17 And so the pages should help me walk through my
18 points to address their three main issues in opposition to
19 our motion, and the first one is the one that Your Honor
20 just picked up on and had some questions about, and that's
21 the choice of law provision. And I think I'm reading it
22 the same way you do, that this first sentence actually
23 means something in here. And when it says "except to the
24 extent this agreement or any particular dispute is
25 governed by US Trademark Act of 1946 or other Federal law,

1 i.e., the Federal Arbitration Act, then South Carolina law
2 governs." So I don't read this choice of law provision as
3 saying the South Carolina Arbitration Act applies to all
4 arbitration under the agreement.

5 A little further down I've bolded where it says,
6 again, that the Federal Arbitration Act applies.

7 And then, of course, in the arbitration provision
8 itself, it says, again, that it's subject to the Federal
9 Arbitration Act.

10 Now, the problem with that is that even if the
11 contract said specifically that South Carolina law,
12 including the South Carolina Arbitration Act, governs, our
13 Supreme Court has spoken twice on the issue and said,
14 first, that a generic choice of law provision cannot be
15 used to incorporate into an arbitration agreement a state
16 law which would be preempted by the FAA. That's on the
17 second page there, Your Honor. And in that case, they had
18 a generic arbitration agreement and -- a generic choice of
19 law provision and a partnership agreement, and they said
20 that can't be used to incorporate these notice provisions
21 in the South Carolina Arbitration Act where doing so would
22 invalidate the whole agreement to arbitrate, which is what
23 they're attempting to do here in this case.

24 And even further, one step further, the soil
25 remediation case, the Court said even if the arbitration

1 agreement says in bold letters at the top "this
2 arbitration agreement is governed by the South Carolina
3 Arbitration Act," if the agreement otherwise affects
4 interstate commerce and would be subject to the Federal
5 Arbitration Act, the Federal Arbitration Act preempts to
6 the extent those notice provisions would invalidate the
7 arbitration agreement. And so, again, I don't read the
8 choice of law provision that way, but even if they can
9 insert exactly the words that they wanted to in there, it
10 wouldn't matter because it's preempted. So that's on the
11 first one.

12 The second point is where we're going to this Florida
13 case. It's an Eleventh Circuit case applying Florida
14 equitable estoppel law. And it involves the Kardashians
15 down in Florida, and so I've labeled that one the
16 Kardashian clause down there.

17 And so the Kardashian clause is a very limited scope
18 arbitration provision that very clearly is limited to
19 disputes arising between the parties. But that is not
20 what our arbitration provision says in the least bit. I
21 would also say that the arbitration provision in the
22 Kardashian case did not include the "arising out of or
23 relating to" language that both our provisions have in
24 these franchise agreements and that were found in the
25 Pearson case. That middle arbitration provision is from

1 the Pearson case where all of these equitable theories are
2 cited from in our brief. And that provision in the
3 Pearson case uses similar language to the language we're
4 dealing with here. It uses the word "parties." And it's
5 not construed as disputes between the parties. It's
6 construed ---

7 THE COURT: Well, let me ask you about that. How do
8 you respond to Mr. Howard's point that your specific
9 contract uses the language "between the parties"? How do
10 you respond to that?

11 MR. McCALL: Well, because there's a big difference
12 between disputes between the parties and disputes arising
13 out of or relating to this agreement or to any other
14 agreements between the parties. So it's disputes arising
15 out of or related to the agreements. "Parties" qualifies
16 agreements. "Parties" does not qualify disputes. And in
17 the Kardashian provision, it's "parties" is qualifying
18 disputes. It's just disputes between the parties. Here
19 it's disputes arising out of or related to agreements
20 between the parties. And that's the critical difference
21 if, by chance, we were in Florida in the Eleventh Circuit
22 and having that court apply Florida equitable estoppel
23 law.

24 And they also included a footnote in that case
25 specifying that they were not following the equitable

1 estoppel theories that our South Carolina Court of Appeals
2 followed in that Pearson case. And so you've got a
3 different court applying different law to a very different
4 arbitration provision. And so we would submit that that
5 just doesn't apply to AOS's ability to enforce the
6 provision as a nonsignatory.

7 THE COURT: How do you respond to these two exhibits
8 that Mr. Howard handed up?

9 MR. McCALL: The jury trial waivers.

10 THE COURT: The jury trial for Florence ODS, Inc. and
11 Myrtle Beach ODS, Inc.

12 MR. McCALL: Sure. And that's the last page of my
13 hand-ups there.

14 The piece of information that's missing from that
15 argument is that every franchise agreement includes a
16 separate jury trial waiver. It's a separate paragraph in
17 every franchise agreement, and it applies to those
18 disputes between the parties that do not go to
19 arbitration. And so if there is a dispute that's outside
20 of the scope of the arbitration provision, then what would
21 ordinarily go to a jury trial, they'd waive the right to a
22 jury trial except for these two franchisees here.

