

# FRANCHISE DISCLOSURE DOCUMENT



Craters & Freighters Franchise Company  
A Colorado Corporation  
331 Corporate Circle, Suite J  
Golden, CO 80401  
303-399-8190  
[admin@cratersandfreighters.com](mailto:admin@cratersandfreighters.com)  
[www.cratersandfreighters.com](http://www.cratersandfreighters.com)

The franchise offered is for a business of crating, packaging, shipping, receiving and delivery, storage, transportation, logistics, and freight forwarding services and products for companies and individuals. The crating and packaging techniques are specifically designed for the product. The focus of the business is to accommodate companies or individuals in assuring sufficient packaging and delivery to arrive on time and safely. The franchisee will not participate in any other business.

The total estimated investment necessary to begin operation of a Craters & Freighters Franchised Business is \$207,000 to \$390,000. This includes \$35,000 or \$45,000 that must be paid to the franchisor or its affiliate(s). If you request, and we approve, a territory with a population of more than 1,000,000 people, then you will be required to pay us a supplemental territory fee of \$0.015 per additional person in the territory.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Craters & Freighters Franchise Company at 331 Corporate Circle, Suite J, Golden, CO 80401 or at 303-399-8190.

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

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

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

**Issuance date: April 11, 2025**

## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits F or H.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit E includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Craters &amp; Freighters® business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Craters &amp; Freighters® franchisee?</b>	Item 20 or Exhibits F and H lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

## Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Colorado. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Colorado than in your own state.
2. **Mandatory Minimum Payments.** You are required to make minimum royalty payments regardless of your sales levels. Failure to make the required payments may result in a reduction or modification of your territorial rights.
3. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in a reduction or modification of your territorial rights.
4. **Spousal liability.** Your spouse will be liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

**NOTICE REQUIRED  
BY  
STATE OF MICHIGAN**

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

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

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits us to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits us to refuse to renew your franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applied only if: (i) the term of the franchise is less than 5 years and (ii) you are prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or you do not receive at least 6 months' advance notice of our intent not to renew the franchise.
- (e) A provision that permits us to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits us to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent us from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet our then current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of us or our subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) Your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

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

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

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

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
Consumer Protection Division  
Attn: Franchise  
670 Law Building  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

## TABLE OF CONTENTS

<b>ITEM</b>	<b>PAGE</b>
Item 1 The Franchisor and any Parents, Predecessors, and Affiliates .....	1
Item 2 Business Experience.....	3
Item 3 Litigation .....	4
Item 4 Bankruptcy .....	4
Item 5 Initial Fees .....	4
Item 6 Other Fees .....	5
Item 7 Estimated Initial Investment.....	9
Item 8 Restrictions on Sources of Products and Services.....	11
Item 9 Franchisee's Obligations .....	13
Item 10 Financing.....	14
Item 11 Franchisor's Assistance, Advertising, Computer Systems, and Training .....	15
Item 12 Territory .....	22
Item 13 Trademarks.....	24
Item 14 Patents, Copyrights and Proprietary Information.....	27
Item 15 Obligation to Participate in the Actual Operation of the Franchise Business .....	28
Item 16 Restrictions on What the Franchisee May Sell.....	29
Item 17 Renewal, Termination, Transfer and Dispute Resolutions.....	29
Item 18 Public Figures.....	37
Item 19 Financial Performance Representations .....	37
Item 20 Outlets and Franchisee Information .....	38
Item 21 Financial Statements.....	42
Item 22 Contracts.....	42
Item 23 Receipts .....	43

### Exhibits

- A List of State Agencies and Agents for Service of Process
- B Table of Contents of Operations Manuals
- C List of Current Franchisees
- D List of Former Franchisees
- E Financial Statements
- F Franchise Agreement
- G State Specific Addendum to the Franchise Disclosure Document and Franchise Agreement
- H Statement of Franchisee
- I Form of General Release
- J State Effective Page and Receipts

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

To simplify the language in this Franchise Disclosure Document, “Franchisor” and “Craters & Freighters” and “we” and “our” mean Craters & Freighters Franchise Company. “You” and “Franchisee” mean the person, corporation, partnership or other business entity that buys the Franchise. “You” and “Franchisee” also mean your owners or partners if you are a business entity.

Our principal business address is 331 Corporate Circle, Suite J, Golden, Colorado 80401. We do business under the names “Craters & Freighters Franchise Company” and “Craters & Freighters.” We were formed on September 23, 1991, as a Colorado corporation and started franchising on that date. We have been offering franchises since then. We have not conducted business in any other line of business, nor have we offered franchises in any other line of business. We have no parent or predecessors. Our agent for service of process is Robert Holliday, 331 Corporate Circle, Suite J, Golden, CO 80401. Our other agents for service of process are disclosed on **Exhibit A**.

We have two affiliates (“**Affiliates**”), Craters & Freighters Franchise Company International (“**International**”) and Craters & Freighters Platinum, Inc. dba Craters & Freighters Global Logistics (“**CFGL**”).

International is a Colorado corporation that was incorporated on January 23, 2013. International does not operate any Craters & Freighters businesses. International has not offered franchises for Craters & Freighters Franchised Businesses as of the date of this Franchise Disclosure Document but intends to offer franchises for Craters & Freighters Franchised Businesses outside the United States in the future. International has not offered franchises in other lines of business. International’s principal business address is 331 Corporate Circle, Suite J, Golden, Colorado 80401.

CFGL is a Colorado corporation that was incorporated on September 19, 2014. CFGL administers our national accounts program. CFGL does not operate any Craters & Freighters businesses. CFGL has not offered franchises in this or any other lines of business. The principal business address for CFGL is 331 Corporate Circle, Suite J, Golden, Colorado 80401.

**Our Business**

We are in the business of granting franchises for the operation of centers offering a variety of crating, packaging, shipping, receiving and delivery, storage, transportation, logistics and freight forwarding services and products for companies and individuals (each, a “**Craters & Freighters Franchised Business**” or “**Franchised Business**”). Craters & Freighters Franchised Businesses utilize the shipping services of private carriers. We do not operate any Craters & Freighters Franchised Businesses.

Craters & Freighters Franchised Businesses operate under our distinctive business format, systems, methods, procedures, designs, layouts, and specifications, which we may improve, further develop, or otherwise modify from time to time (“**System**”). We own, are the licensee of, use, promote and sublicense certain trade names, trademarks, service marks and other commercial symbols, including the trade and service mark, “**Craters & Freighters®**” and associated logos, and may hereafter create, use and license additional trademarks, service marks, and commercial symbols in conjunction with the operation of Craters & Freighters Franchised Businesses.

### **Franchise Rights Offered**

As described in this Disclosure Document, we will offer and sell to qualified persons a single-unit franchise to operate a Craters & Freighters Franchised Business located at the franchisee's business premises in accordance with the standards for the System specified in the Operations Manuals ("System Standards") and utilizing our trademarks pursuant to the terms and conditions of the Craters & Freighters Franchise Company Franchise Agreement, a copy which is a part of this Disclosure Document (see ITEM 22). This Disclosure Document describes relevant information about the Franchise.

We offer two types of territories (each a "Territory"): one which will have a population under 1,000,000 people, and another which will have a population of 1,000,000 or more people. If you request, and we approve, a Territory with a population of more than 1,000,000 people, then you will be required to pay us a Supplemental Territory Fee equal to \$0.015 per additional person in the Territory. All population determinations will be based upon the latest United States Census information available for the various territories.

We will not operate Craters & Freighters businesses or grant franchises for Craters & Freighters Franchised Businesses in your Territory unless you fail to comply with the Franchise Agreement and we terminate the Franchise Agreement. Your failure to satisfy your minimum performance standards may result in the reduction of, or adjustments to, your Territory.

### **Competition**

Due to the entry of a growing number of private parties into the market for custom crating, packaging, and freight forwarding services, and the growth and proliferation of businesses offering packaging and shipping products and services, the market for the products and services which a Craters & Freighters Franchised Business offers is developing rapidly, changing constantly, and becoming increasingly competitive. A Craters & Freighters Franchised Business will offer services to both business and residential consumers and will have to compete directly or indirectly with freight and custom packaging, crating services, freight forwarding and related businesses.

### **Regulations**

Certain states and local jurisdictions may have enacted laws, rules, regulations, and ordinances that apply to the packaging and shipping industry and may require, in certain instances, that you obtain certain licenses and permits. These regulations may establish certain standards, specifications, and requirements that must be followed by you. You should investigate whether there are any regulations and requirements that may apply in the geographic area in which you are interested in locating your Craters & Freighters Franchised Business, and you should consider both their effect and the cost of compliance. You may also be required to register your business location with a state agency.

You must obtain all required licenses and permits and ensure that your employees and others providing services and products to customers on behalf of your Craters & Freighters Franchised Business have all required licenses and permits. The failure to maintain the proper licensing is a material breach of the Franchise Agreement.

### **Former Affiliate**

We developed a national account program through a former affiliate, Craters & Freighters Global Logistics, Inc. The solicitation of business (packaging, crating, shipping, insurance, delivery, and other services) was solicited through Craters & Freighters Global Logistics, Inc., but the work was performed by Craters & Freighters franchisees. In June 2007, Dianna S. Gibson, who was the owner of Craters & Freighters Global

Logistics, Inc., sold the company to Lisa A. Barenberg. Craters & Freighters Global Logistics, Inc. no longer solicits business from national accounts for franchisees, as that function is now performed by CFGL.

## **ITEM 2** **BUSINESS EXPERIENCE**

### Matthew Schmitz, Chief Executive Officer

Matthew Schmitz has been our Chief Executive Officer since January 2024. From August 2022 to January 2024, he was our President/Chief Executive Officer. From May 2019 until August 2022, he was our President/Chief Financial Officer. Mr. Schmitz was our Chief Operating Officer from August 2013 to May 2019. He is also the Chief Executive Officer of CFGL, our Affiliate located in Golden, Colorado, a position he has held since December 2023.

### Tony Shaw, President & Chief Marketing Officer

Tony Shaw has been our President & Chief Marketing Officer since March 2025. From January 2023 to February 2025, he was our Chief Marketing Officer. He is also the President & Chief Marketing Officer of CFGL, our Affiliate located in Golden, Colorado, a position he has held since March 2025. He has been the Chief Executive Officer of The Great Online, located in Lakewood, Colorado, since April 2017. He has been the Chief Executive Officer of Denver PPC, located in Lakewood, Colorado, since February 2013.

### Robert Holliday, CPA, Chief Financial Officer

Robert Holliday, CPA, has been our Chief Financial Officer since May 2024. He is also the Chief Financial Officer of CFGL, our Affiliate located in Golden, Colorado, a position he has held since May 2024. From January 2021 to May 2024, he was a Partner at Wipfli, LLP located in Denver, Colorado. From January 2017 to December 2020, he was a Partner at Hughes & Company, located in Denver, Colorado.

### Brad Barenberg, Executive Vice President of Sales of CFGL

Brad Barenberg has been Executive Vice President of Sales of CFGL, our Affiliate located in Golden, Colorado, since January 2024. From September 2016 to December 2023, he was the Vice President of Sales of CFGL.

### Mark Giraldi, Executive Vice President of Transportation, Logistics, & Franchise Support

Mark Giraldi has been our Executive Vice President of Transportation, Logistics, & Franchise Support since January 2024. From May 2019 to December 2023, he was our Chief Operating Officer. Mr. Giraldi was Executive Vice President of CFGL, our Affiliate located in Golden, Colorado, from December 2014 to May 2019.

### Sam Winfrey, Executive Vice President of Systems & Process

Sam Winfrey has been our Executive Vice President of Systems & Process since September 2023. From April 2016 to August 2023, he was Executive Vice President of Sales and Operations at Source Office & Technology, located in Golden, Colorado.

Tom Raia, Executive Vice President

Tom Raia has been our Executive Vice President since May 2024. From February 2024 to April 2024, he consulted with multiple businesses. From October 2001 to January 2024, he was Owner/President of CTNS Logistics, LLC doing business as Craters & Freighters NJ/NY, located in Middlesex, New Jersey.

Brian Grant, Director of Technology & Engineering

Brian Grant has been our Director of Technology & Engineering since March 2021. From June 2019 to March 2021, he was our Director of Operations. From September 2014 to June 2019, he was our Packaging Engineer.

Phil Krieg, Director of Franchise Development

Phil Krieg has been our Director of Franchise Development since January 2024. From March 2021 to December 2023, he was our Director of Operations. Mr. Krieg was National Account Manager of CFGL, our Affiliate located in Golden, Colorado, from July 2016 to March 2021.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

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

**ITEM 5  
INITIAL FEES**

You must pay us an initial franchise fee (“**Initial Franchise Fee**”) of \$35,000 for a Territory with a population under 1,000,000 people, or an Initial Franchise Fee of \$45,000 for a Territory with 1,000,000 or more people (See ITEM 12). If you request, and we approve, a Territory with a population of more than 1,000,000 people, then you will be required to pay us a supplemental territory fee (“**Supplemental Territory Fee**”) of \$0.015 per additional person in the Territory in addition to the Initial Franchise Fee. The Initial Franchise Fee and the Supplemental Territory Fee, if applicable, are due to us in a lump sum at the time you sign the Franchise Agreement and are non-refundable for any reason once paid. We collected an Initial Franchise Fee of \$88,255 in connection with our sale of one Franchised Business during 2024.

We participate in the VetFran program. Under this program, qualified veterans of the United States armed forces receive a \$5,000 discount on the Initial Franchise Fee. To qualify, you must show evidence of an honorable discharge.

**ITEM 6**  
**OTHER FEES**

Type of Fee (1)	Amount	Due Date	Remarks
<b>Royalty Fee</b>	Greater of (a) 5% of total Adjusted Gross Sales or (b) the Minimum Monthly Royalty Fee. Volume bonus based on Adjusted Gross Sales. <u>See Section 3 of the Franchise Agreement.</u>	Must be received on or before the 12 <sup>th</sup> day of the month for the prior month via electronic funds transfer or other similar means or as otherwise prescribed in the Operations Manuals. It is your responsibility to initiate electronic payments timely and accurately; any failure or refusal by you to do so will result in us using direct debit to fulfill your monthly payment obligations involving the Royalty Fee and other fees due and owing to us under the Franchise Agreement. We will provide you with written notice prior to collecting such payments through direct debit. Weekly payments may be required by us upon 30 days written notice to you. Payable includes all revenues generated by your Franchised Business. Adjusted Gross Sales do not include state sales tax, use tax or refunds.	Adjusted Gross Sales include all revenues from sales by you in the business. Adjusted Gross Sales do not include state sales tax, use tax or refunds. The Minimum Monthly Royalty Fee is \$0 for the first year of operation, \$1,667 for the second year of operation, and \$2,125 for the third year of operation. If you are entering into a Successor Franchise Agreement or purchasing an existing Franchised Business, your Minimum Monthly Royalty Fee will be tied to the Minimum Performance Standards we determine for the successor term.
<b>Marketing Fund Contribution</b>	Currently 1% of Adjusted Gross Sales. We reserve the right to increase this amount to 2% of Adjusted Gross Sales upon 30 days written notice to you.	Same as Royalty Fee.	Same as Royalty Fee. The Individual Advertising Expense is not offset by this Marketing Fund Contribution. Non-refundable.

Type of Fee (1)	Amount	Due Date	Remarks
<b>Individual Advertising Expense</b>	Greater of (a) \$6,000, or (b) one percent (1%) of your Adjusted Gross Sales for the prior calendar year. In either case, this amount will not exceed \$18,000.	As incurred.	Each year, you must spend this amount on advertising and promotion of your Franchised Business in your Territory. You must submit annual reports to us reflecting advertising expenditures, which must be utilized only for marketing, promotions, and advertising of the Franchised Business. We reserve the right to require you to pay the amount of the Individual Advertising Expense to a designated or approved supplier of ours.
<b>Technology Fee</b>	Currently \$500 per month. We reserve the right to increase this amount upon 30 days written notice to you. However, this amount will not exceed \$750 per month.	Same as Royalty Fee.	This fee relates to software subscription(s) (including the subscription for the Proprietary Software), up to seven (7) email accounts established for the Franchised Business, Geosite domain registration, other technology enhancements, and maintenance and support of the same provided by us or our designee(s). In the event you ask us to establish more than seven (7) email accounts for your Franchised Business, your Technology Fee will increase based on our current rate for establishing an email account, which is currently \$15 per month per email account.

Type of Fee (1)	Amount	Due Date	Remarks
<b>Insurance Payment</b>	<p>Two components determine the amount of the required Insurance Payment: (1) packers legal liability insurance and (2) cargo insurance.</p> <p>The monthly fee for packers legal liability insurance currently ranges from \$125 to \$500 and is tied to the revenue generated by your Franchised Business. Based on an annual audit performed by the insurance company, a determination is made about the amount of exposure and liability relating to your business activities in the prior year in comparison to our other franchisees.</p> <p>The monthly fee for cargo insurance is variable and calculated monthly based on the volume of cargo insured by your Franchised Business, the declared value of such cargo (in accordance with your then-current cargo insurance rates), and the previous year's loss-ratio of your Franchised Business in the cargo insurance program.</p> <p>The amount of the Insurance Payment could increase based on insurance rates and the business activities of your Franchised Business.</p>	Payable to us on a monthly basis at the same time and in the same manner as the Royalty Fee.	The Insurance Payment relates to insurance secured by us on your behalf as part of a system-wide program. As of the issuance date of this Franchise Disclosure Document, the Insurance Payment covers costs associated with packers legal liability insurance and cargo insurance. We reserve the right to require you to secure more insurance policies through this program in the future.

Type of Fee (1)	Amount	Due Date	Remarks
<b>Transfer</b>	\$15,000	Prior to consummation of transfer.	Payable to us when you sell your Franchised Business, but no charge if the Franchised Business is transferred by you to a corporation or other legal entity which you control.
<b>Relocation</b>	Reimbursement of the costs and expenses we incur in connection with evaluating any relocation request, not to exceed \$2,500.	As incurred.	Payable to us if you relocate the premises of your Franchised Business. You must obtain our prior written consent to any such relocation.
<b>Audit</b>	Cost of audit plus expenses.	On billing.	Payable to us only if audit shows an understatement of at least 5% of Adjusted Gross Sales for any reporting period.
<b>Successor Fee</b>	\$5,000.	Payable at time of signing successor franchise agreement.	Payable to us.
<b>Attorney Fees</b>	Actual cost.	On billing.	If we are forced to seek action to collect fees owed, you will be charged attorney fees.
<b>Interest</b>	1.5% per month.	As due.	Interest will be charged on past due royalty fees.
<b>Convention Attendance Fee</b>	\$150 per person.	As incurred.	Franchisee owners or their designees are required to attend our annual convention. This fee is payable to us. We reserve the right to change this fee at any time.
<b>Additional Training</b>	Will vary under circumstances. Our current daily rate is \$500 per day plus reimbursement for out-of-pocket expenses we incur in providing such training, including but not limited to all travel and living expenses. We reserve the right to increase this amount.	As incurred.	Payable to us if we provide you with additional on-site visits at your reasonable request or if such assistance is determined to be necessary in our discretion, including the training of any Designated Manager you may engage after opening your Franchised Business.

Type of Fee (1)	Amount	Due Date	Remarks
Cooperative Advertising	Proportional share to be determined, but not to exceed 1% of Adjusted Gross Sales.	As incurred.	Payable only if a local advertising cooperative (“Cooperative”) is formed in your Territory. Any contributions you make to the Cooperative will be credited to your Individual Advertising Expense (as described in Item 11).

Notes:

1. **Type of Fee.** Unless otherwise indicated above, all of the fees listed above are uniformly imposed by, payable to, and collected by us and are non-refundable. All fixed dollar amounts referenced here or in the Franchise Agreement may increase annually based on increases in the Consumer Price Index (“CPI”) maintained by the U.S. Department of Labor (or such equivalent index as may be adopted in the future), or a comparable index we select if the CPI is no longer published.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure (1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (2)	\$35,000	\$45,000	Cash	Upon Execution of Franchise Agreement	Us
Travel	\$2,500	\$5,000	Cash	As Incurred	Vendors
Leasehold Improvements (3)	\$5,000	\$15,000	Varies	Prior to Opening of the Franchise Business	Contractors & Suppliers
Warehouse Tools & Equipment (manual & powered tools, material handling equipment) (4)	\$40,000	\$75,000	Varies	Prior to Opening of the Franchised Business	Vendors
Warehouse Materials (lumber, plywood, hardware, foam, packing supplies) (5)	\$15,000	\$25,000		Prior to Opening of the Franchised Business	Vendors
Office Furniture, Fixtures & Equipment	\$5,000	\$10,000	Varies	Prior to Opening of the Franchised Business	Vendors

Type of Expenditure (1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Monthly Rent (6)	\$5,000	\$15,000	Cash	Lease Execution	Landlord
Lease Security Deposit (7)	\$5,000	\$30,000	Cash	Lease Execution	Landlord
Vehicle Lease/Purchase (8)	\$30,000	\$65,000	Varies	Prior to Opening of the Franchised Business	Vendor
Organizational Expenses	\$2,500	\$5,000	Varies	As incurred	Vendors or third parties
Insurance (9)	\$20,000	\$35,000	Varies	As incurred	Insurance providers
Miscellaneous Expense	\$2,000	\$5,000	Varies	As incurred	Vendors or third parties
Additional Funds for First Three Months (10)	\$40,000	\$60,000	As incurred	As incurred	Vendors or third parties
Total Estimated Initial Investment (11 & 12)	\$207,000	\$390,000			

Notes:

- (1) All fees imposed by us are non-refundable unless otherwise noted. Fees and expenses paid to vendors or other third parties may or may not be refundable depending on the arrangements you make with them.
- (2) You must pay us an Initial Franchise Fee of \$35,000 or \$45,000 (See ITEM 12). If you request, and we approve, a Territory with a population of more than 1,000,000 people, then you will be required to pay us a Supplemental Territory Fee of \$0.015 per additional person in the Territory in addition to an Initial Franchise Fee of \$45,000.
- (3) This item includes the estimated costs for constructing and furnishing the leasehold improvements for the Franchised Business. The variations in costs of leasehold improvements are attributable to various factors, including: size, configuration and condition of the Premises, construction, labor and installation costs, and geographic location. In some cases, the landlord may agree to pay all or certain leasehold improvement expenses. In such cases, the cost to you will be zero.
- (4) This item includes the estimated costs for equipment required to operate the Franchised Business. The low amount estimate reflects the market price for basic tools, while the high amount estimate reflects the market price for premium versions of those tools and equipment.
- (5) This item includes the estimated costs for materials required to operate the Franchised Business. These materials include dimensional lumber, plywood, hardware, foam, and packaging supplies needed for packing and crating services.
- (6) If you do not already own or lease a suitable location for your Franchised Business, then you must purchase or lease suitable facilities. The premises for your Franchised Business must include 5,000

square feet or greater of warehouse space in an industrial area. It is recommended to lease said space with a loading dock, although one is not required as long as you have a dock door that enables you to ship out and to receive large items of freight. If the dock door opens to ground level, you must have a forklift, the cost of which is accounted for under warehouse tools and equipment.