23 And so the question is, can you give meaning and
24 effect to both the addendum that says "I do not wish to
25 waive my right to a jury trial" and the arbitration

1 provision, and the answer is yes. Because the revocation
2 of the waiver just applies to the jury trial waiver
3 itself. He's still entitled to a jury trial for those
4 claims that are not subject to arbitration.

5 THE COURT: Okay. So it sounds like your client
6 interpreted that in a vastly different manner than
7 Mr. Howard's client.

8 MR. McCALL: It sounds like we did, which, even if
9 there is an ambiguity, we're resolving those in favor of
10 arbitration.

11 THE COURT: Okay. All right. Mr. Howard, I'll give
12 you last word.

13 MR. HOWARD: Well, Your Honor, I'll start right
14 there. That's -- obviously, they want to squeeze it down
15 and limit it to about right here. This is a handwritten
16 term and agreement and addendum. You know, it's trying to
17 parse out for Mr. Lewis, who is somebody who's worked in
18 pharmaceutical sales and owns a company, and he says, "I
19 want a jury trial," he should be entitled to a jury trial.
20 And arbitration simply gets in the way of that, and it's
21 in direct conflict with that term. And that term, I would
22 say, this agreement right here is signed by Felix Mirando,
23 who's the president and CEO of the company. This is not
24 -- this is not some -- this is the man who created this
25 company, and he signed it and agreed to term Mr. Lewis,

1 and he agreed to it. I would submit that it is not so
2 limited as they want to limit it to.

3 I would also submit that the -- that the statements
4 of law in the Kroma Makeup, number one, I do not think --
5 well, let's talk about ambiguities. They're the drafter.
6 Ambiguities are resolved against the drafter. In this
7 situation, if they wanted -- I don't think it's ambiguous.
8 I think this arbitration clause says very clearly from AOS
9 all disputes arising out of or related to this agreement
10 or any other agreements between the parties with regard to
11 the interpretation, formation or breach of this and any
12 other agreements between the parties shall be settled by
13 binding arbitration. I don't think it's ambiguous. I
14 think it says that this agreement is between the parties
15 and not extended out.

16 The Kroma case applies very general principles of
17 law. The World Rental's case applies -- actually applies
18 Federal law, which they submit that should apply. And
19 this applies to Federal law, and it comes to the same
20 conclusion based upon the same issue, and it's another
21 Eleventh Circuit case.

22 And the Pearson case -- and I actually went through
23 every one of the ones that they cited. I would say the
24 Pearson case is not so limited and it wasn't challenged.
25 There's no challenge in there. We are submitting a

1 challenge to it, and the Pearson case did not.

2 They cite International Paper which applies to any
3 dispute, not so limited. They cited the South Carolina
4 District Court case Gore. Any claim or controversy, not
5 so limited. They cited American Bankers case, not so
6 limited. The Sunkist case out of the Eleventh Circuit,
7 which is one that's really heavily relied upon for the
8 notions of -- and it's cited in their brief. The Sunkist
9 case is not so limited.

10 So we would submit that this language is different.
11 I will submit that. It's surprising, honestly, when you
12 read the other -- the way arbitration clauses are normally
13 written, it's surprisingly limited. But it's their
14 language, and they should be held to it.

15 Thank you, Your Honor.

16 THE COURT: Gentlemen, I'm going to take some time
17 and read all these documents that you have provided for
18 me. I'm going to take it under advisement. I want to
19 thank counsel for your very well-prepared and thought-out
20 arguments, and I'll have my law clerk contact you.

21 MR. McCALL: Thank you, Your Honor.

22 MR. HOWARD: Thank you, Your Honor.

23 (WHEREUPON, proceedings concluded at 3:22 p.m.)
24
25

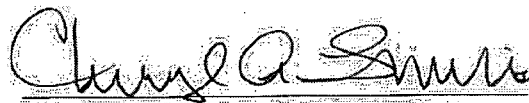
1 CERTIFICATE OF REPORTER

2
3 STATE OF SOUTH CAROLINA)4 COUNTY OF GREENVILLE)
5
6

7 I, CHERYL A. SMITH, Official Court Reporter for the
8 Thirteenth Judicial Circuit of the State of South
9 Carolina, do hereby certify that the foregoing is a true,
10 accurate and complete Transcript of Record of the
11 proceedings had and evidence introduced in the trial of
12 the captioned case, relative to appeal, in the Court of
13 Common Pleas for Greenville County, South Carolina, on the
14 24th day of August, 2017.

15 I do further certify that I am neither of kin,
16 counsel, nor interest to any party hereto.
17

18 November 16, 2017
19

20 
21

22 Cheryl A. Smith, CVR-M

23 Court Reporter
24
25

22.1 Choice of Law

Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina (without reference to its conflict of law principles), excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer to successor laws and to any published regulations for such law, as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

* * *

22.7 Arbitration

This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United State Code is applicable to the subject matter contained herein. . . .