- (7) In the event you elect to lease space in which to locate your Franchised Business, it may be necessary to secure the lease with a security deposit.
- (8) Minimum vehicle requirement is one box truck ranging from 16' to 26,' 12,000 to 25,999 lb. GVWR, with a hydraulic liftgate with 2,000 lb. capacity. The low amount estimate reflects the market price for a vehicle that meets our basic standards, while the high amount estimate reflects the market price for a vehicle which also includes premium features.
- (9) You are required to have insurance covering your Franchised Business's operations, in such amounts and on such terms, as prescribed by the Operations Manuals. Our current insurance requirements are included in ITEM 8.
- (10) This amount includes estimated operating expenses you should expect to incur during the first three months of operations. It includes royalty fees, advertising, payroll costs, deposits, fees for city, state and local business licenses, business entity organization expenses, other prepaid expenses, accounting and professional fees, real estate leasing costs that may be payable during the first three months of operation, and other operational expenses. These figures do not include any taxes or other permitting or licensing fees that you may pay. You should check with your local and state governmental agencies for any taxes and other permitting and licensing fees that may be assessed.
- (11) We do not currently offer, either directly or indirectly, any financing to you for the above items. The availability and terms of financing from independent third parties will depend on factors such as the availability of financing generally, the credit worthiness of you, other security and collateral you may have, and policies of lenders.
- (12) These figures are estimates only. We relied on our experience to compile these estimates. This is only an estimate of your initial investment and is based on our estimate of nationwide costs and market conditions prevailing as of the date of this Franchise Disclosure Document. You should review these figures carefully with a business advisor before making any decision to purchase a Franchise.

## **ITEM 8** **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must establish and operate your Franchised Business in compliance with your Franchise Agreement and the standards and specifications contained in our Operations Manuals.

We have standards and specifications for your insurance policies, and you must purchase certain insurance policies from our designated insurance supplier. You are required to have insurance covering the operations of your Franchised Business, in such amounts and on such terms, as prescribed by the Operations Manuals. As of the date of this Franchise Disclosure Document, this insurance will be a combination of, and not limited to:

- Commercial general liability coverage which includes bodily injury, property damage, personal injury, and broad form contractual liability, with the following limits:
  - General aggregate: \$2,000,000
  - Each occurrence: \$1,000,000
  - Products-completed operations aggregate: \$2,000,000

- Personal and advertising injury: \$1,000,000
- Fire legal liability: \$100,000
- Blanket contractual liability: \$1,000,000
- Umbrella coverage with a minimum limit of \$1,000,000 per occurrence, at least as broad as the required underlying coverage.
- Automobile liability with a minimum limit of \$1,000,000 comprehensive per occurrence on all hired, owned, and non-owned vehicles.
- Workers compensation coverage which complies with state law and with the following limits:
  - Each accident: \$1,000,000
  - Disease – each employee: \$1,000,000
  - Disease – policy limit: \$1,000,000

The policies and amounts provided above are our minimum insurance requirements. We strongly recommend that you work with a licensed insurance agent or broker to identify and obtain additional insurance coverage for your Franchised Business including, but not limited to, warehouse storage and cyber insurance coverage.

To maintain the high standards of our system and to fulfill the quality packing and shipping of products, you must purchase various equipment, products, and other items or services that meet or exceed minimum requirements and specifications that we establish. Such requirements and specifications may appear in our Operations Manuals and include the following: warehouse tools and equipment (e.g., power tools such as saws, nail guns, and drills); warehouse equipment (e.g., packing systems, forklift, and a scale); hardware and fasteners (e.g., nails, staples, screws, gloves, and utility knives); packing material (e.g., lumber, corrugated, and foams); hardware and software, Internet connection and service, dedicated telephone and power lines, and other computer related accessories, peripherals, and equipment to operate the computer, Proprietary Software, and select software we provide you (See ITEM 12), as well as fax machine and telephone; office furniture; office and miscellaneous supplies; and a 16' to 26' box truck.

We may revise these requirements and specifications from time to time. We are not an approved supplier, but we reserve the right to become an approved supplier at any time in our discretion. None of our Affiliates is an approved supplier. None of our officers or directors owns an interest in an approved supplier. Neither we nor any of our Affiliates derived any revenue in 2024 from franchisee purchases or leases of products and services from our designated suppliers, but we and our Affiliates reserve the right to do so in the future. The precise basis by which we may derive revenue in the future is undetermined at this time. If we derive revenue in the future from your purchases or leases of products and services from our designated suppliers, the precise basis by which we will do so will be disclosed to you.

If you desire to use suppliers other than those which have been approved by us, you must submit your request to us in writing. We will then review the request and notify you of our approval or disapproval within 30 days. We apply the following general criteria in approving a proposed supplier: ability to provide sufficient quantity of product; quality of products and/or services at competitive prices; production and delivery capability; and dependability and general reputation of the supplier. If we develop additional criteria for supplier approval, those criteria will be made available to you. We may revoke our approval of an alternative supplier in the event that we receive complaints from franchisees, customers or other sources.

We estimate that the purchase of products and services from us or our designated or approved sources, or those meeting our standards and specifications, will be approximately 0% of your total cost to establish a Craters & Freighters Franchised Business, and 2% to 3% of your total cost of operating a Craters & Freighters Franchised Business.

We have purchasing cooperatives with certain suppliers as of the date of this Franchise Disclosure Document. We may negotiate purchase arrangements with suppliers and distributors of approved products for the benefit of our franchisees and we reserve the right to receive rebates on volume discounts from our purchase of products that we may re-sell to you. We do not provide material benefits, such as renewing or granting additional franchises to franchisees, based on their use of designated or approved suppliers and distributors. There are no caps or limitations on the maximum amount of rebates we may receive from our suppliers and distributors as the result of franchisee purchases.

We also have a national accounts program (“**National Accounts Program**”) developed in connection with our Affiliate, CFGL. CFGL solicits and administers business accounts (each a “**National Account**”) for packaging and shipping from businesses or institutions with operations in two or more territories within the System. The fulfillment of any National Account will first be offered to the franchisee operating the Craters & Freighters outlet in the territory in which the business is to be serviced according to the corresponding National Account agreement established by us or our designee. That franchisee is required to service the National Account according to the terms and conditions (including the price(s)) established in the corresponding National Account agreement. If that franchisee fails or refuses to service the National Account in accordance with those terms and conditions, or if we determine—in our sole discretion—that franchisee will not meet certain requirements to perform the work requested under the relevant corresponding National Account agreement, we reserve the right to perform the requested service(s) for the National Account or to assign the work to other franchisees, outside third-party vendors, or an Affiliate of ours, in our sole determination. We reserve the right to establish mandatory policies and procedures relating to the National Accounts Program in the Operations Manuals.

We own all business records, accounts, books, data, licenses, reports, and contracts (“**Business Records**”) with respect to customers, and other service professionals of, and related to, the Franchised Business including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, phone numbers, e-mail addresses, customer purchase records, and all other records contained in the databases, and all other Business Records created and maintained by you. You will authorize us to access all such Business Records from such reporting systems and associated equipment, including the Proprietary Software, whether by inspection on the Premises or via retrieval by modem or other method of retrieval, as we deem necessary. All such reporting systems and associated equipment must be accessible to us, any Affiliate of ours, and any designee of ours upon reasonable request by us, and you agree not to inhibit our access to the reporting system or associated equipment. There is no contractual limitation on our right to receive or use information through the Proprietary Software or any other reporting system and associated equipment.

## **ITEM 9** **FRANCHISEE'S OBLIGATIONS**

**The following table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

<b>Obligation</b>		<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
a.	Site selection and acquisition/lease	Section 4.1 of Franchise Agreement	Items 9, 11
b.	Pre-opening purchases/leases	Sections 4 and 6 of Franchise Agreement	Items 9, 11
c.	Site development and other pre-opening requirements	Section 4 of Franchise Agreement	Items 9, 11

<b>Obligation</b>		<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
d.	Initial and ongoing training	Sections 5.2, 5.11, and 6.15 of Franchise Agreement	Item 11
e.	Opening	Sections 4.6, 5.4 of Franchise Agreement	Item 11
f.	Fees	Sections 2.28, 3, 16.3.6 of Franchise Agreement	Item 5, 6
g.	Compliance with standards and policies/Operations Manual	Sections 5.3, 6.12 of Franchise Agreement	Item 9
h.	Trademarks and proprietary information	Sections 7, 8 of Franchise Agreement	Item 13, 14
i.	Restrictions on products/services offered	Section 6.16 of Franchise Agreement	Item 8
j.	Warranty and customer service requirements	Section 6.14 of Franchise Agreement	Item 16
k.	Territorial development and sales quotas	Sections 1.3, 1.6, 3.3, 6.22 of Franchise Agreement	Item 12
l.	Ongoing product/service purchases	Sections 4.3, 6.5, 6.6, 6.7, 6.21, 19.2.8 of Franchise Agreement	Items 8, 9
m.	Maintenance, appearance, and remodeling requirements	Section 4.3 of Franchise Agreement	Item 9
n.	Insurance	Section 13 of Franchise Agreement	Item 9
o.	Advertising	Section 9 of Franchise Agreement	Item 11
p.	Indemnification	Section 14 of Franchise Agreement	Item 13
q.	Owner's participation/management/staffing	Sections 6.14, 6.19 of Franchise Agreement	Item 15
r.	Records and reports	Section 11 of Franchise Agreement	Item 11
s.	Inspections and audits	Sections 6.18, 12 of Franchise Agreement	Item 11
t.	Transfer	Section 15 of Franchise Agreement	Item 7
u.	Renewal	Section 2 of Franchise Agreement	Item 7
v.	Post-termination obligations	Sections 15, 20 of Franchise Agreement	Item 7
w.	Non-competition covenants	Section 15 of Franchise Agreement	Item 7
x.	Dispute resolution	Section 23 of Franchise Agreement	Item 9
y.	Other	Not applicable	Not applicable

## **ITEM 10 FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

**ITEM 11**  
**FRANCHISOR'S ASSISTANCE, ADVERTISING,**  
**COMPUTER SYSTEMS, AND TRAINING**

**Except as listed below, Craters & Freighters is not required to provide you with any assistance.**

**Pre-Opening Obligations**

Before you open your business, we (or our designee) will provide the following assistance and services to you:

(1) Designate your Territory (See Section 1.2 of the Franchise Agreement).

(2) We will use reasonable efforts to assist you with locating a suitable site (“**Premises**”) for your Franchised Business. (See Section 4.1 of the Franchise Agreement). We do not generally own and lease the premises of any Craters & Freighters Franchised Business to any franchisee.

(3) We will provide you mandatory or suggested specifications for the premises of a Craters & Freighters Franchised Business including but not limited to those involving dimensions, design, image, interior layout, décor, fixtures, equipment, computer hardware and software, signs, and color scheme which we have approved based on our standards for quality, design, appearance, function, and performance. (See Section 4.3 of the Franchise Agreement).

(4) We will review your construction plans and specifications for your Franchised Business. (See Section 4.3 of the Franchise Agreement). You are solely responsible, at your own expense, for all of the following relating to developing and furnishing the Premises: (i) securing all required financing; (ii) obtaining all required permits and licenses; (iii) complying with all required permits and licenses; (iv) complying with all applicable laws and the Lease; (v) constructing all required improvements and decorating the Premises in compliance with the approved construction plans and our then-current specifications relating to approved brands, types, or models; (vi) purchasing and installing all required fixtures, equipment, and signs required for the Premises; (vii) placing or displaying at the Premises (interior and exterior) only such signs, emblems, lettering, logos, and display materials that Franchisor approves from time to time; and (viii) purchasing an opening inventory of materials and supplies, including the equipment.

(5) We will provide you with initial training. (See Section 5.1 of the Franchise Agreement). Other than the initial training any of your employees receives from us in connection with the initial training program described below, you are solely responsible for hiring, firing, training, setting hours for, and supervising all of your employees.

(6) We will provide you with access to the Operations Manuals. (See Section 5.2 of the Franchise Agreement and Table of Contents for Operations Manuals).

(7) We will provide you with promotional support for the opening of your Franchised Business. (See Section 5.3 of the Franchise Agreement).

(8) We will grant you the right to use our proprietary operating software (“**Proprietary Software**”). The Proprietary Software will be the central platform your Franchised Business uses to process customer jobs from start to finish with consistency, efficiency, and accuracy. Additionally, all royalty reports submitted by your Franchised Business will be managed exclusively through the Proprietary Software, which

is also designed to assist you in streamlining operations and complying with our standards. (See Section 5.4 of the Franchise Agreement).

(9) We will establish one or more email addresses for you to use exclusively in connection with your Franchised Business. (See Section 5.5 of the Franchise Agreement).

(10) We will establish and maintain a stand-alone website for you (“**Franchisee Geosite**”), which is separate and apart from our website. The Geosite will include the contact information for your Franchised Business and various customer-oriented functions relating to products and services offered by your Franchised Business. (See Section 5.6 of the Franchise Agreement).

(11) After the initial training, upon your request, we will spend three (3) business days with you at your Franchised Business within ninety (90) days of the Franchised Business’s initial opening. (See Section 5.7 of the Franchise Agreement).

## **Continuing Obligations**

During the term of the Franchise Agreement, we (or our designee) may provide the following assistance and services to you:

(1) At any point during the first year of your operation of the Franchised Business, upon your request, we will conduct one (1) additional on-site visit for three (3) business days at no charge to you. After that visit, we will provide you with on-site visits at your reasonable request or if we determine that such an on-site visit is necessary. In either scenario, you must pay all of our travel and living expenses and the current daily per-diem fee as set forth in the Operations Manuals. (See Section 5.8 of the Franchise Agreement).

(2) We will provide and maintain support for you in connection with the operation of your Franchised Business. Such support may be provided by telephone conversations, regional and national conferences, site visits, group conference calls, online communications, through an intranet operated by us, and any other means we determine. (See Section 5.9 of the Franchise Agreement).

(3) We will provide periodic ongoing training to you and/or your Designated Manager and other managers to attend periodic courses or training meetings with respect to new methods, techniques, equipment, services, and procedures. (See Section 5.10 of the Franchise Agreement).

(4) We will administer the Marketing Fund. (See Section 5.11 of the Franchise Agreement).

(5) We will review and approve (or reject) marketing and advertising materials proposed by you relating to the Franchised Business. (See Section 5.12 of the Franchise Agreement).

(6) We will maintain the Franchisee Geosite. (See Section 5.13 of the Franchise Agreement).

(7) We will use commercially reasonable efforts to keep you informed regarding information on carrier tariffs, vendors, and related topics. (See Section 5.14 of the Franchise Agreement).

(8) We may establish and manage one or more Cooperatives. (See Section 9.8 of the Franchise Agreement).

## **Site Selection Criteria**

You must select the area and Premises for your Franchised Business subject to our consent. You must select a suitable site for your Franchised Business within sixty (60) days after you sign the Franchise Agreement. Before leasing the site for your Franchised Business, you must submit to us, in the form we specify, a description of the site and any other information we may require. We will have five (5) business days after receiving this information from you to accept or reject the proposed site. If we do not accept or reject the proposed site within five (5) business days, the site will be deemed rejected. If we do not accept your site, you will need to identify another site and receive our acceptance of the alternate site. If you and we are unable to agree on a suitable site within sixty (60) days after the Franchise Agreement was signed, we will extend the time period for selecting the site, but such extension will not be any later than six (6) months from the date on which the Franchise Agreement was signed. If you and we cannot agree on a suitable site within six (6) months from the date on which the Franchise Agreement was signed, we may terminate the Franchise Agreement and retain all monies received. The factors that we consider in selecting and approving your site include the following: the site must have at least 5,000 square feet of warehouse space, be located in an industrial area, have highway access, and have an overhead door. It is recommended to lease said space with a loading dock, although one is not required as long as you have a dock door that enables you to ship out and to receive large items of freight. If the dock door opens to ground level, you must have a forklift. The physical appearance and location of the Premises of your Franchised Business must meet our standards and specifications.

## **Schedule for Opening**

We estimate that there will be an interval of ninety (90) days between the execution of the Franchise Agreement and the opening of your Franchised Business, but the interval may vary based upon such factors as the location and condition of the site, the construction schedule for your Franchised Business, and the extent to which an existing location must be upgraded or remodeled. You may not open your Franchised Business for business until you have complied with all of your obligations under the Franchise Agreement and we have been furnished with copies of all required insurance policies or such other evidence of coverage and payment as we request. You are required to open your Franchised Business for business within fifteen (15) days after we have notified you that your pre-opening obligations under the Franchise Agreement have been satisfied. Any of our obligations relating to the opening of your Franchised Business will be performed prior to the opening of the Franchised Business.

## **Advertising and Promotion**

Each year, you must spend the greater of (a) \$6,000, or (b) one percent (1%) of your Adjusted Gross Sales for the prior calendar year, on advertising and promotion of your Franchised Business in your Territory (“**Individual Advertising Expense**”). In either case, the amount of the Individual Advertising Expense will not exceed \$18,000. You must submit annual reports to us reflecting your advertising expenditures. These funds are reserved only for marketing, promotions, and advertising of your Franchised Business. This expense will be incurred in addition to your required contributions to the Marketing Fund, as described below. You may not advertise outside your Territory without our approval, which may be withheld in our sole discretion. We reserve the right to require you to pay the amount of the Individual Advertising Expense to an approved supplier of ours. We will count all amounts you contribute to a Cooperative towards your required Individual Advertising Expense.

We have established and will maintain and administer a national marketing fund (“**Marketing Fund**”) for advertising and marketing programs. You must pay us a Marketing Fund contribution (“**Marketing Fund Contribution**”) equal to one percent (1%) of monthly Adjusted Gross Sales. We have the right to increase the amount of your Marketing Fund Contribution up to two percent (2%) of monthly Adjusted Gross Sales upon 30 days written notice to you. You must pay the Marketing Fund Contribution to us at the same time that you

pay your monthly Royalty Fee. Company-owned or Affiliate-owned Craters & Freighters Franchised Businesses must contribute to the Marketing Fund at the same percentage rate as franchisees. The Marketing Fund will be administered by us and we may use a professional advertising agency or media buyer to assist us in doing so.

The Marketing Fund will be used exclusively for the purpose of promoting the System. We may expend Marketing Fund monies towards the creation, production, and/or placement of advertising in local, regional, or national media including, but not limited to, broadcast, print, electronic, direct mail, radio, television, or other media), developing promotional materials, and undertaking public relations activities on behalf of the entire System or on behalf of a particular portion of the System. The Marketing Fund may also be used to meet any and all costs of maintaining, administering, directing, and preparing marketing, advertising, and promotional efforts and programs including, but not limited to: direct mail advertising; local, regional, and national promotions; call centers; market research; public relations activities; developing and maintaining Franchisor's Website and franchisee geosites (including your Geosite); employing marketing, advertising, and public relations agencies (including the payment of commissions); purchasing promotional items; attending trade shows; providing other marketing materials and services to franchised businesses operating under the System; and other marketing, advertising, and promotional activities. These costs may include the proportionate salary share of employees of ours or any Affiliate of ours who devote time and render services for marketing, advertising, or promotion, or the administration of the Marketing Fund; such costs may include administrative costs, salaries, and overhead expenses. No part of the Marketing Fund will be used by us to defray any of our general operating expenses, other than those reasonably allocable to the marketing, advertising, or promotional activities described here or other activities reasonably related to the administration or direction of the Marketing Fund. We, any Affiliate of ours, and our authorized representatives may be reimbursed from the Marketing Fund for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting and legal expenses, taxes and all other reasonable direct or indirect expenses that we, any Affiliate of ours, and our authorized representatives may incur relating to programs funded by the Marketing Fund.

The Marketing Fund is intended to maximize the general brand recognition of the System, and we are not obligated to expend Marketing Fund monies on your behalf or benefit or to expend Marketing Fund monies equivalent or proportionate to your contributions on your behalf or benefit. We do not guarantee that advertising expenditures from the Marketing Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all. We do not derive revenue or any other material consideration as a result of your contributions to the Marketing Fund. We are not required to spend an amount from the Marketing Fund on local marketing or advertising in your Territory or the territory of any franchisee within our System. We do not spend any of funds collected by the Marketing Fund on directly soliciting new franchisees.

Any unused funds in any calendar year will be applied to the following year's funds, and we reserve the right to contribute or loan additional funds to the Marketing Fund on any terms we deem reasonable. Since the Marketing Fund is not audited, audited financial statements are not available to franchisees. Upon request, we will make available to you an annual accounting for the Marketing Fund that shows how the Marketing Fund proceeds have been spent for the previous year.

During our last fiscal year ending December 31, 2024, expenditures from the Marketing Fund were as follows: 2.6% on production, 81.5% on media placement, 3.5% on administrative expenses, and 12.4% on other expenditures relating to network sales and support, network software and hosting expenses, and network telephone supporting services.

We are not required to spend an amount on advertising in the territory where you are or will be located. We do not have any local or regional advertising cooperatives. We may designate any geographic area in which two or more Craters & Freighters outlets are located as a region for establishing a Cooperative. The members of the Cooperative for any area will consist of all Craters & Freighters outlets, whether franchised or operated by

us or our Affiliates. We will determine in advance how each Cooperative will be organized and governed and when it must commence operations. Accordingly, we do not currently have any governing documents available for review. Each Cooperative will be organized for the sole purposes of administering advertising programs and developing, subject to our approval, promotional materials for use by the members in local advertising. If a Cooperative has been established for a geographic area where your Craters & Freighters Franchised Business is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, you must become a member of the Cooperative and abide by the rules of the Cooperative. Cooperatives will set their own fees, which cannot exceed one percent (1%) of Adjusted Gross Sales. Franchisor-owned outlets must contribute to the fund on the same basis as franchisees. Each Cooperative established must prepare annual statements which will be available for review by its members. We reserve the right to form, change, dissolve or merge any Cooperative at any time.

You may develop advertising media for your own use, at your own cost providing all media is in compliance with current branding and System Standards. We must approve the advertising materials in advance and in writing. We do not have an advertising council composed of franchisees.

We have the sole right to market on the Internet and use our trademarks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media. You may not separately register any domain name or any portion of a domain name containing our trademarks or participate or market on any website or other form of electronic media (including social technology, social media and social networking platforms) using our trademarks unless you first obtain written approval from us. Your general conduct on the Internet or other forms of electronic media, including your use of our trademarks or any advertising, is subject to the terms and conditions of the Franchise Agreement and any other rules, requirements or policies that we may identify from time to time.

### **Computer Systems and Software**

We will grant you access to the Proprietary Software and select software. The Proprietary Software is designed to provide you assistance with customer relationship management, quoting process, job flow, custom container design, calendaring, reporting, and transportation management.

You will be responsible for purchasing any additional hardware, upgrades, software, Internet connection and service, dedicated telephone and power lines, and other computer related accessories, peripherals, and equipment. Currently, we require you to purchase data processing software (e.g., Microsoft Office suite products) and an accounting software program (e.g., QuickBooks Pro) to go along with our Proprietary Software. You will be responsible for maintaining a high-speed internet access for the computer system. You will be responsible for maintaining the one or more e-mail addresses assigned to you by us. You will use such e-mail address(es) at all times when communicating within the System and to the public.” We currently estimate the costs of purchasing these items to range from approximately \$2,000 to \$4,000, but these estimated costs may change over time as technology changes.

You will be responsible for maintaining the computer system and software programs in good repair at your expense. We anticipate that you may be required to upgrade or update the computer system during the term of the franchise. We are not obligated to provide you with ongoing maintenance, repairs, upgrades or updates to your computer system. It is difficult to estimate the cost of maintaining, updating or upgrading your computer system or software as it will depend on your repair history, local cost of such services in its area and technological advances, which we cannot predict at this time. We currently estimate these costs to range from \$1,000 to \$2,000 per year, although these costs could change frequently and significantly over time as technology changes. However, the aggregate cost of your obligations to carry out upgrades of the computer

system, addition of components to the computer system, and replacement of components to the computer system will not exceed \$5,000 per year during the term of your Franchise Agreement.

We reserve the right to independently access your electronic information and data through a proprietary data management and intranet system, and to collect and use your electronic information and data in any manner we choose to promote the development of the franchise system and the sale of franchises. Such information will include Business Records with respect to customers, and other service professionals of, and related to, the Franchised Business, including all names, addresses, phone numbers, e-mail addresses, customer purchase records, and all other records contained in the data management and intranet system, all of which we own. There is no contractual limitation on our right to receive or use such information through our proprietary data management and intranet system.

You are solely responsible for protecting yourself from viruses, computer hackers, and other communications and computer-related problems, and you may not sue us for any harm caused by these communications and computer-related problems.

## **Operations Manuals**

During the term of the Franchise Agreement, we will provide you with access to our proprietary and confidential operations manuals (collectively, the “**Operations Manuals**”). The Operations Manuals contain mandatory and suggested specifications, standards and operating procedures that we prescribe from time to time and information relating to your obligations. The Operations Manuals may be modified from time to time to reflect changes in the image, specifications, standards, procedures, products and System Standards for Craters & Freighters Franchised Businesses, provided that no such addition or modification will alter your fundamental status and rights under the Franchise Agreement. You must promptly accept and comply with any change to the System and incur any expenditures as necessary to comply with the System; however, such expenditures will not exceed an aggregate amount of \$10,000 during the term of your Franchise Agreement. You must keep your copy of the Operations Manuals current. In the event of a dispute relating to the Operations Manuals, the master copy that we maintain at our principal office will be controlling. You may not, at any time, copy any part of the Operations Manuals. If your copy of the Operations Manuals is lost, destroyed, or damaged, you will be obligated to obtain, from us, at our then applicable charge, a replacement copy of the Operations Manuals. Any obligations of ours relating to this matter will be performed prior to the opening of your Franchised Business and/or during the operation thereof from time to time throughout the term of the Franchise Agreement. The Operations Manuals will be part of the Franchise Agreement. There are 119 total pages in the Operations Manuals. The Table of Contents for the Operations Manuals is attached to this Franchise Disclosure Document as **Exhibit B**.

## **Training**

After the execution of the lease for the Franchised Business and prior to the opening of the Franchised Business, we will provide an initial training program regarding the operations of a Craters & Freighters Franchised Business (“**Initial Training Program**”). We conduct the Initial Training Program based on the schedules of incoming franchisees and our team members who conduct the program. Approximately nine (9) days of training will be furnished at our corporate headquarters in Golden, Colorado, and/or one (1) or more of our franchise locations in Colorado. There is no limit to the number of individuals who are entitled to participate in the Initial Training Program as long as you (or a principal owner of the franchisee entity) complete the Initial Training Program to our satisfaction and participate in all other activities required by us to open your Franchised Business. You will be responsible for all travel and living expenses incurred in connection with the Initial Training Program. Upon your request, we will provide approximately three (3) days of additional training at

your Franchised Business during normal business hours after the opening of your Franchised Business. If you fail to complete the Initial Training Program to our satisfaction, we may terminate the Franchise Agreement.

If you engage a Designated Manager at any time prior to the opening of your Franchised Business, the Designated Manager must successfully complete the Initial Training Program to our satisfaction prior to such Designated Manager assuming any management responsibilities in connection with your Franchised Business. The cost of the Initial Training Program for a Designated Manager engaged by you prior to the opening of your Franchised Business will be borne by us. The cost of any training provided by us (upon your request or as determined by us) to any Designated Manager engaged by you after the opening of your Franchised Business will be paid by you based on our then-current daily rate for additional training; you will also reimburse us for the out-of-pocket expenses we incur in providing such training including, but not limited to, all travel and living expenses.

We may require you and/or your Designated Manager (if applicable) and/or your Lead Salesperson (as such term is defined below) to attend periodic courses with respect to new methods, techniques, equipment, services, and procedures at such time and locations that we designate. You will be responsible for all travel and living expenses incurred in connection with any such courses.

The Initial Training Program will be conducted by the following members of our team:

- Executive Vice President of Transportation, Logistics, & Franchise Support, Mark Giraldi, who has more than 30 years of experience in the industry involving freight forwarding, transportation, and logistics. Mr. Giraldi joined us in 2014 with an extensive background in executive management. He is very knowledgeable and experienced in many operational areas including hazardous materials, air and ground freight, and international logistics.
- Director of Franchise Development, Phil Krieg, who has nine years of experience in the industry and nine years of experience with us.
- Director of Technology & Engineering, Brian Grant, who has 11 years of experience in the industry and nine years of experience with us.
- Executive Vice President, Tom Raia, who has 22 years of experience in the industry as a previous franchise owner and one year with us.
- President & Chief Marketing Officer, Tony Shaw, who has 21 years of experience in the industry and five years of experience with us.
- Other staff members who have at least three years of industry experience.

The Operations Manuals serve as our primary instructional material during the Initial Training Program, along with on-site training which may be provided at one (1) or more of our franchise locations in Colorado.

## TRAINING PROGRAM

Subject	Hours of Classroom Training*	Hours of On-The-Job Training	Location
Crating & Packaging	10	32	Golden, Colorado, and/or one (1) or more franchised locations in Colorado.
Transportation	4	2	Golden, Colorado, and/or one (1) or more franchised locations in Colorado.
Business Management Review	6	3	Golden, Colorado, and/or one (1) or more franchised locations in Colorado.
Cargo Insurance	4	1	Golden, CO
Marketing	2	0	Golden, CO
Pricing	4	2	Golden, Colorado, and/or one (1) or more franchised locations in Colorado.
Pickup & Delivery	2	1	Golden, Colorado, and/or one (1) or more franchised locations in Colorado.
System Standards	2	2	Golden, Colorado, and/or one (1) or more franchised locations in Colorado.
Operating System	6	1	Golden, CO
<b>TOTAL</b>	<b>40</b>	<b>44</b>	

\*Classroom training described above will be provided during on-site training in Golden, Colorado, and through virtual training which you attend from the location of your Franchised Business.

## ITEM 12 TERRITORY

You will receive an exclusive territory (“Territory”) in which to operate your Franchised Business. You are required to locate your Franchised Business within your Territory. Your Territory will be delineated by counties, and we have the exclusive right to determine the counties in your Territory. We offer two types of territories: one which will have a population under 1,000,000 people, and another which will have a population of 1,000,000 or more people. If you request, and we approve, a Territory with a population of more than 1,000,000 people, then you will be required to pay us a Supplemental Territory Fee equal to \$0.015 per additional person in the Territory in addition to the Initial Franchise Fee of \$45,000. All population

determinations will be based upon the latest United States Census information available for the various territories. You will not be entitled to any additional counties or an expansion of your geographic boundaries if the population decreases in your Territory.

You must generate the minimum annual revenue required for your Territory (“**Minimum Performance Standards**”) in any year of the term of the Franchise Agreement. The following chart indicates the Minimum Performance Standards for years 1-3 of the Franchise Agreement:

<b>Year of Operation</b>	<b>Minimum Performance Standard</b>	<b>Minimum Monthly Royalty Fee</b>
1	\$200,000	\$0
2	\$400,000	\$1,667
3	\$510,000	\$2,125

At the end of year 3, we will determine the Minimum Performance Standards and Minimum Monthly Royalty Fees for years 4-15 of the Franchise Agreement and you will be provided with an amendment to your Franchise Agreement. We will base our decision on population, demographic factors, economic factors, competition, market penetration, the growth rate of other Craters & Freighters Franchised Businesses, and other relevant factors. If you are entering into a Successor Franchise Agreement, we will determine the Minimum Performance Standards and Minimum Monthly Royalty for your successor term.

Your failure or refusal to satisfy your Minimum Performance Standards may result in the reduction or modification of your Territory. These Minimum Performance Standards are not, and should not be considered, financial performance representations for your Franchised Business.

You may only solicit business in the Territory for the purpose of obtaining customers who reside or operate within the Territory, and you cannot knowingly solicit business outside of the Territory. However, you are not required to verify that your customers reside or conduct business within the Territory. Accordingly, it is possible that you may provide services to customers who reside or conduct business outside of the Territory. At the same time, it is also possible that another Craters and Freighters Franchised Business may provide services to customers who reside or conduct business within the Territory.

You may be granted, in our sole discretion, express permission to promote and advertise your Franchised Business to customers in an unsold territory adjacent to your Territory (“**Adjacent Territory**”). If we permit you do to so, you must agree that if the Adjacent Territory is granted to another Craters & Freighters franchisee, you will, upon receipt of written notice from us, cease all promotional and advertising efforts within the Adjacent Territory, return to us all customer data and prospect information related to the Adjacent Territory, and cease providing products and services to customers in the Adjacent Territory.

You do not have the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of your Territory. If you receive information on prospective business outside of your Territory, you must relay the information to the owner of the Franchise who owns the Territory where the business is located. In areas where there are no Craters & Freighters Franchised Businesses, you may provide services to the prospective client.

You will not receive options, rights of first refusal, or similar rights to acquire additional franchises. You may relocate your Franchised Business to another location within your Territory upon our prior written approval.

We reserve the right, among others:

(1) to own, franchise, or operate Craters & Freighters Franchised Businesses at any location outside of your Territory, regardless of the proximity to the boundaries of your Territory. We will not establish within your Territory another franchisee or company-owned outlet which may also use our trademarks;

(2) to use our trademarks and system to sell any products or services similar to those which you will sell, through any alternate channels of distribution within or outside of your Territory, including to national accounts. This includes, but is not limited to, other channels of distribution such as television, mail order, catalog sales, wholesale to unrelated retail outlets, or over the Internet. We exclusively reserve alternative channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing, as channels of distribution for us. We are not required to compensate you if we solicit or accept orders from your Territory. You may not independently use alternative channels of distribution to make sales within or outside your Territory without our prior written approval;

(3) to use and license the use of other proprietary and non-proprietary marks or methods which are not the same as or confusingly similar to our trademarks, whether in alternative channels of distribution or in the operation of a business offering shipping, packaging, crating, receiving and delivery, storage, transportation, moving, logistics, blanket wrap, and freight forwarding services and products, at any location, including within the Territory, which may be similar to or different from the business operated by you;

(4) to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your Franchised Business, wherever located, so long as that business does not operate under the same or similar trademarks or service marks as the Marks (as such term is defined below);

(5) to acquire and convert to the System operated by us any businesses offering shipping, packaging, crating, receiving and delivery, storage, transportation, moving, logistics, blanket wrap, and freight forwarding services and products, including such businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned and whether located inside or outside of the Territory; and

(6) to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere (national accounts). We also reserve the right to issue mandatory policies to coordinate these multi-area marketing programs.

Currently, neither we, nor any Affiliate of ours, operates, intends to operate, franchises another business, or intends to franchise another business, under a different trademark which sells goods or services that are the same as or similar to those you will sell, but we and our Affiliates reserve the right to do so in the future.

## ITEM 13 TRADEMARKS

The Franchise Agreement grants you the right to use our logo and trademarks (“**Marks**”). This intellectual property has been filed for registration, and trademarks have been granted by the United States Patent and Trademark Office (“**USPTO**”). We have filed or intend to file all required affidavits and renewals for the trademarks listed below.

Mark	Registration Number	Registration Date	Register
 <b>Craters &amp; Freighters</b>	6,735,881	May 24, 2022	Principal
CRATERS & FREIGHTERS	1,744,835	January 5, 1993 Renewed: August 6, 2012	Principal

We may also use a number of additional unregistered, common law trademarks, including the following:

Mark	Application Filing Date	Status	Serial No.
EXPERTISE THAT DELIVERS	N/A	COMMON LAW	N/A

We do not have a federal registration for the trademark identified in the table above. Therefore, this trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use this trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

You must follow our rules when you use the Marks. You may not use any of the Marks alone or with modifying words, designs or symbols as part of a corporate or business name or in any form on the Internet, including but not limited to URLs, domain names, e-mail addresses, locators, links, metatags or search techniques. You must get our prior written approval of your company name before you file any registration documents. Guidelines regarding proper trademark use and notices are in the Operations Manuals and will be updated periodically in our discretion. You may not use the Marks with an unauthorized product or service, or in a manner not authorized in writing by us.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceedings or any pending material litigation involving any of the Marks. No currently effective litigation affects our use or ownership rights in any Mark. No currently effective agreement limits our right to use or license the use of the Marks.

We will protect your right to use the Marks. You must notify us of any challenges to the Marks. Your Franchise Agreement requires us to take affirmative action when notified of any challenges or any trademark that is similar or confusing to the public. We will defend the Marks at our expense and as we determine. We reserve the right to control any litigation related to the Marks.

You must modify or discontinue the use of a Mark if we modify or discontinue the use of such Mark. If this happens, we will reimburse you for your tangible out-of-pocket cost of compliance (for example, changing letterhead and business cards). You must not directly or indirectly contest our right to the Marks, trade secrets or business techniques.

In 2010, we initiated litigation against Daisychain Enterprises (dba Freight & Crate), Cathy Benz and Fred Benz (“**Defendants**”) for trademark infringement. The Defendants were using the name “Freight & Crate” in the operation of a business in California similar to a Craters & Freighters Franchised Business. On May 5, 2010, the United States District Court for the Northern District of California issued a permanent injunction against the Defendants. The court permanently restrained and enjoined them from (a) using the infringing mark “Freight & Crate” in conjunction with any shipping or packaging services; (b) using the infringing mark “Freight & Crate” in conjunction with any web-based advertisement or print advertisement; (c) using the infringing mark “Freight & Crate” at any call center to suggest that Freight & Crate is affiliated with Craters & Freighters; (d) identifying themselves anywhere or any time, by their initiative or in response to questions by others, as “Craters & Freighters” or as affiliated with Craters & Freighters; (e) using Craters & Freighters’ copyrighted materials in advertisements and promotions; and (f) using the registered trademark “Craters & Freighters” for any purpose whatsoever.

In early 2014, it came to our attention that the Defendants were violating the permanent injunction and using our name to advertise products online. In February 2014, we sent the Defendants a letter to demand that they cease from using the words “Crate & Freight” and that they comply with the permanent injunction. In March 2014, we sought for the Defendants to be held in civil and criminal contempt for violating the permanent injunction. The Defendants were ordered to appear in court in May 2015 to show cause why they should not be held in contempt for failure to comply with the permanent injunction. In August 2015, the Defendants, proceeding pro se, filed an appeal relating the multiple judgments we have obtained against them thus far, which currently total more than \$100,000 and are collecting interest at the maximum amount allowed under California law. We submitted our Answering Brief in September 2015, and the United States Court of Appeals for the Ninth Circuit in D.C. No. 14-17497 rendered a decision that the lower District Court’s Orders Stand – i.e., we (Craters & Freighters Franchise Company) are the prevailing party.

Subsequently, it came to our attention that the Defendants started a Colorado-based company called Craters & Freighters, a Colorado corporation, in violation of the Ninth Circuit’s Permanent Injunction, which prohibited any such use of our marks. In or about December 2016, we filed a Complaint in the United States District Court for the District of Colorado alleging civil conspiracy, false designation of origin and false representation, violation of the Lanham Act, violation of the Colorado Consumer Protection Act, unfair competition, and common law trademark and trade name infringement. As of the issuance date of this Franchise Disclosure Document, this matter remains active and is identified as case no.: 1:16-cv-02951-JLK; Craters & Freighters Franchise Company v. Kathy Benz, individually; Fred R. Benz, individually; Tyler F. Benz, individually; Steve Barnard, individually, and as an officer of Craters & Freighters, a Colorado corporation; and Craters & Freighters, a Colorado corporation.

On or about January 5, 2017, Defendant Steve Barnard entered a pro se appearance on behalf of himself and Craters & Freighters, a Colorado corporation, by submitting an Answer to our Complaint. Mr. Barnard’s Answer was stricken on or about January 20, 2017. In or about April 2017, counsel entered an appearance on behalf of Steve Barnard and Craters & Freighters, a Colorado corporation. After Defendant Barnard dissolved Craters & Freighters, a Colorado corporation, counsel filed a Motion to Dismiss Steve Barnard and Craters & Freighters, a Colorado corporation. On or about February 7, 2018, this Motion to Dismiss was granted without prejudice to us. We have the right to re-file, and our management team is taking this into consideration. All other Defendants (except as described above) remain in the case except Tyler Benz, who paid us to settle out of court. Defendants Kathy Benz and Fred R. Benz have evaded service. Meanwhile, motion practice continued as opposing counsel submitted a Motion for Attorney’s Fees and Costs as to the dismissal of Defendant Barnard.

Our management team reviewed this Motion and decided not to pursue an appeal. All defendants, except Tyler Benz (who settled out of court) were dismissed without prejudice (meaning Craters & Freighters Franchise Company may reinstate the lawsuit).

Other than as described above, we do not know of any infringing uses that could materially affect your use of the Marks. You should understand that there could be other businesses using trademarks, trade names, or other commercial symbols similar to the trademarks with superior rights to our rights. Before opening your Franchised Business, you should research this possibility, using telephone directories, trade directories, and Internet directories to avoid the possibility of having to change your business name.

#### **ITEM 14** **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

The information contained in the Operations Manuals is proprietary and is protected by copyright and other laws. The Operations Manuals and the limitations of the use of it by you and your employees are described in Item 11 and the Franchise Agreement. The designs contained in the Marks, the layout of our advertising materials, as well as any other writings, recordings in print or electronic form are also protected by copyright and other laws. Although we have not filed an application for copyright registration for the Operations Manuals, the trademarks, our website, our computer software programs, the advertising materials, or any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information (“**Copyrighted Works**”) in connection with your operation of your Franchised Business, but these copyrights remain our sole property.

There are currently no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Works of ours, nor are any proceedings pending, nor are there any currently effective agreements between us and third parties pertaining to the Copyrighted Works that will or may significantly limit your use of our Copyrighted Works.