“Generic choice of law provisions cannot be used to incorporate into an arbitration agreement a state law which would be preempted by the FAA.” Zabinski v. Bright Acres Associates, 346 S.C. 580, 553 S.E.2d 110, 117 (2001) (“[T]he FAA preempts section 15-48-10(a)”).

Even though the partnership agreement contains an express provision which provides that the “partnership agreement shall be governed by, and construed and enforced in accordance with the laws of the State of South Carolina,” this Court’s holding in Soil Remediation prevents the partners from “opting out” of the FAA.

Id.

In Soil Remediation Co. v. Nu-Way Env'tl., Inc., 323 S.C. 454, 476 S.E.2d 149 (1996), we found an arbitration agreement that did not comply with the technical notice requirements of § 15-48-10(a) was nonetheless valid because the FAA included no such notice requirement. **We did not address the impact of the parties' agreement that the state Arbitration Act would apply. We now clarify that the result in Soil Remediation hinged on the fact that application of state law would have rendered the arbitration agreement completely unenforceable under § 15-48-10(a) which provides that a contract failing to comply with statutory notice requirements shall not be subject to arbitration. State law was therefore preempted to the extent it would have invalidated the arbitration agreement.** The parties to a contract are *otherwise free* to agree that our state Arbitration Act will apply and this agreement shall be enforceable even if interstate commerce is involved.

Munoz v. Green Tree Financial Corp., 343 S.C. 531, 542 S.E.2d 360, 363 n. 2 (2001) (emphasis added).

ARCpoint

... all disputes arising out of or relating to this Agreement or to any other agreements between the parties, or with regard to interpretation, formation or breach of this or any other agreement between the parties, shall be settled by binding arbitration ...

Pearson¹

Any controversy or claim arising out of or relating to the interpretation, enforcement or breach of this Agreement or the relationship between the parties hereto shall be resolved by binding arbitration.

Kardashian²

... the Parties agree that the disputes arising between them concerning the validity, interpretation, termination or performance of the present Contract, should be considered [in] independent arbitration in the State of Florida, United States.

¹ Pearson v. Hilton Head Hosp., 400 S.C. 281, 733 S.E.2d 597, 599 (Ct. App. 2012)

² Kroma Makeup Eu, LLC v. Boldface Licensing + Branding, Inc., 845 F.3d 1351, 1353 (11th Cir. 2017)

22.6 Waiver of Jury Trial

Franchisee and Franchisor each irrevocably waive trial by jury in any action, whether at law or in equity, brought by either of them against the other.

→ I DO NOT WISH TO WAIVE OUR RIGHT TO A JURY TRIAL.

No other terms or conditions of the above mentioned contract shall be negated or changed as a result of this here stated addendum.

DO NOT WISH TO WAIVE OUR RIGHTS TO A JURY TRIAL..

No other terms or conditions of the above mentioned contract shall be negated or changed as a result of this here stated addendum.

22.7 Arbitration

This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained herein. Except for controversies or claims relating to the ownership of any of Franchisor's Marks, the unauthorized use or disclosure of Franchisor's Confidential Information or covenants against competition, all disputes arising out of or relating to this Agreement or to any other agreements between the parties, or with regard to interpretation, formation or breach of this or any other agreement between the parties, shall be settled by binding arbitration



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October 25, 2017

The Honorable Jenny Abbott Kitchings
Clerk of Court for the South Carolina Court of Appeals
Post Office Box 11629
Columbia, SC 29211

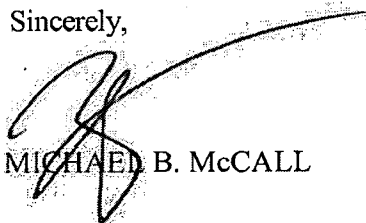
Re: ARCpoint of Tallahassee, Inc., *et al.* v. ARCpoint Franchise Group, LLC, *et al.*,
Greenville County Case No.: 2017-CP-23-3986
Appellate Case No.: 2017-
EO File No.: 120-308

Dear Ms. Kitchings:

Enclosed for filing please find the original and one copy of a notice of appeal, along with copies of the orders challenged on appeal, proof of service of the notice of appeal on Respondents, and a check for the \$100.00 filing fee. Please return a clocked copy to our office in the enclosed self-addressed stamped envelope.

By copy of this correspondence, I have served the same upon all counsel of record. If you have any questions or concerns, please do not hesitate to contact me. Thank you in advance for your attention to this matter.

Sincerely,



MICHAEL B. McCALL

MBM:cmg

Enclosures

cc: Joshua L. Howard, Esq.
Jeffrey C. Blumenthal, Esq.