Our Operations Manuals, electronic information and communications, sales and promotional materials, the development and use of our system, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of and experience in the development, operation and franchising of Craters & Freighters Franchised Businesses, and training techniques used to provide services, information concerning product and service sales, operating results, financial performance and other financial data of Craters & Freighters Franchised Businesses and other related materials are proprietary and confidential (“**Confidential Information**”) and are considered to be our property to be used by you only as described in the Franchise Agreement or the Operations Manuals. Where appropriate, certain information has also been identified as trade secrets (“**Trade Secrets**”). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Trade Secrets and Confidential Information. You must ensure and require that all of the owners, officers, directors, shareholders, and partners of the franchisee entity execute a prescribed form of confidentiality and non-competition agreement that will be in substantially the same form attached to the Franchise Agreement as Exhibit E (“**Confidentiality and Non-Competition Agreement**”).

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for the development of your Franchised Business during training and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, and your owners, if you are a business entity, and employees agree to maintain the information in confidence by entering into a confidentiality agreement that we can enforce. Nothing contained in the Franchise Agreement will be construed

to prohibit you from using the Confidential Information or Trade Secrets in the operation of other Craters & Freighters Franchised Businesses during the term of the Franchise Agreement.

You must notify us within three days after you learn about another's use of language, a visual image, or a recording of any kind, that you perceive to be identical or substantially similar to one of our Copyrighted Works or use of our Confidential Information or Trade Secrets or if someone challenges your use of our Copyrighted Works, Confidential Information or Trade Secrets. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Works, Confidential Information or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of or challenge to your use of any Copyrighted Works, Confidential Information or Trade Secrets or claim by any person of any rights in any Copyrighted Works, Confidential Information or Trade Secrets. You must not directly or indirectly contest our rights to any of our Copyrighted Works, Confidential Information or Trade Secrets. You may not communicate with anyone except us and our counsel with respect to any infringement, challenge or claim. We will have discretion to take action as we deem appropriate regarding any infringement, challenge or claim, and the sole right to control exclusively any litigation or other proceeding arising out of any infringement, challenge or claim under any Copyrighted Works, Confidential Information or Trade Secrets. You must sign any and all instruments and documents, give the assistance, and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding or to protect and maintain our interests in the Copyrighted Works, Confidential Information or Trade Secrets.

No patents are material to us at this time. We do not have any pending patent applications that are material to the franchise.

We own and have the right to inspect, copy and use all records with respect to the customers, suppliers, and other service providers of, and related in any way to your Franchised Business. This includes, without limitation, all databases (whether in print, electronic, or other form), including, among other things, all names, addresses, phone numbers, e-mail addresses, and customer purchase records. We may use or transfer the records in any way we wish, both before and after any termination, expiration, repurchase, transfer or otherwise. We may contact any or all of your customers, suppliers, and other service providers for quality control, market research, and such other purposes, as we deem appropriate, in our sole discretion.

You must disclose to us all ideas, techniques and products concerning the development and operation of the Franchised Business you, your manager or your employees conceive or develop during the term of the Franchise Agreement. You must grant to us and agree to obtain from your owners, manager or employees a perpetual, non-exclusive and worldwide right to use these ideas, techniques and products concerning the development and operation of the Franchised Business that you, your manager or your employees conceive or develop during the term of the Franchise Agreement in all Craters & Freighters Franchised Businesses that you operate. We will have no obligation to make any lump sum or on-going payments to you with respect to any idea, concept, method, technique or product. You must agree that you will not use nor will you allow any other person or entity to use any of these ideas, techniques or products without obtaining our prior written approval.

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

As noted in ITEM 11 of this Disclosure Document, you must complete the initial training program to our satisfaction prior to opening your Franchised Business. As owner(s) of your franchisee entity, you must personally participate in the direct management of your Franchised Business on a full-time basis, unless you engage a manager ("**Designated Manager**") whom we approve in writing to manage the day-to-day operations of your Franchised Business when you are not present. You are required to always inform us of the identity of

the Designated Manager. Regardless as to whether you engage a Designated Manager, you are solely responsible for all aspects of the operation of your Franchised Business and ensuring that all the terms, conditions, and requirements contained in the Franchise Agreement and in the Operations Manuals are met and kept, and you must adopt reasonable procedures which we prescribe to prevent the unauthorized use or disclosure of the proprietary information and aspects of the System.

At least one member of your staff must be designated as the lead salesperson for your Franchised Business (“**Lead Salesperson**”), and such Lead Salesperson will direct the lead generation efforts and manage the day-to-day customer sales of your Franchised Business. The Lead Salesperson does not need to attend the Initial Training Program, but will be required to participate in any sales training that we may choose to provide (whether virtual or in person) at your sole cost and expense.

As also noted in ITEM 11 of this Disclosure Document, you, your Designated Manager (if applicable), and your Lead Salesperson may be required to attend periodic courses with respect to new methods, techniques, equipment, services, and procedures.

Each individual who owns an interest in the franchisee entity must sign the Owner’s Guaranty and Assumption of Franchisee’s Obligations that is attached to the Franchise Agreement in addition to the Confidentiality and Non-Competition Agreement referenced in ITEM 14.

## **ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

The only restrictions or conditions that may limit your access to customers involve our requirement that you must follow our policies, procedures, methods, and techniques, and you may not deviate from our standards or specifications without our prior written consent. For instance, you must offer for sale, use, sell, and provide through your Franchised Business only those products and services that we authorize or require for the System. You may not offer for sale, use, sell, or provide any products or services that we have not authorized. You must discontinue selling and offering for sale any unapproved products and services, or any products and services which we may, in our discretion, disapprove in writing at any time. We reserve the right to change the types of products and services you sell without any limitations, and we may require you to provide additional products or services in the future. We reserve the right to establish maximum resale prices as part of any national or regional promotion, multi-area marketing program, or special price promotion.

## **ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTIONS**

### **THE FRANCHISE RELATIONSHIP**

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

<b>Item</b>	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a.	Length of the franchise term	Section 2.1	Term is 15 years.
b.	Renewal or extension of the term	Section 2.2	You can add a successor term of 15 years.

Item	Provision	Section in Franchise Agreement	Summary
c.	Requirements for franchisee to renew or extend	Sections 2.2	<p>Sign our then-current Franchise Agreement, which may contain materially different terms and conditions than the original Franchise Agreement and: adhere to all the terms and conditions of the Franchise Agreement and any other requirements or standards established in the Operations Manuals, including but not limited to complying with all System Standards; give notice of renewal to us; timely satisfy all monetary obligations owed by you to us and any Affiliate of ours; present evidence that you have the right to remain in possession of the Premises for the Successor Term (or secure substitute premises that meets our then-current specifications and standards); meet all of our then-current standards and criteria for a franchisee entering the System; your Franchised Business meets or exceeds our then-current financial performance targets for renewing franchisees; execute a general release of any and all claims against us, our Affiliates, and subsidiaries and their respective officers, directors, agents, shareholders and employees; pay a successor fee to us.</p>
d.	Termination by franchisee	Not Applicable	Not applicable.
e.	Termination by franchisor without cause	Not Applicable	Not applicable.
f.	Termination by franchisor with cause	Section 19	We can terminate only if you are in default of any terms of Franchise Agreement.

Item	Provision	Section in Franchise Agreement	Summary
g.	“Cause” defined – curable defaults	Section 19.2	<p>Curable Defaults: You have 30 days to cure any of the following defaults: non-payment of any amount due and owing to us or any Affiliate of ours as required by us pursuant to the Franchise Agreement, Operations Manuals, or otherwise; failure or refusal to submit, when due, any report or other data, information, or supporting records relating to the Franchised Business; failure or refusal to accurately report the Adjusted Gross Sales of the Franchised Business; failure or refusal to operate a warehouse within the Premises necessary for the operation of the Franchised Business; uncured default under the Lease for the Premises; offer or sale of any products or services not authorized by us; failure or refusal to comply with the Operations Manuals or, more specifically, any of the System Standards; failure or refusal to pay any taxes due in connection with your operation of the Franchised Business; failure or refusal to obtain and/or maintain all applicable licenses and permits relating to the operation of the Franchised Business; failure or refusal to obtain our written approval or consent when required; or failure or refusal to comply with any other provision of the Franchise Agreement, Operations Manuals, or any System Standard.</p>

h.	“Cause” defined – non-curable defaults	Section 19.1	<p>Non-Curable Defaults: failure or refusal to open the Franchised Business within 90 days after execution of the Franchise Agreement; the making of any material misrepresentation or omission in applying to be a Craters &amp; Freighters franchisee; you or any other required attendee(s) fail to attend and complete, to our satisfaction, the initial training program; abandonment of the Franchised Business; criminal conduct by you, any principal owner of the franchisee entity, or any owner of franchisee entity owning more than 10% of the franchisee entity; you, any principal owner of the franchisee entity, or any owner of franchisee entity owning more than 10% of the franchisee entity engages in any act or conduct which, in our sole determination, materially impairs the goodwill and/or reputation of the System or Marks, and you fail or refuse to take corrective measures to promptly minimize or eliminate the negative impact of such act or conduct; repeated non-payment of any amount due and owing to us or any Affiliate of ours as required by us pursuant to the Franchise Agreement, Operations Manuals, or otherwise; a course of conduct which includes any misrepresentations or deceptive or unlawful acts or practices in connection with offering and/or selling products and services to customers; failure, refusal, or neglecting to take appropriate and necessary measures to protect any employee or customer from imminent and significant danger due to any health or safety matter in connection with the operation of the Franchised Business (or committing repeated violations of any health or safety-related law, standard, or practice); unauthorized use or disclosure of the Marks, Confidential Information, Trade Secrets, Operations Manuals, or Proprietary Software; intentional understatement of the Franchised Business’s Adjusted Gross Sales in any report or financial statement; failure or refusal to comply with any of the in-term restrictive covenants set forth in the Franchise Agreement; uncured default under any other agreement with us or any of our Affiliates (including, but not limited to, another franchise agreement or a promissory note); unauthorized</p>
----	--	--------------	--

Item	Provision	Section in Franchise Agreement	Summary
			transfer of the Franchise Agreement; or insolvency or bankruptcy.
i.	Franchisee's obligations on termination/non-renewal	Sections 15.3, 20.1, and 20.2	Pay all amounts due, discontinue use of Marks, discontinue use of Confidential Information and Trade Secrets, discontinue use of telephone numbers associated with the Franchised Business, and comply with post-term non-competition and non-solicitation covenants. Upon the termination or expiration of the Franchise Agreement, we will have the option, but not the obligation, to purchase any and all of the assets used by you to operate the Franchised Business at a purchase price equal to net depreciated book value.
j.	Assignment of contract by franchisor	Section 16.1	No restriction on our right to assign.
k.	“Transfer” by franchisee – defined	Section 16.2	Includes transfer of contract or assets or ownership changes.
l.	Franchisor's approval of transfer by franchisee	Section 16.3	We have the right to approve all rights to transfer but will not unreasonably withhold approval as long as all of the conditions for such transfer are met.

Item	Provision	Section in Franchise Agreement	Summary
m.	Conditions for franchisor's approval of transfer	Section 16.3	<p>You and your owner(s) have performed all obligations and duties under the Franchise Agreement; you have paid all amounts due and owing to us, any Affiliate of ours, and any third-party creditors relating to the Franchised Business; the transfer is conducted in compliance with applicable laws and regulations; the transferee and its owner(s) are individual(s) of good moral character, have sufficient business experience, aptitude, and financial resources to operate the Franchised Business, and have otherwise met our then-applicable standards for franchisees and franchisee owners; the transferee and/or its management personnel have completed our initial training program to our satisfaction; payment of the Transfer Fee; you have executed a general release, in a form satisfactory to us, of any and all claims against us, our subsidiaries, and Affiliates, and their respective shareholders, directors, officers, employees, agents, successors, and assignees; we have approved the material terms and conditions of such transfer; any financing is subordinate to the transferee's obligations to pay Royalty Fees and other amounts due under the Franchise Agreement; if required, the landlord of the Premises has consented to the assignment or sublease; we have not exercised our right of first refusal; and the transferee and its owner(s) have executed our then-current form of franchise agreement.</p>
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 17	We have the first right of refusal on the sale of the franchise by you.
o.	Franchisor's option to purchase franchisee's business	Section 20.2	Upon the termination or expiration of the Franchise Agreement, we will have the option, but not the obligation, to purchase any and all of the assets used by you to operate the Franchised Business at a purchase price equal to net depreciated book value.

Item	Provision	Section in Franchise Agreement	Summary
p.	Death or disability of franchisee	Section 18	Upon death or permanent disability of Franchisee or a principal owner of Franchisee, the executor, administrator, conservator, guardian, or other personal representative of such person must transfer its interest in the Franchise Agreement or such interest in Franchisee to a third party approved by us within six months.
q.	Non-competition covenants during the term of the franchise	Section 15.2	You may not, directly or indirectly, perform any services for, consult for, engage in, acquire, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any business that offers shipping, packaging, crating, receiving and delivery, storage, transportation, moving, logistics, blanket wrap, or freight forwarding services, or products or services similar to the Franchised Business (“ <b>Competitive Business</b> ”) without our prior written consent. You may not divert, attempt to divert, or solicit business or customers of the Franchised Business or any Craters & Freighters Franchised Business to any Competitive Business, by direct or indirect inducement or otherwise.

Item	Provision	Section in Franchise Agreement	Summary
r.	Non-competition covenants after the franchise is terminated or expires	Section 15.3	<p>You may not perform any services for, consult for, engage in, acquire, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any Competitive Business at or within the following areas: (i) at the Premises of the Franchised Business; (ii) within the Territory granted to you; or (iii) within a radius of ten (10) miles of (a) the Premises of the Franchised Business, or (b) the premises of any other Craters &amp; Freighters Franchised Business or any Craters &amp; Freighters company-owned or Affiliate-owned outlet then-existing as of the date of the expiration, transfer, or termination of the Franchise Agreement. You may not divert, attempt to divert, or solicit business or customers of the Franchised Business or any Craters &amp; Freighters Franchised Business to any Competitive Business, by direct or indirect inducement or otherwise. You may not attempt to endorse, or enter into any business competing in whole or in part with us in granting franchisors or licenses, or establishing joint ventures, for Competitive Businesses.</p>
s.	Modification of the agreement	Section 25.1	No modifications except by agreement but Operations Manuals subject to change.
t.	Integration/merger clause	Section 25.1	Only the terms of the Franchise Agreement are binding (subject to state laws). Any representations or promises outside the disclosure document and franchise agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim our representations in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Sections 23.2 and 23.3	Except for certain claims, all disputes may be subject to mediation and then arbitrated in Denver, Colorado, subject to state law.
v.	Choice of forum	Section 23.1	Litigation must be in Colorado, subject to applicable state law.

Item	Provision	Section in Franchise Agreement	Summary
w.	Choice of law	Section 23.1	Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, Colorado law applies, subject to applicable state law.

## **ITEM 18 PUBLIC FIGURES**

There is no compensation or other benefits given or promised to any public figure arising from either the use of the public figure in the name or symbol of the Franchise or the endorsement or recommendation of the Franchise by the public figure in advertisements. Also, you do not have any right to use the name of a public figure or celebrity in your promotional efforts and advertising.

## **ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlet. We also do not authorize our employees or representative to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our Chief Executive Officer, Matthew Schmitz, Craters & Freighters Franchise Co., 331 Corporate Circle, Suite J, Golden, CO 80401, 303-399-8190, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**System-wide Outlet Summary**  
**For Years 2022 to 2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	64	64	0
	2023	64	64	0
	2024	64	65	+1
Company-Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlets	<b>2022</b>	<b>64</b>	<b>64</b>	<b>0</b>
	<b>2023</b>	<b>64</b>	<b>64</b>	<b>0</b>
	<b>2024</b>	<b>64</b>	<b>65</b>	<b>+1</b>

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

State	Year	Number of Transfers
Arizona	2022	1
	2023	0
	2024	0
Arkansas	2022	1
	2023	0
	2024	0
Massachusetts	2022	0
	2023	1
	2024	0
New Jersey	2022	0
	2023	0
	2024	2
New York	2022	0
	2023	0
	2024	1
Ohio	2022	0
	2023	0
	2024	1

State	Year	Number of Transfers
Washington	2022	0
	2023	0
	2024	1
TOTAL	2022	2
	2023	1
	2024	5

**Table No. 3**

**Status of Franchised Outlets**  
**For Years 2022 to 2024**

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Alabama	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Arizona	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Arkansas	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
California	2022	8	0	0	0	0	0	8
	2023	8	0	0	0	0	0	8
	2024	8	1	0	0	0	0	9
Colorado	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
District of Columbia	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1*	0
	2024	0	0	0	0	0	0	0
Florida	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
	2024	6	0	0	0	0	0	6
Georgia	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Illinois	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Indiana	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Louisiana	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Maryland	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Massachusetts	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Michigan	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Mississippi	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Missouri	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Nebraska	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Nevada	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
New Jersey	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
New York	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
North Carolina	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Ohio	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Oklahoma	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Oregon	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Pennsylvania	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Rhode Island	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
South Carolina	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Tennessee	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Texas	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
Utah	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Virginia	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Washington	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Wisconsin	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
TOTAL	2022	64	0	0	0	0	0	64
	2023	64	0	0	0	0	0	64
	2024	64	1	0	0	0	0	65

\*This franchised business was consolidated into an existing franchised business operated by the same franchisee.

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2022 to 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
TOTAL	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

**Table No. 5**  
**Projected Openings as of**  
**December 31, 2024 for 2025**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company Owned Outlets in the Current Fiscal Year
Minnesota	0	1	0
New York	0	1	0
<b>TOTAL</b>	<b>0</b>	<b>2</b>	<b>0</b>

The name of each of our franchisees and the address and telephone number of each of their outlets is set forth in **Exhibit C**. The name and last known address and telephone number of every franchisee who has had a Franchise Agreement terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the fiscal year ended December 31, 2024, or who has not communicated with us within 10 weeks of the date of this Franchise Disclosure Document is listed on **Exhibit D** to this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

No trademark-specific franchisee organization exists that is associated with the franchise system being offered.

**ITEM 21**  
**FINANCIAL STATEMENTS**

Attached to this Franchise Disclosure Document as **Exhibit E** are our audited financial statements as of December 31, 2024, December 31, 2023, and December 31, 2022. Our fiscal year end is December 31<sup>st</sup>. Also attached to this Franchise Disclosure Document as **Exhibit E** is our unaudited balance sheet and income statement as of February 28, 2025.

**ITEM 22**  
**CONTRACTS**

Attached are the following agreements proposed for use in connection with our offering of Franchised Businesses:

**Exhibit:**

**F**      Franchise Agreement

Attachment A: Territory, Initial Franchise Fee, and Premises

Attachment B: Minimum Performance Standards and Minimum Monthly Royalty Fees

Attachment C: EFT Authorization Form

Attachment D: Form of Collateral Assignment of Lease and Addendum

Attachment E: Owner's Guaranty & Assumption of Franchisee's Obligations

Attachment F: Confidentiality and Non-Competition Agreement

**G**      State Specific Addendum to the Franchise Disclosure Document and Franchise Agreement

**H**      Statement of Franchisee

## **ITEM 23** **RECEIPTS**

The last two pages of the Franchise Disclosure Document (following the exhibits and attachments) are receipt pages acknowledging your receipt of the Franchise Disclosure Document. One copy is for your records, and one copy must be signed and dated by you and returned to us.

***EXHIBIT A***

***List of State Agencies and Agents for Service of Process***

***Exhibit A***

***List of State Administrators and Agents for Service of Process***

<b>STATE</b>	<b>STATE ADMINISTRATOR</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b>CALIFORNIA</b>	Department of Financial Protection & Innovation One Sansome Street, Suite 600 San Francisco, CA 94104 415-972-8559 1-866-275-2677	Commissioner of Financial Protection & Innovation 320 West 4th Street, Suite 750 Los Angeles 90013-2344 1-866-275-2677
<b>CONNECTICUT</b>	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 860-240-8230	Connecticut Banking Commissioner Same Address
<b>FLORIDA</b>	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	Same
<b>GEORGIA</b>	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 404-656-3790	Same
<b>HAWAII</b>	Dept. of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722	Commissioner of Securities of the State of Hawaii Dept. of Commerce and Consumer Affairs Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
<b>ILLINOIS</b>	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
<b>INDIANA</b>	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
<b>IOWA</b>	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>KENTUCKY</b>	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389	Same
<b>LOUISIANA</b>	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 504-342-7013 (gen. info.) 504-342-7900	Same
<b>MAINE</b>	Department of Business Regulations State House - Station 35 Augusta, ME 04333 207-298-3671	Same
<b>MARYLAND</b>	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
<b>MICHIGAN</b>	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 525 W. Ottawa Street G. Mennen Williams Building, 1 <sup>st</sup> Floor Lansing, MI 48913 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
<b>MINNESOTA</b>	Minnesota Department of Commerce Securities Section 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101 651-539-1600	Minnesota Commissioner of Commerce Same Address
<b>NEBRASKA</b>	Department of Banking and Finance 1230 "O" Street, Suite 400 Lincoln, NE 68508 P.O. Box 95006 Lincoln, Nebraska 68509-5006 Tele: 402-471-2171	Same
<b>NEW HAMPSHIRE</b>	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641	Same
<b>NEW YORK</b>	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Fl New York, NY 10005 212-416-8222	Secretary of State 99 Washington Avenue Albany, New York 12231

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>NORTH CAROLINA</b>	Secretary of State's Office/Securities Division 2 South Salisbury Street Raleigh, NC 27601 919-733-3924	Secretary of State Secretary of State's Office Same Address
<b>NORTH DAKOTA</b>	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140	North Dakota Securities Commissioner Same Address
<b>OHIO</b>	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 614-466-8831 or 800-282-0515	Same
<b>OKLAHOMA</b>	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 405-521-2451	Same
<b>OREGON</b>	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 503-378-4387	Director Department of Insurance and Finance Same Address
<b>RHODE ISLAND</b>	Rhode Island Department of Business Regulation Securities Division John O. Pastore Center – Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 401-222-3048	Director, Rhode Island Department of Business Regulation Same address
<b>SOUTH CAROLINA</b>	Secretary of State P.O. Box 11350 Columbia, SC 29211 803-734-2166	Same
<b>SOUTH DAKOTA</b>	South Dakota Department of Labor and Regulation Division of Insurance, Securities Regulation 124 S Euclid, Suite 104 Pierre, SD 57501 605-773-3263	Director of the South Dakota Division of Insurance, Securities Regulation Same Address
<b>TEXAS</b>	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601 FAX:801-530-6001	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9 <sup>th</sup> Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9051
WASHINGTON	Department of Financial Institutions Securities Division PO Box 41200 Olympia WA 98504-1200 360-902-8762	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501
WISCONSIN	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities Same Address

***EXHIBIT B***

***Table of Contents  
of Operations Manual***



# OPERATIONS MANUAL

## TABLE OF CONTENTS

Total pages: 119

<b>CHAPTER 1</b>	Pickup & Delivery	4
<b>CHAPTER 2</b>	Crating & Packaging	32
<b>CHAPTER 3</b>	Domestic Transportation	9
<b>CHAPTER 4</b>	International	5
<b>CHAPTER 5</b>	House Bill & Bill of Lading	8
<b>CHAPTER 6</b>	Cargo Insurance	16
<b>CHAPTER 7</b>	Pricing	4
<b>CHAPTER 8</b>	Customer Service	5
<b>CHAPTER 9</b>	Accounting	12
<b>CHAPTER 10</b>	Royalties	5
<b>CHAPTER 11</b>	Network Utilization	7
<b>CHAPTER 12</b>	Commercial Insurance	2
<b>CHAPTER 13</b>	System Standards	9

***EXHIBIT C***

***List of Current Franchisees***

## EXHIBIT C

### ALABAMA

066 05/02/13

**Birmingham/Tuscaloosa, Alabama / Russ & Jennifer Connally**  
Mailing: 131 Jones Blvd., La Vergne, TN 37086  
200 Midstate Dr., Brent, AL 35034  
Phone: 205-633-9955 / Fax: 205-633-5111

### ARIZONA

006 01/18/93

**Phoenix, Arizona / Sumit & Kamal Walia**  
1837 N. 23<sup>rd</sup> Ave., Ste. A Phoenix, AZ 85009  
Phone: 480-966-9929 / Fax: 480-966-0992

### ARKANSAS

042 06/01/00

**Little Rock, Arkansas / Spencer Clemons**  
6621 Geyer Springs Rd., Ste. P, Little Rock, AR 72209  
Phone: 501-791-2860 / Fax: 501-791-2861

### CALIFORNIA

052 11/14/03

**Eastern Los Angeles, California / Sako Berberian**  
264 Spazier Avenue, Burbank, CA 91502  
Phone: 818-244-4099 / Fax: 919-244-4108

045 08/22/01

**Los Angeles, California / Sako Berberian**  
264 Spazier Avenue, Burbank, CA 91502  
Phone: 818-244-4099 / Fax: 919-244-4108

070 09/05/18

**Oakland-East Bay, California / Monty Smith**  
2124 Zanker Road, San Jose, CA 95131  
Phone: 818-244-4099 / Fax: 919-244-4108

073 10/29/24

**Sacramento, California / Matt Long**  
2930 Ramona Ave., Ste 400, Sacramento, CA 95826  
Phone: 916583-7741

023 09/01/97

**Southern California, California / Paul Eagleton**  
Mailing: 1650 Helm Dr., Ste 700, Las Vegas, NV 89119  
Du Bridge Ave., Irvine, CA 92606  
Phone: 949-252-1555 / Fax: 714-279-1558

067 07/08/19

**San Bernardino, California / Paul Eagleton**  
Mailing: 1650 Helm Dr., Ste 700, Las Vegas, NV 89119  
Phone: 949-252-1555 / Fax: 702-739-8906

011 12/10/93

**San Diego, California / Keith Blum**  
6500 Federal Boulevard, Lemon Grove, CA 91945  
Phone: 619-265-1896 / Fax: 619-265-0521

070 09/05/18

**San Francisco, California / Monty Smith**  
2124 Zanker Road, San Jose, CA 95131  
Phone: 818-244-4099 / Fax: 919-244-4108

034	01/29/98	<b>Santa Clara Valley, California / Monty Smith</b> 2124 Zanker Road, San Jose, CA 95131 Phone: 408-392-9722/ Fax: 408-392-9752
<b><u>COLORADO</u></b>		
010	11/05/93	<b>Colorado Springs, Colorado / Reinhardt &amp; Joel Broszat and Jason Garner</b> 500 Burbank Street, Unit C, Broomfield, CO 80020 Phone: 719-444-8846 / Fax: 303-661-0996
001	06/26/90	<b>Denver, Colorado / Dick &amp; Sharon Simpson and Scott Simpson</b> 14401 E. 33 <sup>rd</sup> Pl., Unit A, Aurora, CO 80011 Phone: 303-393-7633 / Fax: 303-393-1011
012	05/26/94	<b>Northern Colorado / Reinhardt &amp; Joel Broszat and Jason Garner</b> 500 Burbank Street, Unit C, Broomfield, CO 80020 Phone: 719-444-8846 / Fax: 303-661-0996
<b><u>FLORIDA</u></b>		
027	11/12/97	<b>Jacksonville, Florida / Phil Golden and Tim Evans</b> 14476 Duval Place, West #705, Jacksonville, FL 32218 Phone: 904-733-1959 / Fax: 904-733-1982
043	03/05/01	<b>Orlando, Florida / Stan Baillargeon</b> 3718 Mercy Star Ct., Ste. 100, Orlando, FL 32808 Phone: 407- 854-0404 / Fax: 407-854-0256
056	02/01/06	<b>Miami/Ft. Lauderdale / Russ Galik &amp; Joe Gronas</b> 2089 N. Powerline Rd., #1, Pompano Beach, FL 33069 Phone: 954-917-4929 / Fax: 954-917-7532
067	12/13/16	<b>Pensacola, Florida / Steven R. Shiver &amp; Chris Shiver</b> 4360 Floridatown Rd., Pace, FL 32571 Phone: 850-471-8844 / Fax: 820-361-3434
015	10/01/95	<b>Southwest Florida / Gary &amp; Evelyn McKinley</b> 1136 Pine Island Rd., Suite #71, Cape Coral, FL 33909 Phone: 941-772-3100 / Fax: 941-772-3180
035	05/01/98	<b>Tampa, Florida / David &amp; Maribeth Amos</b> 1185 Gooden Crossing, Unit C, Largo, FL 33778 Phone: 813-889-9008 / Fax: 813-884-8393
<b><u>GEORGIA</u></b>		
004	08/27/92	<b>Atlanta, Georgia / Robert Yokley &amp; Brett Stotler</b> 3599 Cantrell Industrial Ct. NW, Acworth, GA 30101 Phone: 678-819-5502 / Fax: 678-819-5506
<b><u>ILLINOIS</u></b>		
036	07/11/98	<b>Northern Chicago / Glenn Vanderveld</b> 151 W Crossroads Pkwy, Bolingbrook, IL 60440 Phone: 815-609-7201 / Fax: 815-609-7203

071 11/09/18 **Southern Chicago / Glenn Vanderveld**  
151 W Crossroads Pkwy, Bolingbrook, IL 60440  
Phone: 815-609-7201 / Fax: 815-609-7203

**INDIANA**  
063 09/21/11 **Indianapolis / Steve Miller**  
4193 Englewood Dr., Indianapolis, IN 46226  
Phone: 317-577-0800 / Fax: 317-578-8222

**LOUISIANA**  
007 02/22/93 **New Orleans, Louisiana / Jim Caradine**  
1417 Edward Ave., Suite B, New Orleans, LA 70123  
Phone: 504-733-6180 / Fax: 504-733-3679

**MARYLAND**  
057 03/27/06 **Baltimore, Maryland / Dan Schaeffer**  
3620 Commerce Dr., Ste. 701, Halethorpe, MD 21227  
Phone: 410-987-0270 / Fax: 410-729-0711

**MASSACHUSETTS**  
051 08/13/03 **Boston, Massachusetts / Rick Cannata**  
282 Central St., Ste. 1, Dock 11, Hudson, MA 01749  
Phone: 508-894-0123 / Fax: 339-230-0481

062 10/29/09 **Worcester / Springfield, Massachusetts / Rick Cannata**  
282 Central St., Ste. 1, Dock 11, Hudson, MA 01749  
Phone: 401-334-3011 / Fax: 401/334-3012

**MICHIGAN**  
060 05/04/07 **Detroit / Dave Price**  
1341 Wanda St., Ferndale, MI 48220  
Phone: 586-268-4102 / Fax: 586-268-4170

**MISSISSIPPI**  
024 09/05/97 **Gulfport/Mobile, Mississippi / Jim Caradine**  
1417 Edwards Ave., Suite B, New Orleans, LA 70123  
Phone: 228-864-1465 / Fax: 228-864-7818

**MISSOURI**  
019 11/23/20 **Kansas City, Missouri / John Bower**  
1201 Erie St., N. Kansas City, MO 64116  
Phone: 816-505-2223 / Fax: 816-505-3363

002 08/01/91 **St. Louis, Missouri / Dave Amos, Brett Stotler & Robert Yokley**  
1083 N. Warson Rd., St Louis, MO 63132  
Phone: 314-770-0855 / Fax: 314-770-2335

**NEBRASKA**  
054 03/17/04 **Eastern Nebraska / Mikie Jones**  
4227 North 21<sup>st</sup> Street, Omaha, NE 68110  
Phone: 402-334-5454 / Fax: 402-334-5459

**NEVADA**

020 07/08/97

**Las Vegas, Nevada / Paul Eagleton**  
1650 Helm Drive, #700, Las Vegas, NV. 89119  
Phone: 702-739-8900 / Fax: 702-739-8906

**NEW JERSEY**

046 08/03/01

**Central New Jersey / Ibraheim Campbell**  
333 Cedar Ave., Middlesex, NJ 08846  
Phone: 732-563-9200 / Fax: 732-563-2221

049 11/01/02

**Northern New Jersey / Ibraheim Campbell**  
333 Cedar Ave., Middlesex, NJ 08846  
Phone: 732-563-9200 / Fax: 732-563-2221

**NEW YORK**

059 05/03/07

**Manhattan / Queens / Ibraheim Campbell**  
333 Cedar Ave., Middlesex, NJ 08846  
Phone: 732-563-9200 / Fax: 732-563-2221

**NORTH CAROLINA**

008 08/01/93

**Charlotte, North Carolina / Evan Lennon**  
Mailing: P.O. Box 98895, Raleigh, NC 27624  
733 Bealer Road, Charlotte, NC 28208  
Phone: 704-331-0080 / Fax: 704-331-0063

028 11/17/97

**Raleigh/Durham, North Carolina / Evan Lennon**  
Mailing: P.O. Box 98895, Raleigh, NC 27624  
3400 Lake Woodard Dr., Raleigh, NC 27604  
Phone: 919-662-7283 / Fax: 336-852-7992

029 11/17/97

**Winston/Salem, North Carolina / Evan Lennon**  
Mailing: P.O. Box 98895, Raleigh, NC 27624  
3400 Lake Woodard Dr., Raleigh, NC 27604  
Phone: 919-662-7283 / Fax: 336-852-7992

**OHIO**

037 07/19/98

**Cincinnati/Dayton, Ohio / John Bower**  
140 Industrial Drive, Franklin, OH 45005  
Phone: 614-899-7340 / Fax: 614-889-7532

017 08/05/96

**Cleveland, Ohio / Patti Hrabik**  
1277 East Schaaf Road, Suite 1, Brooklyn Heights, OH 44131  
Phone: 216-749-3390 / Fax: 216-749-3385

031 12/23/97

**Columbus Ohio / Dewey Allen, Jeffrey Allen, & Elizabeth Allen**  
6575 Huntly Road, Unit D, Columbus, OH 43229  
Phone: 614-899-7340 / Fax: 614-899-7532

**OKLAHOMA**

040 08/17/99

**Tulsa, Oklahoma / Rick & Todd Arlan**  
5400 S. Garnett Road, Tulsa, OK 74146  
Phone: 918-447-9600 / Fax: 918-447-9606

**OREGON**

038 04/27/99

**Portland, Oregon / Rob Herman**

5849 NW Cornelius Pass Road, Hillsboro, OR 97124

Phone: 503-439-9497 / Fax: 503-439-1755

**PENNSYLVANIA**

058 04/03/06

**Central Harrisburg, Pennsylvania / Brent Shoemaker & Terry Hetrick**

Mailing: P.O. Box 176, Perkiomenville, PA 18074

Phone: 215-234-8090 / Fax: 610-397-0878

068 03/14/18

**Lehigh Valley, Pennsylvania / Brent Shoemaker & Terry Hetrick**

Mailing: P.O. Box 176, Perkiomenville, PA 18074

Phone: 215-234-8090 / Fax: 610-397-0878

009 08/01/93

**Philadelphia, Pennsylvania / Brent Shoemaker & Terry Hetrick**

Mailing: P.O. Box 176, Perkiomenville, PA 18074

Phone: 215-234-8090 / Fax: 610-397-0878

064 05/30/12

**Pittsburgh / Paul McMorrow**

220 Commerce Park Drive, Cranberry Township, PA 16066

Phone: 724-776-2728 / Fax: 724-776-2719

**RHODE ISLAND**

055 04/08/05

**Providence, Rhode Island / Dennis Burns**

1226 Mendon Road, Cumberland, RI 02864

Phone: 401-334-3011 / Fax: 401-334-3012

**SOUTH CAROLINA**

072 01/10/23

**Columbia, Charleston, Myrtle Beach, South Carolina / Sri Rao**

1617 St. Andrews Terrace Road, Columbia, SC 29210

Phone: 803-667-9554

**TENNESSEE**

047 10/05/01

**Memphis, Tennessee / Kim Doehring, Jose Chacon & Luis Bernall**

Mailing: P.O. Box 30995, Memphis, TN 38130

Phone: 901-795-0009 / Fax: 901-795-2666

021 08/02/97

**Nashville, Tennessee / Russ & Jennifer Connelly**

131 Jones Boulevard, La Vergne, TN 37086

Phone: 615-777-7447 / Fax: 615-777-7448

**TEXAS**

022 08/08/97

**Austin, Texas / Russ & Jennifer Connelly.\***

421 Commercial Drive, Buda, TX 78610

Phone: 512-326-1627 / Fax: 512/295-5194

005 09/19/92

**Dallas, Texas / Tony Alleman, Choyet Terro & Don Theriot**

5535 Military Pkwy., Dallas, TX 75227

Phone: 972-840-8147 / Fax: 972-840-3171

013	12/15/94	<b>Fort Worth, Texas / Tony Alleman, Choyet Terro &amp; Don Theriot</b> 5535 Military Pkwy., Dallas, TX 75227 Phone: 817-496-5055 / Fax: 972-840-3171
003	08/01/92	<b>Houston, Texas / Tony Alleman, Choyet Terro &amp; Don Theriot</b> 6100 West By Northwest Blvd., Suite 160, Houston, TX 77040 Phone: 713-467-6311 / Fax: 713-467-1178
030	11/26/97	<b>San Antonio, Texas / Russ &amp; Jennifer Connally*</b> 421 Commercial Drive, Buda, TX 78610 Phone: 512-326-1627 / Fax: 512/295-5194

**UTAH**

026	11/04/97	<b>Salt Lake City, Utah / Mike Gygi &amp; Ryan GyGi</b> 721 South 5500 West, Salt Lake City, UT 84104 Phone: 801-519-6922 / Fax: 801-931-5412
-----	----------	---

**VIRGINIA**

048	09/03/02	<b>Washington, D.C. / David Levine</b> 113 Executive Dr., Ste.131, Sterling, VA 20166 Phone: 703-796-0180 / Fax: 703-796-0181
053	12/30/03	<b>Richmond, Virginia / Paul Puletti</b> 1616 Elmdale Ave., Richmond, VA 23224 Phone: 804-778-4455 / Fax: 804-777-9933
050	06/30/03	<b>Southeast Virginia / Alan Foster, Jennifer Foster &amp; Sidney Fulford</b> 713 Fenway Ave., Suite A, Chesapeake, VA 23323 Phone: 757-548-5557 / Fax: 757-548-5559

**WASHINGTON**

016	04/01/96	<b>Seattle, Washington / Faraz Bala</b> 6649 South 216 <sup>th</sup> Street, Kent, WA 98032 Phone: 253-872-6869 / Fax: 252-872-6829
-----	----------	---

**WISCONSIN**

065	12/28/20	<b>Milwaukee, Wisconsin / Curtis Semph, John Vallone, &amp; Kelly Preuss</b> N69 W 25055 Indian Grass Lane, Ste. P, Sussex, WI 53089 Phone: 262-246-0080 / Fax: 262-246-0083
-----	----------	--

\*The transfer of this Franchised Business occurred in 2025 and is therefore not reflected in ITEM 20.

***EXHIBIT D***

***List of Former Franchisees***

***Exhibit D***

***List of Former Franchisees***

List of franchisees who had an outlet terminated, cancelled, transferred, not renewed or otherwise voluntarily or involuntarily ceased to do business during the fiscal year which ended December 31, 2024, or who have not communicated with us within 10 weeks of the date of this Franchise Disclosure Document:

Kawaljit Singh  
6649 S. 216<sup>th</sup> St.  
Kent, WA 98032

Tom & Loree Raia  
673 Cedarbrook Road  
Bridgewater, NJ 08807  
Phone: 732-489-3466  
and  
Robert Poirier  
17 Colonel Evans Dr.  
Morristown, NJ 07960  
Phone: 347-993-3269

This franchisee transferred one franchise territory but remains in the system:

Dewey, Jeffery & Elizabeth Allen  
6575 Huntley Rd. Unit C  
Columbus, OH 43229  
Phone: 614-206-5744

This franchisee was a minority owner in a franchisee entity that continues to operate in the system:

Thomas Glover  
Phone: 334-507-3650

This franchisee transferred two franchise territories on February 3, 2025, and is no longer in the system:

Jackie & Clarke Erskine  
421 Commercial Drive  
Buda, TX 78610  
Phone: 512-294-6224

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

***EXHIBIT E***

***Financial Statements***

## UNAUDITED FINANCIALS

**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT.**

**PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS / HER OPINION WITH REGARD TO THE CONTENT OR FORM**

**Craters & Freighters Franchise Company**  
**Balance Sheet**

**As of February 28,**

**2025**

**Current Assets:**

Cash and Cash Equivalents	\$ 4,726,421
Marketable Securities - At Fair Market Value	828,311
Accounts Receivable	645,690
Other Current Assets	254,918
<b>Total Current Assets</b>	<b>6,455,340</b>

<b>Property and Equipment - Net</b>	<b>153,677</b>
-------------------------------------	----------------

<b>Other Assets</b>	<b>450,574</b>
---------------------	----------------

<b>TOTAL ASSETS</b>	<b><u>\$ 7,059,591</u></b>
---------------------	----------------------------

**Current Liabilities:**

Accounts Payable	\$ 218,691
Other Current Liabilities	118,295
<b>Total Current Liabilities</b>	<b>336,986</b>

<b>Shareholder's Equity</b>	<b>6,722,605</b>
-----------------------------	------------------

<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>\$ 7,059,591</u></b>
-------------------------------------	----------------------------

**Craters & Freighters Franchise Company**  
**Statement of Operations**

<u>Period Ended February 28,</u>	2025	
	<u>Amount</u>	<u>% of Rev</u>
<b>Revenues</b>	\$ 1,051,653	100.0%
<b>Costs of Revenues</b>	596,482	56.7%
<b>Gross Profit</b>	<u>455,171</u>	<u>43.3%</u>
<b>General and Administrative Expenses</b>	231,122	22.0%
<b>Income from Operations</b>	<u>224,049</u>	<u>21.3%</u>
<b>Other Income, Net</b>	49,087	4.7%
<b>NET INCOME</b>	<u><u>\$ 273,136</u></u>	<u><u>26.0%</u></u>

# Craters & Freighters Franchise Company

[Audited Financial Statements](#)

Years Ended December 31, 2024 and 2023



*Expertise that Delivers.*

**WIPFLI**

## Independent Auditor's Report

To the Board of Directors  
Craters & Freighters Franchise Company  
Golden, Colorado

### Opinion

We have audited the accompanying financial statements of Craters & Freighters Franchise Company (the "Company"), which comprise the accompanying balance sheets as of December 31, 2024 and 2023, and the related accompanying statements of operations, shareholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Craters & Freighters Franchise Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

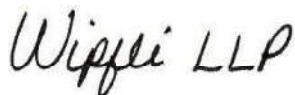
### Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

The logo consists of the word "Wipfli" in a stylized, cursive script font, with "LLP" in a smaller, all-caps, sans-serif font to the right.