THE STATE OF SOUTH CAROLINA
In The Court of Appeals

APPEAL FROM GREENVILLE COUNTY
Court of Common Pleas

R. Scott Sprouse, Circuit Court Judge

Case No. 2017-CP-23-03986

ARCpoint of Tallahassee, Inc., Greg
Bowman d/b/a Bowman Lab
Solutions, Inc. d/b/a ARCpoint Labs
of Nashville; Gary Patrone d/b/a On
Trac Holdings, Inc. d/b/a ARCpoint
Labs of Tempe, ARCpoint Labs of
Mesa, ARCpoint Labs of Phoenix-
Black Canyon, Employer's Choice
Testing, LLC, Michael Gammel
d/b/a Blue Lizard, Inc., Florence
ODS, Inc. Myrtle Beach ODS, INC.,
3 Sons Ventures, Inc., JUMPR2,
Incorporated, Neil Seltz and Lesly
Datlow d/b/a Shamey, LLC,

Respondents,

v.

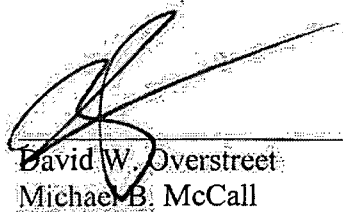
ARCpoint Franchise Group, LLC.
f/k/a Accudiagnosics, LLC and
ARCpoint Occupational Solutions,
LLC,

Appellants.

NOTICE OF APPEAL

Defendants appeal the order of the Honorable R. Scott Sprouse entered September 20, 2017 denying, in part, Defendants' motion to compel arbitration, and the order entered October 11, 2017 denying Defendants' motion to alter or amend. Appellants received written notice of the entry of the October 11, 2017 order on October 11, 2017.

October 25, 2017



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jeffrey@jcblawyer.com

Attorneys for Respondents

STATE OF SOUTH CAROLINA	)	IN THE COURT OF COMMON PLEAS
	)	
COUNTY OF GREENVILLE	)	
	)	C.A. No. 2017-CP-23-03986
ARCPOINT OF TALLAHASSEE, INC.,	)	
GREG BOWMAN d/b/a Bowman Lab	)	
Solutions, Inc. d/b/a ARCpoint Labs of	)	
Nashville; GARY PATRONE d/b/a On	)	
Trac Holdings, Inc. d/b/a Arcpoint Labs	)	
of Tempe, ARCpoint Labs of Mesa,	)	
ARCpoint Labs of Phoenix- Black Canyon,	)	
EMPLOYER'S CHOICE TESTING, LLC	)	
MICHAEL GAMMEL d/b/a Blue Lizard,	)	
Inc., FLORENCE ODS, INC. MYRTLE	)	
BEACH ODS, INC. 3 SONS VENTURES,	)	
INC; JUMPR2, INCORPORATED, NEIL	)	
SELTZ AND LESLY DATLOW d/b/a	)	
Shamey, LLC	)	
Plaintiffs,	)	
v.	)	
ARCPOINT FRANCHISE GROUP, LLC.	)	
f/k/a Accudiagnositcs, LLC and ARCPOINT	)	
OCCUPATIONAL SOLUTIONS, LLC	)	
Defendants.	)	

**ORDER ON DEFENDANTS' MOTION TO DISMISS
AND COMPEL ARBITRATION**

This matter is before the court on Defendants ARCPoint Franchise Group, LLC ("AFG") and ARCPoint Occupational Solutions, LLC's ("AOS") (collectively "Defendants") Motion to Dismiss and Compel Arbitration as to all claims and parties in the matter. A hearing on Defendants motion was held on August 24, 2017 at the Greenville County Courthouse. Prior to the hearing, both Defendants and Plaintiffs submitted memorandum to the court.

AFG's motion is premised upon the arbitration clause contained in the ARCPoint Franchise Group, LLC Franchise Agreements ("Franchise Agreement") attached as exhibits 1 - 13 to Defendants' motion. Defendant AOS, a non-signatory to the Franchise Agreements, seeks

to compel arbitration with regard to all claims and parties in the case on a theory of equitable estoppel.

Plaintiffs oppose Defendants motion for the following reasons:

1. Plaintiffs assert Defendants' motion should be denied as a matter of law as the Franchise Agreements signed by the Plaintiffs are not in compliance with South Carolina law.
2. In the alternative, Plaintiffs assert that Defendant AOS' motion to dismiss and compel arbitration should be denied as a matter of law because as between AOS and the Plaintiffs there is no agreement to arbitrate. In addition, Plaintiffs assert that AOS is not entitled to an order of equitable estoppel because (a) the AFG arbitration agreement is contractually limited to "the parties" therefore AOS is not entitled to an order expanding the scope of the arbitration agreement on a theory of equitable estoppel and (b) the claims against AFG and AOS are sufficiently distinct such that AOS cannot meet its burden to establish equitable estoppel.
3. In the alternative, Plaintiffs Florence ODS, Inc. and Myrtle Beach ODS, Inc. assert they are not subject to arbitration as a matter of law because they specifically reserved their right to a jury trial in the mutually agreed addendum to their Franchise Agreements.