Wipfli LLP

St. Louis, Missouri

March 26, 2025

# Craters & Freighters Franchise Company

## Balance Sheets

<i>As of December 31,</i>	2024	2023
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 5,342,958	\$ 6,991,649
Marketable Securities - At Fair Market Value	780,245	634,869
Accounts Receivable - Net of Allowance for Credit Losses of \$20,000 and \$50,000, Respectively	702,206	569,660
Other Receivable	132,658	-
Notes Receivable	11,662	-
Prepaid Expenses	234,686	201,226
Inventories	7,592	-
<b>Total Current Assets</b>	<b>7,212,007</b>	<b>8,397,404</b>
<b>Property and Equipment - At Cost:</b>		
Office Equipment	102,860	80,613
Furniture and Fixtures	19,863	19,863
Leasehold Improvements	11,415	11,415
Vehicles	202,688	202,688
	336,826	314,579
Less: Accumulated Depreciation	(175,649)	(133,628)
<b>Property and Equipment - Net</b>	<b>161,177</b>	<b>180,951</b>
<b>Other Assets:</b>		
Software Development - Net of Accumulated Amortization of \$434,154 and \$317,185, Respectively	197,251	153,931
Due from Related Party	-	356,391
Notes Receivable	5,329	-
Note Receivable - Former Employee	160,000	160,000
Right-of-Use Asset - Operating Lease	56,053	130,071
Deposits	12,546	12,546
<b>Total Other Assets</b>	<b>431,179</b>	<b>812,939</b>
<b>TOTAL ASSETS</b>	<b>\$ 7,804,363</b>	<b>\$ 9,391,294</b>

# Craters & Freighters Franchise Company

## Balance Sheets (Continued)

<i>As of December 31,</i>	2024	2023
<b>Current Liabilities:</b>		
Accounts Payable	\$ 1,181,960	\$ 1,061,526
Accrued Wages and Other Liabilities	32,282	1,790
Due to Related Party	65,000	-
Operating Lease Liability - Due Within One Year	65,249	76,496
<b>Total Current Liabilities</b>	<b>1,344,491</b>	<b>1,139,812</b>
<b>Long Term Liabilities:</b>		
Due to Shareholder	-	2,769,688
Operating Lease Liability - Due After One Year	-	67,655
<b>Total Long-Term Liabilities</b>	<b>-</b>	<b>2,837,373</b>
<b>Total Liabilities</b>	<b>1,344,491</b>	<b>3,977,155</b>
<b>Shareholder's Equity</b>		
Common Stock, No Par Value; 1,000,000 Shares		
Authorized; 1,000,000 Shares Issued and Outstanding	100	100
Additional Paid-in Capital	800	800
Retained Earnings	6,458,972	5,413,239
<b>Total Shareholder's Equity</b>	<b>6,459,872</b>	<b>5,414,139</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>\$ 7,804,363</b>	<b>\$ 9,391,294</b>

See accompanying notes to financial statements.

# Craters & Freighters Franchise Company

## Statements of Operations

Years Ended December 31,	2024		2023	
	Amount	%	Amount	%
<b>Revenues</b>				
Franchise Revenues	\$ 1,791,736	30.1 %	\$ 2,101,299	32.2 %
Royalty Revenues, net of Royalty Rebates	4,048,135	68.2	4,232,547	66.4
Initial Franchise Fee and Transfer Fee Revenue	98,255	1.7	39,000	1.4
<b>Total Revenues</b>	<b>5,938,126</b>	<b>100.0</b>	<b>6,372,846</b>	<b>100.0</b>
<b>Costs of Revenues</b>				
Franchise Support	2,036,715		1,519,545	
Advertising	957,288		951,719	
Insurance Program	733,842		737,736	
Technology Support	95,025		59,866	
<b>Total Costs of Revenues</b>	<b>3,822,870</b>	<b>64.4 %</b>	<b>3,268,866</b>	<b>51.2 %</b>
<b>Gross Profit</b>	<b>2,115,256</b>	<b>35.6 %</b>	<b>3,103,980</b>	<b>48.8 %</b>
<b>General and Administrative Expenses</b>				
Depreciation and Amortization	158,990		128,123	
Credit Losses (Recovery)	(30,000)		10,000	
Bank Charges	11,002		5,271	
Donations	57,300		57,863	
Dues and Subscriptions	5,273		1,553	
Employee Benefits	12,158		12,081	
Equipment	31,246		42,542	
Insurance	75,629		75,156	
Legal and Professional Fees	328,824		216,207	
Office Supplies	30,584		104,945	
Rent	81,856		94,143	
Repairs and Maintenance	164,272		11,668	
IT and Software	121,168		52,324	
Taxes and Licenses	1,978		1,978	
Telephone and Utilities	45,458		63,012	
Travel and Entertainment	67,796		25,568	
<b>Total General and Administrative Expenses</b>	<b>1,163,534</b>	<b>19.6 %</b>	<b>902,434</b>	<b>14.1 %</b>
<b>Income from Operations</b>	<b>951,722</b>	<b>16.0 %</b>	<b>2,201,546</b>	<b>34.5 %</b>
<b>Other Income (Expense)</b>				
Shared Services Revenue	133,347		290,000	
Interest Income	110,402		19,711	
Interest Expense	(628)		-	
Investment Income	26,159		13,827	
Investment Expenses	(1,203)		(5,598)	
Gain on Sale of Marketable Securities	26		841	
Unrealized Holding Gain (Loss) on Marketable Securities	135,511		97,174	
Gain on Disposal of Property and Equipment	-		15,729	
<b>Other Income (Expense) - Net</b>	<b>403,614</b>	<b>6.8 %</b>	<b>431,684</b>	<b>6.8 %</b>
<b>NET INCOME</b>	<b>\$ 1,355,336</b>	<b>22.8 %</b>	<b>\$ 2,633,230</b>	<b>40.4 %</b>

See accompanying notes to financial statements.

**Craters & Freighters Franchise Company**  
**Statements of Shareholder's Equity**

	Common Stock		Additional		Total	
	Number of Shares	Amount	Paid-in Capital	Retained Earnings	Shareholder's Equity	
<b>Balance at January 1, 2023</b>	1,000,000	\$ 100	\$ 800	\$ 2,780,009	\$ 2,780,909	
Net Income	-	-	-	2,633,230	2,633,230	
<b>Balance at December 31, 2023</b>	1,000,000	100	800	5,413,239	5,414,139	
Shareholder Distributions	-	-	-	(309,603)	(309,603)	
Net Income	-	-	-	1,355,336	1,355,336	
<b>Balance at December 31, 2024</b>	1,000,000	\$ 100	\$ 800	\$ 6,458,972	\$ 6,459,872	

See accompanying notes to financial statements.

# Craters & Freighters Franchise Company

## Statements of Cash Flows

Years Ended December 31,	2024	2023
<b>Change in Cash and Cash Equivalents:</b>		
<b>Cash Flows from Operating Activities:</b>		
Net Income	\$ 1,355,336	\$ 2,633,230
<b>Adjustments to Reconcile Net Income to Net Cash and Cash Equivalents</b>		
From Operating Income:		
Amortization Expense	116,969	101,989
Depreciation Expense	42,021	26,134
Gain on Sale of Property and Equipment	-	(15,729)
Gain on Sale of Marketable Securities	(26)	(841)
Credit Losses (Recovery)	(30,000)	10,000
Non-Cash Lease Expense	1,087	1,865
Unrealized Holding (Gain) Loss on Marketable Securities	(135,511)	(97,174)
Reinvested Dividends	(14,734)	(13,827)
(Increase) Decrease in Assets:		
Accounts Receivable	(102,546)	138,330
Prepaid Expenses	(33,459)	(166,615)
Other Receivable	(132,658)	-
Inventories	(7,592)	-
Notes Receivable	(16,991)	-
(Decrease) Increase in Liabilities:		
Accounts Payable	120,434	(179,894)
Accrued Bonus	-	(132,340)
Accrued Wages and Other Liabilities	30,492	1,332
Due to Related Party	65,000	-
<b>Net Cash Flows from Operating Activities</b>	<b>1,257,822</b>	<b>2,306,460</b>
<b>Cash Flows from Investing Activities:</b>		
Investment in Software Development	(160,289)	(113,648)
Proceeds from Sale of Investments	83	77,025
Purchase of Investments	(1,160)	(71,427)
Payments from (Advances to) Related Party	356,391	(163,077)
Note Receivable - Former Employee	-	(100,000)
Purchase of Property and Equipment	(22,247)	(89,688)
<b>Net Cash Flows from Investing Activities</b>	<b>172,778</b>	<b>(460,815)</b>
<b>Cash Flows from Financing Activities:</b>		
Distributions to Shareholder	(309,603)	-
(Payments to) Advances from Shareholder	(2,769,688)	2,769,688
<b>Net Cash Flows from Financing Activities</b>	<b>(3,079,291)</b>	<b>2,769,688</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,648,691)</b>	<b>4,615,333</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>6,991,649</b>	<b>2,376,316</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 5,342,958</b>	<b>\$ 6,991,649</b>

See accompanying notes to financial statements.

# Craters & Freighters Franchise Company

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies

#### Nature of Operations

Craters & Freighters Franchise Company (the Company) was formed in September of 1991 in Colorado. The Company is a freight and shipping company that was organized to sell and administer franchises that offer a variety of packaging, crating, and freight forwarding services throughout the United States.

#### Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Accrual basis accounting recognizes revenue when earned and expenses when incurred.

#### Revenue Recognition

##### *Franchise Revenues*

Franchise revenues consist primarily of royalties, advertising, technology and insurance fund contributions, and initial franchise fees. Under franchise agreements, the Company generally provides franchisees with (a) a franchise license, which includes a license to use the Company's intellectual property, advertising and promotion management, technology platforms, and insurance services, (b) pre-opening services, and (c) ongoing services. As a practical expedient (as defined in ASC 952-606-25-2 *Revenue from Contracts with Customers, Recognition*), the Company accounts for its pre-opening services as a distinct service from the franchise license and ongoing services in a franchise agreement. Pre-opening services include (a) assistance in the selection of a site, (b) assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiations, (c) training of the franchisee's personnel or the franchisee, (d) preparation and distribution of manuals and similar material concerning operations, administration, and record keeping (e) bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes or about regulations affecting the franchisee's business, and (f) inspection, testing, and other quality control programs. The Company records these pre-opening services fees as initial franchise fee revenue upon satisfaction of the performance obligation, typically when the franchisee begins operations. During the years ended December 31, 2024 and 2023, the Company received initial franchise fee revenue of \$88,255 and \$39,000, respectively.

Royalties, including franchisee contributions to advertising funds, represent sales-based royalties and are calculated as a percentage of net sales reported by franchisees and recognized over time as franchisee sales occur. These revenues are presented within "royalties" and expenses incurred to provide these services are included within "franchisee support." Regarding advertising funds, under the new revenue standard, the Company has determined it acts as a principal of the franchisee advertising transactions, thus, revenue and expense are presented gross. These revenues are presented within "franchise revenues" and expenses incurred to provide these services are included within "advertising." When revenues of an advertising program exceed the related advertising expenses, advertising costs are accrued up to the amount of revenues on an annual basis.

# Craters & Freighters Franchise Company

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Revenue Recognition (Continued)

Franchise revenues relating to technology and insurance programs are recognized over time on a monthly basis as the franchisee utilizes the program features. These revenues are presented within “franchise revenues” and expenses incurred to provide these services are included within “technology support” and “insurance program.”

Costs to obtain or fulfill a contract that are incremental and recoverable are capitalized and amortized ratably over the term of the franchise agreement. The Company classifies these contract assets as “deferred franchising costs.” The Company did not have any notable deferred costs related to obtaining or fulfilling contracts as of December 31, 2024 and 2023.

Franchisees are eligible to participate in various royalty rebate programs. The rebate programs operate on an annual basis and each rebate is distributed to franchisee within 45 days following the year-end if the franchisee has met all eligibility requirements, as defined. Requirements include timely payment of royalties and submission of all reporting requirements as outlined in the underlying franchise agreement. The Company estimates royalty rebates payable totaling approximately \$1,072,297 and \$981,420 for the years ended December 31, 2024 and 2023, respectively. Royalty rebates are included in “accounts payable.”

The key factors affecting the amount, timing, and uncertainty of the Company's revenue include, among others: a reduced demand for freight and shipping services, an inability to hire and retain highly skilled technical personnel, dependence on key management personnel, and the current economic environment.

#### Cash and Cash Equivalents

For the purposes of these financial statements, the Company considers all investments with a maturity of three months or less when purchased and other highly liquid financial instruments to be cash and cash equivalents.

#### Marketable Securities

Marketable equity securities have a readily determinable fair value and are measured at fair value with changes in fair value reported in net income. Gains and losses on the sale of marketable equity securities are recorded on the trade date and determined using the specific identification method.

#### Financial Instruments

The Company's balance sheets include the following financial instruments: cash and cash equivalents, investments, accounts and notes receivable, and accounts payable. The Company considers the carrying amounts in the financial statements to approximate fair value for these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization.

# Craters & Freighters Franchise Company

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Concentration of Credit Risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, investments and accounts receivables.

#### Accounts and Notes Receivable

Accounts and notes receivable consist of current and past due franchise support fees and royalties. Late payments may be subjected to a one and a half percent interest fee per month on the total amount of late royalty payment. The Company received interest from royalty payments totaling \$3,424 and \$2,604 for the years ended December 31, 2024 and 2023, respectively.

At the Company's discretion, unpaid franchisee balances may be converted to a note receivable with payment terms between twenty-four and thirty-six months, accruing interest at six percent. As of December 31, 2024, there was \$16,991 in outstanding notes receivable from franchisees relating to unpaid balances, of which \$11,662 is due within one-year and \$5,329 is due in 12-24 months. As of December 31, 2023, there were no Franchisee accounts with past due balances converted to notes receivable. Default on notes receivable will result in a termination of the related franchise agreements between the Company and Franchisee.

#### Allowance for Credit Losses

The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the current expected credit losses. The estimate of the allowance for credit losses is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and expected changes during a reasonable and supportable forecast period. The Company uses an aging method to estimate allowances for credit losses. Management assesses collectability by pooling receivables with similar risk characteristics and evaluates receivables individually when specific customer balances no longer share those risk characteristics. Management of the Company has determined an allowance for credit losses of \$20,000 and \$50,000 is necessary at December 31, 2024 and 2023, respectively.

#### Inventories

All inventories are valued at the lower of cost or net realizable value using the last-in, first-out (LIFO) basis.

# Craters & Freighters Franchise Company

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Property and Equipment

Property and equipment are stated at cost. The costs of additions and betterments are capitalized and expenditures for repairs and maintenance are expensed in the years incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Depreciation of property and equipment is provided for in amounts sufficient to relate the cost of depreciable assets to operations over the following methods and estimated useful lives.

The useful lives of property and equipment for purposes of computing depreciation are:

Asset Group	Method	Years
Office Equipment	Straight-line	5 to 10
Furniture and Fixtures	Straight-line	5 to 10
Vehicles	Straight-line	5 to 7
Leasehold Improvements	Straight-line	Lesser of life of the asset or term of the lease

#### Long-Lived Assets

The Company reviews their long-lived assets periodically to determine potential impairment by comparing the carrying value of those assets with the estimated future undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future undiscounted cash flows be less than the carrying value, the Company would recognize an impairment loss at that time. No impairment loss was recognized in 2024 and 2023.

#### Income Taxes

The Company has elected to be taxed under the S-Corporation provisions of the Internal Revenue Code. No provision for income taxes is reflected in the financial statements since this is a personal liability of the shareholder.

#### Uncertain Tax Positions

The Company is a pass-through entity and any changes as the result of an examination by the IRS or the Colorado Department of Revenue would not have an impact at the entity level.

The Company has adopted FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. The Company will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and authoritative rulings.

# **Craters & Freighters Franchise Company**

## **Notes to Financial Statements**

---

### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Uncertain Tax Positions (Continued)**

The Company's evaluation on December 31, 2024 and 2023 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2020 through 2023 tax years remain subject to examination by the IRS. The Company does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

#### **Significant Judgments, Estimates and Assumptions**

The preparation of the financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions that effect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Uncertainty about accounting estimates and assumptions could result in outcomes that require material adjustments to the carrying amount of the assets or liabilities in future periods. Existing circumstances and assumptions about future developments, however, may change due to circumstances arising that are beyond the Company's control; such changes could materially affect future reported financial results.

#### **Compensated Absences**

Employees of the Company are entitled to paid vacation, paid sick days, and personal days off (PTO), depending on job classification, length of service, and other factors. Effective January 1, 2024, employees are allowed to carry over a maximum of 40 hours of unused PTO. As of December 31, 2024, the Company carried \$6,512 in unused PTO. Prior to January 1, 2024, the Company recognized the cost of compensated absences when actually paid to employees.

#### **Advertising**

The Company maintains and administers a national marketing fund for such marketing, advertising, and promotional programs as deemed necessary. The Company expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2024 and 2023 totaled \$957,288 and \$951,719, respectively.

# Craters & Freighters Franchise Company

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Leases

The Company is a lessee in a noncancelable operating lease. If the contract provides the Company the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Company has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. The ROU asset for finance leases is amortized on a straight-line basis over the lease term. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Company has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Company recognizes short-term lease cost on a straight-line basis over the lease term.

#### Subsequent Events

The Company has evaluated subsequent events through March 26, 2025, which is the date the financial statements were available to be issued.

### Note 2: Marketable Securities

FASB ASU No. 2016-01, Financial Instruments – Overall (Topic 825-10), addresses enhanced accounting for and reporting of financial instruments. The ASU addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The main provisions include: eliminating the requirement of classifying equity securities into different categories, measuring equity investments at fair value with unrealized gain and losses recognized in net income, simplifying the impairment assessment of equity investments within readily determinable fair values, and eliminating certain disclosures related to fair value. The Company adopted this standard effective January 1, 2019.

# Craters & Freighters Franchise Company

## Notes to Financial Statements

---

### Note 2: Marketable Securities (Continued)

As of December 31, 2024 and 2023, the following is a summary of the investment costs and fair value:

<i>December 31, 2024</i>	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
<b>Investments</b>				
Money Market Funds	\$ 13,787	\$ -	\$ -	\$ 13,787
Mutual Funds	11,685	-	(608)	11,077
Equities and Other Funds	357,138	398,243	-	755,381
	<b>\$ 382,610</b>	<b>\$ 398,243</b>	<b>\$ (608)</b>	<b>\$ 780,245</b>

<i>December 31, 2023</i>	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
<b>Investments</b>				
Money Market Funds	\$ 32,240	\$ -	\$ -	\$ 32,240
Mutual Funds	11,685	-	(1,500)	10,185
Equities and Other Funds	338,874	253,570	-	592,444
	<b>\$ 382,799</b>	<b>\$ 253,570</b>	<b>\$ (1,500)</b>	<b>\$ 634,869</b>

During 2024, The Company recognized \$135,537 of net gains and (losses) on investments in equity securities. Of that amount, \$135,511 was recognized on investments in equity securities held at December 31, 2024.

During 2023, the Company recognized \$98,015 of net gains and (losses) on investments in equity securities. Of that amount, \$97,174 was recognized on investments in equity securities held at December 31, 2023.

ASC 820, "Fair Value Measurement," provides a framework for measuring fair value of certain assets and liabilities and enhanced disclosures about how the fair value was determined based on the significant levels of inputs used to determine the fair value as follows:

- Level 1 Inputs: Quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs: Quoted prices in active markets for similar assets or liabilities and other external inputs that are observable.
- Level 3 Inputs: Unobservable inputs in which there is little or no market data, which requires the entity to develop its own assumptions.

The Company's investments in stocks, mutual funds, and exchange traded funds are valued using Level 1 inputs. The Company does not hold any investments using Level 2 or 3 inputs. There were no changes in the valuation methodology from the prior year.

# Craters & Freighters Franchise Company

## Notes to Financial Statements

---

### Note 3: Note Receivable - Former Employee

During 2022, the Company issued a long-term note receivable for \$160,000 to a now former employee for the purpose of covering educational costs. The note provides for monthly principal and interest payments of \$1,545, due December 2035, at an interest rate of 3%. As of December 31, 2024 and 2023, the balance of the note was \$160,000, of which the full balance is classified as a long-term asset as payments are scheduled to begin January 2026.

### Note 4: Software Development

Software development assets are carried at historical cost less accumulated amortization and any recognized impairment loss. Software development is amortized on a straight-line basis over three years. Amortization expense for the years ended December 31, 2024 and 2023 totaled \$116,969 and \$101,989, respectively.

Summary of software development as of December 31:

<i>As of December 31,</i>	2024	2023
Software Development Costs	\$ 631,405	\$ 471,116
Less: Accumulated Amortization	(434,154)	(317,185)
Software Development, Net	\$ 197,251	\$ 153,931

### Note 5: Line of Credit

The Company has a \$100,000 line of credit available with a bank. No advances were outstanding as of December 31, 2024 and 2023. The line of credit expires on December 17, 2025 and bears interest at the Daily SOFR rate plus 2.75%. The line is secured by a general business security agreement.

### Note 6: Related Party Transactions

The Company provides shared services and advances to a related party, Craters & Freighters Platinum, through common ownership. Total amounts paid to the Company for shared services during the year ended December 31, 2024 totaled \$175,268, of which, \$41,921 is shown in the financial statements as a reduction of rent expense. During the year ended December 31, 2023 total amounts paid to the Company for shared services totaled \$307,386, of which, \$17,386 is shown in the financial statements as a reduction of rent expense. As of December 31, 2024 and 2023, the Company was owed \$0 and \$356,391, respectively from Craters & Freighters Platinum. Due to the short-term nature of these borrowings, interest is not charged on the outstanding balance.

# Craters & Freighters Franchise Company

## Notes to Financial Statements

---

### Note 6: Related Party Transactions (Continued)

During the year ended December 31, 2024, the Company engaged in transactions with a company in which a board member holds a significant ownership interest. Total amount paid to this related party during the year ended December 31, 2024 was \$236,500 and total amount due at December 31, 2024 was \$65,000. During the year ended December 31, 2023 total amounts paid to this related party totaled \$84,713. No amounts were due at December 31, 2023. Management believes these services were provided in the normal course of business and were conducted on an arm's length basis.

During the year ended December 31, 2024, the Company engaged in transactions with another company in which a board member holds a significant ownership interest. Total amount paid to this related party during the year ended December 31, 2024 was \$223,381. During the year ended December 31, 2023 total amounts paid to this related party totaled \$108,340. No amounts were due to this related party at December 31, 2024 or 2023. Management believes these services were provided in the normal course of business and were conducted on an arm's length basis.