BACKGROUND

Plaintiffs are the owner/operators of several franchises of AFG. Plaintiffs each signed the ARCPoint Franchise Group, LLC Franchise Agreements ("Franchise Agreement") on or before October 17, 2013. The arbitration clause provides as follows:

This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United State Code is applicable to the subject matter contained herein. Except for controversies or claims relating to the ownership of any of Franchisor's Marks, the unauthorized use or disclosure of Franchisor's Confidential Information or covenants against competition, all disputes arising out of or relating to this Agreement or to any other agreements between the parties, or with regard to interpretation, formation or breach of this or any other agreement between the parties, shall be settled by binding arbitration conducted in Greenville County, South Carolina, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. A single Arbitrator agreed upon by the parties or otherwise appointed by the Circuit Court located in or serving Greenville County, South Carolina, shall conduct the proceedings. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

Franchisee acknowledges that is has read the terms of this binding arbitration provision and affirms that this provision is entered into willingly and voluntarily and without any fraud duress or undue influence on the part of the Franchisor or any of Franchisor's agents or employees.

Defendant AOS is a related/affiliated entity to AFG. According the records of the South Carolina Secretary of State, AOS was incorporated on November 12, 2013, which is after all of the franchise agreements between AFG and the Plaintiffs were executed. As specifically set forth in the Complaint, the matter involves allegations by the Plaintiff that AFG engaged in acts in breach of the AFG Franchise Agreement, as well as other activities in violation of South Carolina statutory and common law. AOS is further alleged to have engaged in activities separate and apart from AFG in violation South Carolina statutory and common law.

ANALYSIS

After careful consideration of the memorandum, exhibits, relevant case law and the arguments of counsel, the court finds as follows:

First, in their addendums to their February 6, 2013 Franchise Agreements, Plaintiffs Florence ODS, Inc. and Myrtle Beach ODS, Inc. unambiguously reserved their right to a jury trial. Specifically, Florence ODS, Inc. included the following handwritten term: "I do not wish

to waive our right to a jury trial". The addendum was signed by company President Felix Mirando on behalf of AFG. Likewise, Myrtle Beach ODS, Inc. included the following handwritten term: "Do not wish to waive our rights to a jury trial". The addendum was as well signed by company President Felix Mirando on behalf of AFG. Defendants assert that Florence ODS, Inc.'s and Myrtle Beach ODS, Inc.'s reservations are factually limited to those disputes that are not subject to arbitration. The court finds Defendants' assertion without merit.

By including this term, Florence ODS and Myrtle Beach ODS did definitively reserve the right to a jury trial as their means of dispute resolution. By signing the addendum, AFG agreed to the term. The court therefore finds as a matter of law Florence ODS and Myrtle Beach ODS' jury trial reservations valid and enforceable.

Article I, section 14 of the South Carolina Constitution declares that "[t]he right of trial by jury shall be preserved inviolate." The Florence ODS and Myrtle Beach ODS hand written jury trial reservations were specifically included and mutually agreed to in an addendum to the Franchise Agreement modifying the default terms of the Franchise Agreements. Because the right to a jury trial cannot be preserved in arbitration, the court finds the two provisions of the Franchise Agreement in direct conflict. In this matter, the jury trial reservation is included within a later, negotiated addendum modifying the default terms of the Franchise Agreement. The court finds as a matter of law that the reservation modifies the default terms of the Franchise Agreement and specifically voids the conflicting arbitration clause. As such, the court finds that the Defendants have no basis in law to compel Plaintiffs Myrtle Beach ODS and Florence ODS to arbitrate. Therefore, Defendants motion as to dismiss and compel Myrtle Beach ODS and Florence ODS to arbitrate is denied.

Next, with respect to Plaintiffs ARCpoint of Tallahassee, Inc. ("AP Tallahassee"), Greg Bowman d/b/a Bowman Lab Solutions, Inc. d/b/a Bowman Lab Solutions, Inc. d/b/a ARCpoint of Nashville ("AP Nashville"), Gary Patrone d/b/a On Trac Holdings, Inc. d/b/a ARCpoint Labs of Tempe, ARCpoint Labs of Mesa, ARCpoint Labs of Phoenix-Black Canyon ("On Trac Holdings"), Employer's Choice Testing, LLC ("Employer's Choice"), Michael Gammel d/b/a Blue Lizard, Inc. ("Blue Lizard"), 3 Sons Ventures, Inc. ("3 Sons"), JumpR2, Incorporated ("JumpR2"), and Neil Seltz and Lesly Datlow d/b/a Shamey, LLC ("Shamey"), Defendant AFG asserts that the arbitration clause is valid and enforceable. The court agrees.

In opposition, Plaintiffs argue that the Franchise Agreement's Choice of Law provision requires the court apply South Carolina law to determine the construction of the Franchise Agreement, enforceability and arbitrability. Plaintiffs assert that in drafting the Choice of Law provision, AFG contractually bound itself to apply South Carolina law to determine arbitrability of the Franchise Agreements. Plaintiffs argue that the agreement to apply South Carolina law to questions of arbitrability requires that the contract adhere specifically to South Carolina's statutory provisions requiring that notice of arbitration be affixed to the first page of the agreement in underlined capital letters. See S.C. Code Ann. § 15-48-10. Plaintiffs argue that the failure to supply the statutorily required notice renders the arbitration clause unenforceable as a matter of law. The court disagrees with the Plaintiffs and finds their assertions without merit.

The court finds the arbitration clause in the Franchise Agreements of ARCpoint of Tallahassee, Inc. ("AP Tallahassee"), Greg Bowman d/b/a Bowman Lab Solutions, Inc. d/b/a Bowman Lab Solutions, Inc. d/b/a ARCpoint of Nashville ("AP Nashville"), Gary Patrone d/b/a On Trac Holdings, Inc. d/b/a ARCpoint Labs of Tempe, ARCpoint Labs of Mesa, ARCpoint Labs of Phoenix-Black Canyon ("On Trac Holdings"), Employer's Choice Testing, LLC

("Employer's Choice"), Michael Gammel d/b/a Blue Lizard, Inc. ("Blue Lizard"), 3 Sons Ventures, Inc. ("3 Sons"), JumpR2, Incorporated ("JumpR2"), and Neil Seltz and Lesly Datlow d/b/a Shamey, LLC ("Shamey") valid and enforceable. As such, Defendants motion to dismiss AFG and compel the arbitration of all claims against AFG is hereby granted.

Finally, Defendant AOS is a non-signatory to the AFG Franchise Agreement. As such, AOS cannot compel arbitration as a matter of law. AOS asserts that because AFG's arbitration clause is valid and enforceable, AOS is entitled to compel arbitration as a non-signatory on the basis of equitable estoppel. AOS principally relies upon Pearson v. Hilton Head Hosp., 400 S.C. 281, 733 S.E.2d 597 (Ct. App. 2012) in support of its assertion. AOS asserts that the claims against AOS and AFG are "substantially interdependent" and/or "intertwined" such that the court should apply principals of equitable estoppel to compel Plaintiffs to arbitrate with AOS as a non-signatory.

In opposition, Plaintiffs assert that equitable estoppel is not available to AOS because (1) the arbitration clause cannot extend to AOS in equity because the agreement specifically limits arbitration to "disputes ... between the parties" to the Franchise Agreement, *i.e.* AFG and the Plaintiffs. (2) Alternatively, Plaintiffs assert that AOS is not entitled to equitable estoppel because AOS did not exist at the time of signing the Franchise Agreement, could not have been within the contemplation of the parties at the time of the Agreements, and Plaintiffs' claims against AOS are independent and, at best, tangentially related to the claims against AFG.

"Arbitration is a matter of contract, and a party cannot be required to submit to arbitration any dispute that he or she has not agreed to submit. Because arbitration rests on the agreement of the parties, the range of issues that can be arbitrated is restricted by the terms of the agreement." Faltaous v. Anderson Ocean Club Dev. LLC, 388 S.C. 45, 48, 693 S.E.2d 434, 435 (Ct. App.

2010). In this matter, the court finds as a matter of law that the AFG arbitration clause is unambiguously and specifically limited to “disputes ... between the parties” to the Franchise Agreement. As a result, to expand the contractually agreed scope of the arbitration clause to AOS, a nonsignatory, on principals of equitable estoppel would be improper and inequitable. See Kroma Makeup EU, LLC v. Boldface Licensing + Branding, Inc., 845 F.3d 1351 (11th Cir. 2017) (holding that principals of equitable estoppel could not be applied to extend an arbitration clause that was limited to “the parties”. The court concluded that it would be “effectively ... rewriting the agreement between the signatories about which disputes they would arbitrate to require one of them to arbitrate disputes that they had not agreed to.”); World Rentals & Sales, LLC v. Volvo Constr. Equip. Rents, Inc., 517 F.3d 1240, 1247, (11th Cir. 2008) (holding “the arbitration provisions in the Franchise Agreements are expressly limited to the immediate parties (Volvo Rents and World Rentals), and they expressly exclude any affiliates such as Volvo Finance. In other words, the language of the arbitration provisions expressly and unambiguously exclude from their scope any dispute between the World Parties and Volvo Finance. Thus, we are constrained to conclude that the district court correctly refused to compel Volvo Finance to arbitrate on an incorporation-by-reference theory. Any other result would not only “unduly stretch,” but completely rewrite the arbitration clause, and compel a non-party to arbitrate in the absence of ever having agreed to do so in the first place.”). Because the arbitration clause in the Franchise Agreement is restricted to disputes between the parties, of which AOS is not, the court must deny AOS’ motion to dismiss and compel arbitration.