In December 2023, the Shareholder provided the Company \$5,000,000 to fund future investments. During the year ended December 31, 2023, the Shareholder took \$2,230,312 in distributions which has been offset against the Shareholder advance. At December 31, 2023, \$2,769,688 remained as a balance with a maturity date of January 1, 2026. The remaining balance of \$2,769,688 was paid in full during the year ended December 31, 2024. As of December 31, 2024, the amount due to shareholder was \$0.

### Note 7: Leases

The Company leases office space from a third party and the option to renew is based on the sole discretion of the lessor. The Company has not included an option to renew in the measurement of the ROU asset and lease liability as renewal is not reasonably certain to occur.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments.

Information on the operating lease as of and for the years ended December 31, 2024 and 2023, is as follows:

<i>As of December 31,</i>	2024	2023
Lease cost:		
Operating Lease Cost	\$ 52,971	\$ 59,437
Variable Lease Costs	28,885	34,706
<b>Total Lease Costs</b>	<b>\$ 81,856</b>	<b>\$ 94,143</b>
Remaining Lease Term	.75 Years	1.75 Years
Discount Rate	1.04 %	1.04 %

# Craters & Freighters Franchise Company

## Notes to Financial Statements

---

### Note 7: Leases (Continued)

Cash paid for amounts included in the measurement of lease liabilities for the years ended December 31, 2024 and 2023, is as follows:

	2024	2023
Operating Cash Flows from Operating Leases	\$ 77,763	\$ 75,513

Maturities of lease liabilities are as follows as of December 31, 2024:

<i>Years Ended December 31,</i>		
2025	\$ 65,475	
Total Lease Payments	65,475	
Less: Imputed Interest	(226)	
	\$ 65,249	

### Note 8: Cash Flows

The Company's cash flow was affected as follows:

	2024	2023
Non-Cash Property and Equipment Trade In Allowance	\$ -	\$ 77,000

During the year ended December 31, 2023, the Company traded in property and equipment with a net book value of \$97,271 for a reduction in price of new property and equipment. The Company recognized a gain of \$15,729.

### Note 9: Retirement Plan

The Company maintains a Savings Incentive Match Plan for Employees (SIMPLE), whereby the Company makes a matching contribution up to 3% of electing employees' compensation upon meeting age and length of service requirements. Contributions are made at the discretion of the Board of Directors. For the years ended December 31, 2024 and 2023, the Company elected to contribute \$16,166 and \$6,321, respectively.

Effective January 1, 2025, the Company established a 401(k) Retirement Plan (Plan) to replace the SIMPLE IRA plan. The Plan offers pre-tax and Roth contribution options for its participants. The Plan has a QACA Safe Harbor match feature equal to 100% of the first 1% of the participants' compensation plus 50% of the next 5% of the participants' compensation.

### Note 10: Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 presentation. The reclassifications primarily relate to the classification of certain general and administrative expense items. The change had no effect on the 2023 results of operations.

# **Craters & Freighters Franchise Company**

## **Notes to Financial Statements**

---

### **Note 11: Claims and Contingencies**

The Company is periodically involved in litigation arising in the ordinary course of business. Management is of the opinion that the ultimate resolution of any such matters will not have a material adverse effect on the Company's financial position or results of operations.

### **Note 12: Risks and Uncertainties**

The Company invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

# Craters & Freighters Franchise Company

[Audited Financial Statements](#)

Years Ended December 31, 2023 and 2022



*Expertise that Delivers.*

**WIPFLI**

## Independent Auditor's Report

To the Board of Directors  
Craters & Freighters Franchise Company  
Golden, Colorado

### Opinion

We have audited the accompanying financial statements of Craters & Freighters Franchise Company (the "Company"), which comprise the accompanying balance sheets as of December 31, 2023 and 2022, and the related accompanying statements of operations, shareholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Craters & Freighters Franchise Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

The logo consists of the word "Wipfli" in a stylized, cursive script font, with "LLP" in a smaller, all-caps, sans-serif font to the right.

Wipfli LLP

Denver, Colorado

April 10, 2024

# Craters & Freighters Franchise Company

## Balance Sheets

<i>As of December 31,</i>	2023	2022
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 6,991,649	\$ 2,376,316
Marketable Securities - At Fair Market Value	634,869	528,625
Accounts Receivable - Net of Allowance for Credit Losses of \$50,000 and \$40,000, Respectively	569,660	717,990
Prepaid Expenses	201,226	34,611
<b>Total Current Assets</b>	<b>8,397,404</b>	<b>3,657,542</b>
<b>Property and Equipment - At Cost:</b>		
Office Equipment	80,614	80,613
Furniture and Fixtures	19,862	19,863
Leasehold Improvements	11,415	11,415
Vehicles	202,688	215,039
	314,579	326,930
Less: Accumulated Depreciation	(133,628)	(225,263)
<b>Property and Equipment - Net</b>	<b>180,951</b>	<b>101,667</b>
<b>Other Assets:</b>		
Software Development - Net of Accumulated Amortization of \$317,185 and \$215,196, Respectively	153,931	142,272
Due from Related Party	356,391	193,314
Note Receivable	160,000	60,000
Right-of-Use Asset - Operating Lease	130,071	203,307
Deposits	12,546	12,546
<b>Total Other Assets</b>	<b>812,939</b>	<b>611,439</b>
<b>TOTAL ASSETS</b>	<b>\$ 9,391,294</b>	<b>\$ 4,370,648</b>

# Craters & Freighters Franchise Company

## Balance Sheets (Continued)

<i>As of December 31,</i>	2023	2022
<b>Current Liabilities:</b>		
Accounts Payable	\$ 1,061,526	\$ 1,241,420
Accrued Liabilities	1,790	458
Accrued Bonus	-	132,340
Operating Lease Liability - Due Within One Year	76,496	73,646
<b>Total Current Liabilities</b>	<b>1,139,812</b>	<b>1,447,864</b>
<b>Long Term Liabilities:</b>		
Due to Shareholder	2,769,688	-
Operating Lease Liability - Due After One Year	67,655	141,875
<b>Total Long-Term Liabilities</b>	<b>2,837,343</b>	<b>141,875</b>
<b>Total Liabilities</b>	<b>3,977,155</b>	<b>1,589,739</b>
<b>Shareholder's Equity</b>		
Common Stock, No Par Value; 1,000,000 Shares		
Authorized; 1,000,000 Shares Issued and Outstanding	100	100
Additional Paid-in Capital	800	800
Retained Earnings	5,413,239	2,780,009
<b>Total Shareholder's Equity</b>	<b>5,414,139</b>	<b>2,780,909</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>\$ 9,391,294</b>	<b>\$ 4,370,648</b>

See accompanying notes to financial statements.

# Craters & Freighters Franchise Company

## Statements of Operations

Years Ended December 31,	2023		2022	
	Amount	%	Amount	%
<b>Revenues</b>				
Franchise Revenues	\$ 2,101,299	33.0 %	\$ 2,191,368	32.7 %
Royalty Revenues, net of Royalty Rebates	4,232,547	66.4	4,506,323	67.3
Initial Franchise Fee Revenue	39,000	0.6	-	-
<b>Total Revenues</b>	<b>6,372,846</b>	<b>100.0</b>	<b>6,697,691</b>	<b>100.0</b>
<b>Costs of Revenues</b>				
Franchise Support	1,519,545		1,767,405	
Advertising	951,719		1,062,221	
Insurance Program	737,736		475,961	
Technology Support	59,866		69,199	
<b>Total Costs of Revenues</b>	<b>3,268,866</b>	<b>49.1 %</b>	<b>3,374,786</b>	<b>50.4 %</b>
<b>Gross Profit</b>	<b>3,103,980</b>	<b>46.6 %</b>	<b>3,322,905</b>	<b>49.6 %</b>
<b>General and Administrative Expenses</b>				
Depreciation and Amortization	128,123		121,758	
Bad Debt Expense	10,000		24,927	
Bank Charges	5,271		303	
Donations	57,863		175,290	
Dues and Subscriptions	1,553		4,423	
Employee Benefits	12,081		8,248	
Equipment	42,542		23,771	
Insurance	75,156		63,915	
Legal and Professional Fees	216,207		161,138	
Office Supplies	104,945		41,012	
Rent	94,143		107,833	
Repairs and Maintenance	11,668		5,829	
Software and Website	52,324		39,466	
Taxes and Licenses	1,978		546	
Telephone and Utilities	63,012		34,165	
Travel and Entertainment	25,568		14,874	
<b>Total General and Administrative Expenses</b>	<b>902,434</b>	<b>13.5 %</b>	<b>827,501</b>	<b>12.4 %</b>
<b>Income from Operations</b>	<b>2,201,546</b>	<b>33.0 %</b>	<b>2,495,404</b>	<b>37.3 %</b>
<b>Other Income (Expense)</b>				
Shared Services Revenue	290,000		-	
Interest income	19,711		4	
Investment Income	13,827		13,276	
Investment Expenses	(5,598)		(5,279)	
Gain on Sale of Marketable Securities	841		3,643	
Unrealized Holding Gain (Loss) on Marketable Securities	97,174		(69,301)	
Gain on Disposal of Assets	15,729		-	
<b>Other Income (Expense) - Net</b>	<b>431,684</b>	<b>6.5 %</b>	<b>(57,657)</b>	<b>(0.9)%</b>
<b>NET INCOME</b>	<b>\$ 2,633,230</b>	<b>39.5 %</b>	<b>\$ 2,437,747</b>	<b>36.4 %</b>

See accompanying notes to financial statements.

# Craters & Freighters Franchise Company

## Statements of Shareholder's Equity

	Common Stock		Additional		Total	
	Number of Shares	Amount	Paid-in Capital	Retained Earnings	Shareholder's Equity	
<b>Balance at January 1, 2022</b>	1,000,000	\$ 100	\$ 800	\$ 2,922,499	\$ 2,923,399	
Shareholder Distributions	-	-	-	(2,580,237)	(2,580,237)	
Net Income	-	-	-	2,437,747	2,437,747	
<b>Balance at December 31, 2022</b>	1,000,000	100	800	2,780,009	2,780,909	
Net Income	-	-	-	2,633,230	2,633,230	
<b>Balance at December 31, 2023</b>	1,000,000	\$ 100	\$ 800	\$ 5,413,239	\$ 5,414,139	

See accompanying notes to financial statements.

# Craters & Freighters Franchise Company

## Statements of Cash Flows

Years Ended December 31,	2023	2022
Change in Cash and Cash Equivalents:		
Cash Flows from Operating Activities:		
Net Income	\$ 2,633,230	\$ 2,437,747
Adjustments to Reconcile Net Income to Net Cash and Cash Equivalents		
From Operating Income:		
Amortization Expense	101,989	99,763
Depreciation Expense	26,134	21,995
Gain on Sale of Fixed Assets	(15,729)	-
Gain on Sale of Marketable Securities	(841)	(3,643)
Bad Debt Expense	10,000	24,928
Non-Cash Lease Expense	1,865	83,132
Unrealized Holding (Gain) Loss on Marketable Securities	(97,174)	69,301
Reinvested Dividends	(13,827)	(13,279)
(AIncrease) Decrease in Assets:		
Accounts Receivable	138,330	(159,098)
Prepaid Expenses and Deposits	(166,615)	462
(DDecrease) Increase in Liabilities:		
Accounts Payable	(179,894)	225,116
Accrued Bonus	(132,340)	132,340
Accrued Liabilities and Payables	1,332	(3,152)
Operating Lease Liability Change	-	(70,918)
<b>Net Cash Flows from Operating Activities</b>	<b>2,306,460</b>	<b>2,844,694</b>
Cash Flows from Investing Activities:		
Investment in Software Development	(113,648)	(106,716)
Proceeds from Sale of Investments	77,025	77,160
Purchase of Investments	(71,427)	(71,880)
Due from Related Party	(163,077)	(16,876)
Note Receivable	(100,000)	(60,000)
Purchase of Property and Equipment	(89,688)	-
<b>Net Cash Flows from Investing Activities</b>	<b>(460,815)</b>	<b>(178,312)</b>
Cash Flows from Financing Activities:		
Distributions to Shareholder	-	(4,945,919)
Due to Shareholder	2,769,688	-
<b>Net Cash Flows from Financing Activities</b>	<b>2,769,688</b>	<b>(4,945,919)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>4,615,333</b>	<b>(2,279,537)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>2,376,316</b>	<b>4,655,853</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 6,991,649</b>	<b>\$ 2,376,316</b>

See accompanying notes to financial statements.

# Craters & Freighters Franchise Company

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies

#### Nature of Operations

Craters & Freighters Franchise Company (the Company) was formed in September of 1991 in Colorado. The Company is a freight and shipping company that was organized to sell and administer franchises that offer a variety of packaging, crating, and freight forwarding services throughout the United States.

#### Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Accrual basis accounting recognizes revenue when earned and expenses when incurred.

#### Revenue Recognition

##### *Franchise Revenues*

Franchise revenues consist primarily of royalties, advertising, technology and insurance fund contributions, and initial franchise fees. Under franchise agreements, the Company generally provides franchisees with (a) a franchise license, which includes a license to use the Company's intellectual property, advertising and promotion management, technology platforms, and insurance services, (b) pre-opening services, and (c) ongoing services. As a practical expedient (as defined in ASC 952-606-25-2 *Revenue from Contracts with Customers, Recognition*), the Company accounts for its pre-opening services as a distinct service from the franchise license and ongoing services in a franchise agreement. Pre-opening services include (a) assistance in the selection of a site, (b) assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiations, (c) training of the franchisee's personnel or the franchisee, (d) preparation and distribution of manuals and similar material concerning operations, administration, and record keeping (e) bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes or about regulations affecting the franchisee's business, and (f) inspection, testing, and other quality control programs. The Company records these pre-opening services fees as initial franchise fee revenue upon satisfaction of the performance obligation, typically when the franchisee begins operations. During the years ended December 31, 2023 and 2022, the Company received initial franchise fee revenue of \$39,000 and zero, respectively.

Royalties, including franchisee contributions to advertising funds, represent sales-based royalties and are calculated as a percentage of net sales reported by franchisees and recognized over time as franchisee sales occur. These revenues are presented within "royalties" and expenses incurred to provide these services are included within "franchisee support." Regarding advertising funds, under the new revenue standard, the Company has determined it acts as a principal of the franchisee advertising transactions, thus, revenue and expense are presented gross. These revenues are presented within "franchise revenues" and expenses incurred to provide these services are included within "advertising." When revenues of an advertising program exceed the related advertising expenses, advertising costs are accrued up to the amount of revenues on an annual basis.

# Craters & Freighters Franchise Company

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Revenue Recognition (Continued)

Franchise revenues relating to technology and insurance programs are recognized over time on a monthly basis as the franchisee utilizes the program features. These revenues are presented within “franchise revenues” and expenses incurred to provide these services are included within “technology support” and “insurance program.”

Costs to obtain or fulfill a contract that are incremental and recoverable are capitalized and amortized ratably over the term of the franchise agreement. The Company classifies these contract assets as “deferred franchising costs.” The Company did not have any notable deferred costs related to obtaining or fulfilling contracts as of December 31, 2023 and 2022.

Franchisees are eligible to participate in various royalty rebate programs. The rebate programs operate on an annual basis and each rebate is distributed to franchisee within 90 days following the year-end if the franchisee has met all eligibility requirements, as defined. Requirements include timely payment of royalties and submission of all reporting requirements as outlined in the underlying franchise agreement. The Company estimates royalty rebates payable totaling approximately \$981,420 and \$1,049,000 for the years ended December 31, 2023 and 2022, respectively. Royalty rebates are included in “accounts payable.”

The key factors affecting the amount, timing, and uncertainty of the Company's revenue include, among others: a reduced demand for freight and shipping services, an inability to hire and retain highly skilled technical personnel, dependence on key management personnel, and the current economic environment.

#### Cash and Cash Equivalents

For the purposes of these financial statements, the Company considers all investments with a maturity of three months or less when purchased and other highly liquid financial instruments to be cash and cash equivalents.

#### Marketable Securities

Marketable equity securities have a readily determinable fair value and are measured at fair value with changes in fair value reported in net income. Gains and losses on the sale of marketable equity securities are recorded on the trade date and determined using the specific identification method.

#### Financial Instruments

The Company's balance sheets include the following financial instruments: cash and cash equivalents, investments, accounts and notes receivable, and accounts payable. The Company considers the carrying amounts in the financial statements to approximate fair value for these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization.

# Craters & Freighters Franchise Company

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Concentration of Credit Risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, investments and accounts receivables.

#### Accounts and Notes Receivable

Accounts and notes receivable consist of current and past due franchise support fees and royalties. Late payments may be subjected to a one and a half percent interest fee per month on the total amount of late royalty payment. The Company received interest from royalty payments totaling \$2,604 and \$3,933 for the years ended December 31, 2023 and 2022, respectively.

At the Company's discretion, unpaid franchisee balances may be converted to a note receivable with payment terms between twenty-four and thirty-six months, accruing interest at six percent. There were no Franchisee accounts with past due balances converted to notes receivable as of December 31, 2023 and 2022. Default on notes receivable will result in a termination of the related franchise agreements between the Company and Franchisee. In 2022, the Company entered into a 10 year agreement with an employee to provide a loan with for educational purposes. This interest rate on this loan is three percent. The balance for this note receivable was \$160,000 and \$60,000 as of December 31, 2023 and 2022 respectively.

#### Allowance for Credit Losses

*Accounts Receivable* - Beginning January 1, 2023, the carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the current expected credit losses. The estimate of the allowance for credit losses is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and expected changes during a reasonable and supportable forecast period. The Company uses an aging method to estimate allowances for credit losses. Management assesses collectability by pooling receivables with similar risk characteristics and evaluates receivables individually when specific customer balances no longer share those risk characteristics. Prior to 2023, the allowance for doubtful accounts reflected losses that the Company estimated had been incurred as of the reporting date and was based on historical loss experience, current receivables aging, and management's assessment of current conditions. Management of the Company has determined an allowance for credit losses of \$50,000 and \$40,000 is necessary at December 31, 2023 and 2022, respectively.

# Craters & Freighters Franchise Company

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Property and Equipment

Property and equipment are stated at cost. The costs of additions and betterments are capitalized and expenditures for repairs and maintenance are expensed in the years incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Depreciation of property and equipment is provided for in amounts sufficient to relate the cost of depreciable assets to operations over the following methods and estimated useful lives.

The useful lives of property and equipment for purposes of computing depreciation are:

Asset Group	Method	Years
Office Equipment	Straight-line	5 to 10
Furniture and Fixtures	Straight-line	5 to 10
Vehicles	Straight-line	5 to 7
Leasehold Improvements	Straight-line	Lesser of life of the asset or term of the lease

#### Long-Lived Assets

The Company reviews their long-lived assets periodically to determine potential impairment by comparing the carrying value of those assets with the estimated future undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future undiscounted cash flows be less than the carrying value, the Company would recognize an impairment loss at that time. No impairment loss was recognized in 2023 and 2022.

#### Income Taxes

The Company has elected to be taxed under the S-Corporation provisions of the Internal Revenue Code. No provision for income taxes is reflected in the financial statements since this is a personal liability of the shareholder.

#### Uncertain Tax Positions

The Company is a pass-through entity and any changes as the result of an examination by the IRS or the Colorado Department of Revenue would not have an impact at the entity level.

The Company has adopted FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. The Company will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and authoritative rulings.

# Craters & Freighters Franchise Company

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Uncertain Tax Positions (Continued)

The Company's evaluation on December 31, 2023 and 2022 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2019 through 2022 tax years remain subject to examination by the IRS. The Company does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

#### Significant Judgments, Estimates and Assumptions

The preparation of the financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions that effect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Uncertainty about accounting estimates and assumptions could result in outcomes that require material adjustments to the carrying amount of the assets or liabilities in future periods. Existing circumstances and assumptions about future developments, however, may change due to circumstances arising that are beyond the Company's control; such changes could materially affect future reported financial results.

#### Compensated Absences

Employees of the Company are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. The Company's policy is to recognize the costs of compensated absences when actually paid to employees.

#### Advertising

The Company maintains and administers a national marketing fund for such marketing, advertising, and promotional programs as deemed necessary. The Company expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2023 and 2022 totaled \$951,719 and \$1,062,221, respectively.

#### New Accounting Pronouncement Adopted

Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, requires the Company to present financial assets measured at amortized cost (including trade receivables) at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses are based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amounts.

The Company adopted ASU No. 2016-13 on January 1, 2023. The net impact to retained earnings would have been immaterial, thus no adjustment was made to retained earnings. Results for the year ended December 31, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP.

# Craters & Freighters Franchise Company

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Leases

The Company is a lessee in a noncancelable operating lease. If the contract provides the Company the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Company has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. The ROU asset for finance leases is amortized on a straight-line basis over the lease term. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Company has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Company recognizes short-term lease cost on a straight-line basis over the lease term.

#### Subsequent Events

The Company has evaluated subsequent events through April 10, 2024, which is the date the financial statements were available to be issued.

### Note 2: Marketable Securities

FASB ASU No. 2016-01, Financial Instruments – Overall (Topic 825-10), addresses enhanced accounting for and reporting of financial instruments. The ASU addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The main provisions include: eliminating the requirement of classifying equity securities into different categories, measuring equity investments at fair value with unrealized gain and losses recognized in net income, simplifying the impairment assessment of equity investments within readily determinable fair values, and eliminating certain disclosures related to fair value. The Company adopted this standard effective January 1, 2019.