Additionally, even if the arbitration clause was not restricted as set forth above, the court otherwise denies AOS’ motion because the court finds AOS’s claim of equitable estoppel without merit. First, without dispute, AOS did not exist until after each of the Plaintiffs’

Franchise Agreements' was executed. For this reason, AOS could not have been within the contemplation of the parties at the time of execution. As such, absent some agreement between AFG and Plaintiffs after AOS' incorporation, which does not exist, no principal of law or equity permits the court to extend the arbitration clause to AOS as a beneficiary or otherwise. Next, the law instructs that in order for the court to exercise its discretion to apply equitable estoppel to compel the Plaintiffs to arbitrate with a non-signatory, the record must establish that the claims against AFG and AOS are substantially interdependent and/or intertwined. After reviewing the record before the court, the court disagrees with AOS' assertion that it is entitled to equitable estoppel. The court finds that the claims against AFG and AOS are not substantially interdependent and/or intertwined such that equitable estoppel applies. The allegations and claims of the Plaintiffs against AOS are independent of AFG.¹ For this reason, the court would also deny AOS' motion to dismiss and compel arbitration.

¹ The court is aware that AFG and AOS are parties to a claim of civil conspiracy. However, co-conspirators are not necessary or indispensable parties. See State of Georgia v. Pennsylvania R. Co., 324 U.S. 439 (1945); Atl. Textiles v. Avondale Inc., 505 F.3d 274, 284 (4th Cir. 2007) (... coconspirators are not necessary parties.... The presence of only one defendant in a given arbitration proceeding thus in no sense would prevent the plaintiffs from proving the existence of a conspiracy.").

It is therefore,

ORDERED that Defendants combined motion to dismiss and compel the arbitration of all claims by Plaintiffs Florence ODS, Inc. and Myrtle Beach ODS, Inc. is denied. It is further

ORDERED that Defendant AOS' motion to dismiss and compel the arbitration of all claims by the Plaintiffs is denied. It is further

ORDERED that Defendant AFG's motion to dismiss and compel the arbitration of all claims by Plaintiffs ARCpoint of Tallahassee, Inc. ("AP Tallahassee"), Greg Bowman d/b/a Bowman Lab Solutions, Inc. d/b/a Bowman Lab Solutions, Inc. d/b/a ARCpoint of Nashville ("AP Nashville"), Gary Patrone d/b/a On Trac Holdings, Inc. d/b/a ARCpoint Labs of Tempe, ARCpoint Labs of Mesa, ARCpoint Labs of Phoenix-Black Canyon ("On Trac Holdings"), Employer's Choice Testing, LLC ("Employer's Choice"), Michael Gammel d/b/a Blue Lizard, Inc. ("Blue Lizard"), 3 Sons Ventures, Inc. ("3 Sons"), JumpR2, Incorporated ("JumpR2"), and Neil Seltz and Lesly Datlow d/b/a Shamey, LLC ("Shamey") is granted. These Plaintiffs are directed to file their Demand for Commercial Arbitration with the American Arbitration Association

IT IS SO ORDERED.

The Honorable R. Scott Sprouse
Thirteenth Judicial Circuit

September _____, 2017



Greenville Common Pleas

Case Caption: ARCpoint Of Tallahassee Inc , plaintiff, et al vs. Arcpoint Franchisee Group Llc , defendant, et al
Case Number: 2017CP2303986
Type: Order/Dismissal

s/R. Scott Sprouse, Judge #2752

Tenth Judicial Circuit

Electronically signed on 2017-09-19 13:23:18 page 10 of 10

STATE OF SOUTH CAROLINA
COUNTY OF GREENVILLE

ARCPOINT OF TALLAHASSEE, INC.,
GREG BOWMAN, *et al.*

Plaintiffs,

v.

ARCPOINT FRANCHISE GROUP, LLC., *et al.*

Defendants.

) IN THE COURT OF COMMON PLEAS

) C.A. No. 2017-CP-23-03986

) Order Denying Defendant's Motion
) For Reconsideration and Modification

PRESIDING JUDGE:
DATE OF HEARING:
PLAINTIFF'S ATTORNEY:
DEFENDANT'S ATTORNEY:

R. SCOTT SPROUSE
AUGUST 24, 2017
JOSHUA HOWARD
MICHAEL MCCALL

After careful consideration of the able argument and filings of Counsel and review of the record, the Court is unable to discover any material fact or principle of law that either has been overlooked or disregarded and further finds no error of law or fact not appropriately considered. Accordingly, the Defendant's Motion, pursuant to Rule 59, SCRPC, ¹ is DENIED.

AND, IT IS SO ORDERED.

The Honorable R. Scott Sprouse
Thirteenth Judicial Circuit

October 11, 2017

¹ The Court, in its discretion, has determined this Motion on the filings, without oral argument, pursuant to Rule 59(f), SCRPC.



Greenville Common Pleas

Case Caption: ARCpoint Of Tallahassee Inc , plaintiff, et al vs. Arcpoint Franchisee Group Llc , defendant, et al
Case Number: 2017CP2303986
Type: Order/Other

s/R. Scott Sprouse, Judge #2752

Tenth Judicial Circuit

Electronically signed on 2017-10-10 14:17:10 page 2 of 2

ELECTRONICALLY FILED - 2017 Oct 11 8:34 AM - GREENVILLE - COMMON PLEAS - CASE#2017CP2303986

THE STATE OF SOUTH CAROLINA
In The Court of Appeals

APPEAL FROM GREENVILLE COUNTY
Court of Common Pleas

R. Scott Sprouse, Circuit Court Judge

Case No. 2017-CP-23-03986

ARCpoint of Tallahassee, Inc., Greg
Bowman d/b/a Bowman Lab
Solutions, Inc. d/b/a ARCpoint Labs
of Nashville; Gary Patrone d/b/a On
Trac Holdings, Inc. d/b/a ARCpoint
Labs of Tempe, ARCpoint Labs of
Mesa, ARCpoint Labs of Phoenix-
Black Canyon, Employer's Choice
Testing, LLC, Michael Gammel
d/b/a Blue Lizard, Inc., Florence
ODS, Inc. Myrtle Beach ODS, INC.,
3 Sons Ventures, Inc., JUMPR2,
Incorporated, Neil Seltz and Lesly
Datlow d/b/a Shamey, LLC,

Respondents,

v.

ARCpoint Franchise Group, LLC.
f/k/a Accudiagnosics, LLC and
ARCpoint Occupational Solutions,
LLC,

Appellants.

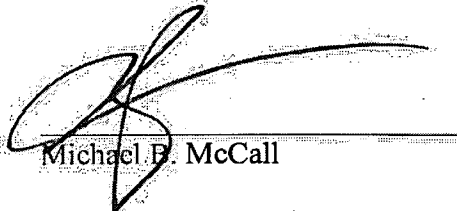
PROOF OF SERVICE

I certify that I have served the Notice of Appeal on Respondents by depositing a copy of
the same in the United States Mail, postage prepaid, on October 25, 2017, addressed to their
attorneys of record as follows:

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JHoward@wcsr.com

Jeffrey C. Blumenthal, Esq.
Jeffrey C. Blumenthal Chartered
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(847) 498-3220
jeffrey@jcblawyer.com

October 25th 2017



Michael B. McCall

Business Entities Online

File, Search, and Retrieve Documents Electronically

ARCPPOINT OCCUPATIONAL SOLUTIONS LLC

Corporate Information

Entity Type: Limited Liability Company

Status: Good Standing

Domestic/Foreign: Domestic

Incorporated State: South Carolina

Important Dates

Effective Date: 11/12/2013

Expiration Date: N/A

Term End Date: N/A

Dissolved Date: N/A

Registered Agent

Agent: JOHN SANDERS

Address: 220 NORTH MAIN STREET
GREENVILLE, South Carolina 29601

Official Documents On File

Filing Type	Filing Date
High Growth Application	03/02/2016
High Growth Application	02/09/2015
High Growth Application	02/28/2014
Organization	11/12/2013

THE STATE OF SOUTH CAROLINA

In the Court of Appeals

APPEAL FROM GREENVILLE COUNTY

Court of Common Pleas

R. Scott Sprouse, Circuit Court Judge

Appellate Case No. 2017-00260

ARCpoint of Tallahassee, Inc., Greg Bowman
d/b/a Bowman Lab Solutions, Inc. d/b/a
ARCpoint Labs of Nashville; Gary Patrone d/b/a
On Trac Holdings, Inc. d/b/a ARCpoint Labs of
Tempe, ARCpoint Labs of Mesa, ARCpoint Labs
Of Phoenix – Black Canyon, Employer's Choice
Testing, LLC, Michael Gammel d/b/a Blue
Lizard, Inc., Florence Ods, Inc., Myrtle Beach
Ods, Inc., 3 Sons Ventures, Inc.; Jumpr2,
Incorporated, Neil Seltz and Lesly Datlow d/b/a
Shamey, LLC,

Respondents,

v.

ARCpoint Franchise Group f/k/a Accudiagnosics,
LLC and ARCpoint Occupational Solutions, LLC,

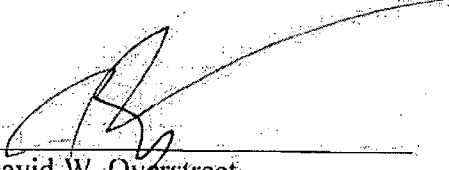
Appellants.

CERTIFICATE OF COUNSEL

Pursuant to SCACR 210(g), the undersigned certifies that the foregoing contains all
material proposed by the parties and not any other material.

[Signature on following page.]

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