# Craters & Freighters Franchise Company

## Notes to Financial Statements

---

### Note 2: Marketable Securities (Continued)

As of December 31, 2023 and 2022, the following is a summary of the investment costs and fair value:

	Cost	Gross	Gross	Fair Market
		Unrealized Gains	Unrealized Losses	
<i>December 31, 2023</i>				
<b>Investments</b>				
Money Market Funds	\$ 32,240	\$ -	\$ -	\$ 32,240
Mutual Funds	11,685	-	(1,500)	10,185
Equities and Other Funds	338,874	253,570	-	592,444
	<b>\$ 382,799</b>	<b>\$ 253,570</b>	<b>\$ (1,500)</b>	<b>\$ 634,869</b>

	Cost	Gross	Gross	Fair Market
		Unrealized Gains	Unrealized Losses	
<i>December 31, 2022</i>				
<b>Investments</b>				
Money Market Funds	\$ 46,672	\$ -	\$ -	\$ 46,672
Mutual Funds	24,040	3,100	(227)	26,913
Equities and Other Funds	303,017	156,208	(4,185)	455,040
	<b>\$ 373,729</b>	<b>\$ 159,308</b>	<b>\$ (4,412)</b>	<b>\$ 528,625</b>

During 2023, The Company recognized \$98,015 of net gains and (losses) on investments in equity securities. Of that amount, \$97,174 was recognized on investments in equity securities held at December 31, 2023.

During 2022, the Company recognized (\$65,658) of net gains and (losses) on investments in equity securities. Of that amount, (\$69,301) was recognized on investments in equity securities held at December 31, 2022.

ASC 820, "Fair Value Measurement," provides a framework for measuring fair value of certain assets and liabilities and enhanced disclosures about how the fair value was determined based on the significant levels of inputs used to determine the fair value as follows:

- Level 1 Inputs: Quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs: Quoted prices in active markets for similar assets or liabilities and other external inputs that are observable.
- Level 3 Inputs: Unobservable inputs in which there is little or no market data, which requires the entity to develop its own assumptions.

The Company's investments in stocks, mutual funds, and exchange traded funds are valued using Level 1 inputs. The Company does not hold any investments using Level 2 or 3 inputs. There were no changes in the valuation methodology from the prior year.

# Craters & Freighters Franchise Company

## Notes to Financial Statements

### Note 3: Property and Equipment

As of December 31, 2023	Cost	Accumulated Depreciation	Net Book Value
Office Equipment	\$ 80,613	\$ 80,613	\$ -
Furniture and Fixtures	19,863	19,863	-
Leasehold Improvements	11,415	11,415	-
Vehicles	202,688	21,737	180,951
	<b>\$ 314,579</b>	<b>\$ 133,628</b>	<b>\$ 180,951</b>

As of December 31, 2022	Cost	Accumulated Depreciation	Net Book Value
Office Equipment	\$ 80,613	\$ 80,613	\$ -
Furniture and Fixtures	19,863	19,863	-
Leasehold Improvements	11,415	11,415	-
Vehicles	215,039	113,372	101,667
	<b>\$ 326,930</b>	<b>\$ 225,263</b>	<b>\$ 101,667</b>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$26,132 and \$21,993, respectively.

### Note 4: Software Development

Software development assets are carried at historical cost less accumulated amortization and any recognized impairment loss. Software development is amortized on a straight-line basis over three years. Amortization expense for the years ended December 31, 2023 and 2022 totaled \$101,989 and \$99,763, respectively.

Summary of software development as of December 31:

As of December 31,	2023	2022
Software Development Costs	\$ 471,116	\$ 357,468
Less: Accumulated Amortization	(317,185)	(215,196)
	<b>\$ 153,931</b>	<b>\$ 142,272</b>

### Note 5: Due from Related Party

The Company provides shared services and advances to a related party through common ownership. As of December 31, 2023 and 2022, the Company was owed \$356,391 and \$193,314, respectively from Craters & Freighters Platinum. Due to the short-term nature of these borrowings, interest is not charged on the outstanding balance.

# Craters & Freighters Franchise Company

## Notes to Financial Statements

---

### Note 6: Leases

The Company leases office space from a third party and the option to renew is based on the sole discretion of the lessor. The Company has not included an option to renew in the measurement of the ROU asset and lease liability as renewal is not reasonably certain to occur.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments.

Information on the operating lease as of and for the years ended December 31, 2023 and 2022, is as follows:

<i>As of December 31,</i>	2023	2022
Lease cost:		
Operating Lease Cost	\$ 59,437	\$ 85,687
Variable Lease Costs	34,706	22,146
<b>Total Lease Costs</b>	<b>\$ 94,143</b>	<b>107,833</b>

Remaining Lease Term	2.75 Years	3.75 Years
Discount Rate	1.04 %	1.04 %

Cash paid for amounts included in the measurement of lease liabilities for the years ended December 31, 2023 and 2022, is as follows:

	2023	2022
Operating Cash Flows from Operating Leases	\$ 75,513	\$ 73,473

Maturities of lease liabilities are as follows as of December 31, 2023:

<i>Years Ended December 31,</i>	
2024	\$ 76,496
2025	67,655
Total Lease Payments	144,151
Less: Imputed Interest	(1,370)
	<b>\$ 142,781</b>

# Craters & Freighters Franchise Company

## Notes to Financial Statements

---

### Note 7: Cash Flows

The Company's cash flow was affected as follows:

	2023	2022
Non-Cash Property and Equipment Trade In Allowance	\$ 77,000	\$ -

During the year ended December 31, 2023, the Company traded in property and equipment with a net book value of \$97,271 for a reduction in price of new property and equipment. The Company recognized a gain of \$15,729.

### Note 8: Retirement Plan

The Company maintains a Savings Incentive Match Plan for Employees (SIMPLE), whereby the Company makes a matching contribution up to 3% of electing employees' compensation upon meeting age and length of service requirements. Contributions are made at the discretion of the Board of Directors. For the years ended December 31, 2023 and 2022, the Company elected to contribute \$6,321 and \$5,028, respectively.

### Note 9: Due to Shareholder

In December 2023, the Shareholder provided the Company \$5,000,000 to fund future investments. As of December 31, 2023, the Shareholder has taken \$2,230,312 in distributions which has been offset against the Shareholder advance. As of December 31, 2023, \$2,769,688 remains as outstanding Due to Shareholder. This loan has an interest rate of 2.95% and matures January 1, 2026. There are no payments due on the advance until January 1, 2025. As a result the balance will be considered long term.

### Note 10: Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 presentation. The reclassifications relate to the removal of the note receivable from accounts receivable and presenting it correctly in the "Other Assets" section of the balance sheet and removing Royalty Rebates from the Franchise Support category of "Costs of Revenue" and showing it as a reduction in revenue. The change had no effect on the 2022 results of operations.

### Note 11: Claims and Contingencies

The Company is periodically involved in litigation arising in the ordinary course of business. Management is of the opinion that the ultimate resolution of any such matters will not have a material adverse effect on the Company's financial position or results of operations.

### Note 12: Risks and Uncertainties

The Company invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

***EXHIBIT F***

***Franchise Agreement***



**Craters & Freighters Franchise Company**

**Franchise Agreement**

{Legal Corporate Name}

dba Craters & Freighters of {location}

{Date}

## TABLE OF CONTENTS

	<u>Page</u>
1. GRANT OF FRANCHISE .....	1
1.1 <u>Grant</u> .....	1
1.2 <u>Territory</u> .....	1
1.3 <u>Operation of Franchised Business Limited to Territory</u> .....	2
1.4 <u>Servicing in Unsold Adjacent Territories</u> .....	2
1.5 <u>Non-Exclusivity; Franchisor's Reservation of Rights</u> .....	2
1.6 <u>Best Efforts</u> .....	3
2. TERM OF AGREEMENT .....	4
2.1 <u>Initial Term</u> .....	4
2.2 <u>Successor Term</u> .....	4
2.3 <u>Notice of Intention to Renew</u> .....	5
2.4 <u>Confirmation from Franchisor</u> .....	5
2.5 <u>Return of Executed Documents</u> .....	5
2.6 <u>Interim Period</u> .....	5
3. FEES AND EXPENSES .....	5
3.1 <u>Franchise Fee</u> .....	5
3.2 <u>Royalties</u> .....	5
3.3 <u>Minimum Performance Standards</u> .....	6
3.4 <u>Marketing Fund Contribution</u> .....	6
3.5 <u>Individual Advertising Expense</u> .....	7
3.6 <u>Technology Fee</u> .....	7
3.7 <u>Insurance Payment</u> .....	7
3.8 <u>CPI Adjustments</u> .....	7
4. DEVELOPMENT OF FRANCHISED BUSINESS .....	7
4.1 <u>Site Selection</u> .....	7
4.2 <u>Lease of Premises</u> .....	8
4.3 <u>Development of the Premises</u> .....	8
4.4 <u>Continuous Operation at the Premises</u> .....	9
4.5 <u>Relocation of the Premises</u> .....	9
4.6 <u>Opening of the Franchised Business</u> .....	9
5. OBLIGATIONS OF FRANCHISOR .....	9
5.1 <u>Initial Training Program</u> .....	9
5.2 <u>Operations Manuals</u> .....	10
5.3 <u>Promotional Support for Opening</u> .....	10
5.4 <u>Proprietary Software and Other Software</u> .....	10
5.5 <u>Email Accounts(s)</u> .....	10
5.6 <u>Franchisee Geosite</u> .....	10
5.7 <u>Post-Opening On-Site Visit</u> .....	11
5.8 <u>Additional On-Site Visits</u> .....	11
5.9 <u>Ongoing Support</u> .....	11
5.10 <u>Periodic Ongoing Training</u> .....	11
5.11 <u>Administration of Marketing Fund</u> .....	11
5.12 <u>Review of Marketing and Advertising Materials</u> .....	11
5.13 <u>Franchisee Geosite</u> .....	11
5.14 <u>Carrier Tariffs, Vendors, and Related Topics</u> .....	12

5.15	<u>Purpose of Training, Support and Guidance</u> .....	12
5.16	<u>Modification of System</u> .....	12
6.	<b>OBLIGATIONS OF FRANCHISEE</b> .....	12
6.1	<u>Personal Guaranty</u> .....	12
6.2	<u>Lease</u> .....	12
6.3	<u>Initial Training Program</u> .....	12
6.4	<u>Licenses and Permits for Franchised Business</u> .....	12
6.5	<u>Opening</u> .....	12
6.6	<u>Equipment</u> .....	12
6.7	<u>Proprietary Software, Other Software, and Hardware</u> .....	13
6.8	<u>Franchisee's Responsibilities Relating to Vulnerability of Computer Systems</u> .....	13
6.9	<u>Email Account(s)</u> .....	13
6.10	<u>Compliance with Laws</u> .....	13
6.11	<u>Training and Supervision of Personnel</u> .....	14
6.12	<u>Compliance with Lease</u> .....	14
6.13	<u>Compliance with System Standards</u> .....	14
6.14	<u>Display of Logo</u> .....	14
6.15	<u>Management of the Franchised Business</u> .....	15
6.16	<u>Periodic Ongoing Training; Convention and Regional Meetings</u> .....	15
6.17	<u>Products and Services</u> .....	15
6.18	<u>Hours of Operation</u> .....	15
6.19	<u>Access for Inspections and Audits</u> .....	15
6.20	<u>Personal Participation by Franchisee; Staffing</u> .....	16
6.21	<u>Payments to Franchisor, Franchisor's Affiliates, and Approved Suppliers</u> .....	16
6.22	<u>Payment of Taxes</u> .....	16
6.23	<u>Best Efforts</u> .....	16
7.	<b>CONFIDENTIAL INFORMATION AND TRADE SECRETS</b> .....	17
7.1	<u>Confidential Information and Trade Secrets</u> .....	17
7.2	<u>Confidentiality Obligations</u> .....	17
7.3	<u>No Interest</u> .....	17
7.4	<u>Improvements</u> .....	18
8.	<b>MARKS</b> .....	18
8.1	<u>Ownership of Marks</u> .....	18
8.2	<u>Permitted Use</u> .....	18
8.3	<u>No Contest</u> .....	18
8.4	<u>DBA Name</u> .....	18
8.5	<u>Use of Marks on the Internet</u> .....	19
8.6	<u>Use of Marks in Franchisee's Name</u> .....	19
8.7	<u>Modification or Discontinued Use of Marks</u> .....	19
8.8	<u>Unauthorized Use of Marks</u> .....	19
8.9	<u>Attorney in Fact</u> .....	19
8.10	<u>Infringement of Marks</u> .....	19
9.	<b>MARKETING AND PROMOTION</b> .....	20
9.1	<u>Solicitation</u> .....	20
9.2	<u>Marketing Fund</u> .....	20
9.3	<u>Individual Advertising Expense</u> .....	21
9.4	<u>Internet Marketing by Franchisor Only</u> .....	21
9.5	<u>Marketing and Advertising Materials</u> .....	21

9.6	<u>Franchisee Geosite</u> .....	21
9.7	<u>Call Center</u> .....	22
9.8	<u>Marketing Cooperatives</u> .....	22
10.	NATIONAL ACCOUNTS PROGRAM.....	22
11.	ACCOUNTING, REPORTS, AND RECORDS.....	23
11.1	<u>Accounting and Reports</u> .....	23
11.2	<u>Business Records; Franchisor's Right to Access Information</u> .....	23
11.3	<u>Preservation of Records</u> .....	24
12.	AUDITS AND INSPECTIONS.....	24
12.1	<u>Access to Business Records</u> .....	24
12.2	<u>Inspections at Premises</u> .....	24
12.3	<u>Understatement of Adjusted Gross Sales</u> .....	24
12.4	<u>No Control by Franchisor of Franchisee's Operations</u> .....	25
13.	INSURANCE.....	25
13.1	<u>Required Policies</u> .....	25
13.2	<u>Insured Parties; Notice of Cancellation</u> .....	25
13.3	<u>Proof of Insurance</u> .....	25
13.4	<u>Failure or Refusal to Obtain and Maintain Insurance</u> .....	26
14.	INDEMNIFICATION.....	26
15.	FRANCHISEE RESTRICTIVE COVENANTS.....	26
15.1	<u>Franchisee Acknowledgment</u> .....	26
15.2	<u>In-Term Restrictive Covenants</u> .....	27
15.3	<u>Post-Term Restrictive Covenants</u> .....	27
15.4	<u>Reasonableness of Restrictions</u> .....	28
15.5	<u>Enforcement</u> .....	28
15.6	<u>Confidentiality and Non-Competition Agreement</u> .....	28
16.	TRANSFER.....	28
16.1	<u>By Franchisor</u> .....	28
16.2	<u>By Franchisee</u> .....	28
16.3	<u>Conditions for Approval of Transfer</u> .....	29
16.4	<u>Transfer to Wholly Owned Entity</u> .....	30
17.	RIGHT OF FIRST REFUSAL.....	30
18.	DEATH OR DISABILITY OF FRANCHISEE.....	31
19.	DEFAULT AND TERMINATION.....	31
19.1	<u>Non-curable Breaches</u> .....	31
19.2	<u>Curable Breaches</u> .....	33
19.3	<u>No Waiver</u> .....	35
19.4	<u>Subject to State Law</u> .....	35
19.5	<u>Franchisor's Right to Reduce Territory Size and Suspend Performance</u> .....	35
20.	EFFECTS OF TERMINATION OR EXPIRATION.....	35
20.1	<u>Required Actions</u> .....	35
20.2	<u>Franchisor's Option to Purchase Assets</u> .....	36
21.	RESERVED.....	36

22.	INDEPENDENT CONTRACTOR.....	36
23.	GOVERNING LAW AND DISPUTE RESOLUTION.....	37
23.1	<u>Governing Law</u> .....	37
23.2	<u>Mediation</u> .....	37
23.3	<u>Arbitration</u> .....	37
23.4	<u>Injunctive Relief</u> .....	38
24.	NOTICES.....	38
25.	GENERAL PROVISIONS.....	39
25.1	<u>Entire Agreement</u> .....	39
25.2	<u>Severability</u> .....	39
25.3	<u>Force Majeure</u> .....	40
25.4	<u>Titles and Subtitles: Construction</u> .....	40
25.5	<u>Acknowledgments by Franchisee</u> .....	40
25.6	<u>No Waiver or Disclaimer of Reliance in Registration States</u> .....	41

ATTACHMENTS:

- A. Territory, Initial Franchise Fee, and Premises
- B. Minimum Performance Standards and Minimum Monthly Royalty Fees
- C. EFT Authorization Form
- D. Form of Collateral Assignment of Lease and Addendum
- E. Owner's Guaranty & Assumption of Franchisee's Obligations
- F. Confidentiality and Non-Competition Agreement

## FRANCHISE AGREEMENT

### Craters & Freighters Franchise Company

This Franchise Agreement (this “**Agreement**”) is entered into on \_\_\_\_\_ (“**Effective Date**”) by and between Craters & Freighters Franchise Company, a Colorado corporation (“**Franchisor**”) with its principal offices at 331 Corporate Circle, Suite J, Golden, Colorado 80401, and \_\_\_\_\_ (“**Franchisee**”) with its principal offices at \_\_\_\_\_.

#### RECITALS

WHEREAS, Franchisor was organized September 23, 1991, for the purpose of developing a national network that provides quality crating, packaging, shipping, receiving and delivery, storage, transportation, logistics services, and freight forwarding services products and services for companies and individuals in specific market areas.

WHEREAS, Franchisor has developed a multitude of programs specific to the operation of a Craters & Freighters® franchised business (“**Franchised Business**”) including but not limited to specialized crating and packaging techniques, shipping and logistics solutions, a national accounts program, national cargo insurance plan, proprietary software, advertising programs, brand identity system, and a comprehensive website.

WHEREAS, in doing so, Franchisor has developed a concept for crating, packaging, shipping, receiving and delivery, storage, transportation, logistics, and freight forwarding services and products which operates under distinctive business formats, systems, methods, procedures, designs, layouts and specifications (collectively, the “**System**”), which Franchisor may improve, further develop, or otherwise modify from time to time. Franchisor grants to franchisees the right to operate a Franchised Business and requires them to use certain trade names, trademarks, and service marks (“**Marks**”).

#### 1. GRANT OF FRANCHISE.

1.1 Grant. Subject to the terms and conditions of this Agreement, Franchisor grants to Franchisee a non-exclusive license to operate a Franchised Business at the Premises (as such term is defined below) using the System and the Marks for the Initial Term of this Agreement. Franchisee may not operate the Franchised Business at any site other than the Premises without Franchisor’s prior written consent. Franchisee must use the Marks and System only in accordance with the terms and conditions of this Agreement.

1.2 Territory. During the Initial Term and any Successor Term (as such terms are defined below), neither Franchisor nor its Affiliates will own, operate or franchise a fixed location for the operation of any other Franchised Business within Franchisee’s territory (“**Territory**”) as set forth in Attachment A to this Agreement. For purposes of this Agreement, “**Affiliate**” means any person or entity that controls, is controlled by, or is in common control with, Franchisor or Franchisee.

1.3 Operation of Franchised Business Limited to Territory. Franchisee agrees to devote its best efforts to identifying, attracting, and serving customers who reside or operate within the Territory. Therefore, except as otherwise permitted herein or as approved in advance and in writing by Franchisor, Franchisee will solicit business only in the Territory for the purpose of obtaining customers who reside or operate within the Territory, and Franchisee will not knowingly solicit business outside of the Territory. However, Franchisee is not required to verify that customers to the Franchised Business reside or conduct business within the Territory. Franchisee acknowledges and agrees that Franchisor, an Affiliate of Franchisor, or designee of Franchisor, as part of Franchisor's business strategy, may advertise or market on behalf of the System in the Territory. Franchisee agrees to abide by Franchisor's then current policies on marketing outside the Territory, if any, and on cooperating with neighboring Craters & Freighters franchisees, as the same may be set forth from time to time in the Operations Manuals. Franchisee acknowledges and agrees that customers residing or operating within the Territory are entitled the freedom to choose any Craters & Freighters outlet which they believe will best serve them and their needs, and that they may seek service of the type provided by Franchisee from others, including another Craters & Freighters outlet located outside of Franchisee's Territory. Franchisee further acknowledges and agrees that advertising promotions conducted by third parties upon request by Franchisor may inadvertently refer customers residing or operating within the Territory to a Craters & Freighters outlet outside of the Territory.

1.4 Servicing in Unsold Adjacent Territories. Franchisor may grant Franchisee the right, in Franchisor's sole determination, to promote and advertise the Franchised Business to customers, or to service customers, in an unsold territory adjacent to the Territory ("Adjacent Territory"). Franchisee acknowledges and agrees that it is obligated to pay Royalty Fees to Franchisor, in accordance with Section 3.2 of this Agreement, on all Adjusted Gross Sales (as hereafter defined) from customers residing or operating within the Territory and any Adjacent Territory. Franchisee acknowledges and agrees that neither the ability to service nor the grant of Franchisor's permission to service customers residing or operating in any Adjacent Territory affords Franchisee any right, title, or interest in or to such Adjacent Territory whatsoever, including the ability to do further business in the Adjacent Territory after it is granted to a third party (including any right to acquire such Adjacent Territory or any right of first refusal as to such Adjacent Territory). If the right to operate in the Adjacent Territory is subsequently granted by Franchisor to another Craters & Freighters franchisee through the sale of a franchise, Franchisee agrees to, upon receipt of written notice from Franchisor, cease all promotional and advertising efforts within the Adjacent Territory, return to Franchisor all customer data and prospect information related to the Adjacent Territory, and cease providing products and services to customers in the Adjacent Territory. Franchisee will use its best efforts to comply with Franchisor's requirements set forth herein, but Franchisor and Franchisee acknowledge and agree that customers residing or operating within the Adjacent Territory are entitled the freedom to choose any Craters & Freighters outlet which they believe will best serve them and their needs, and that they may seek service from Franchisee.

1.5 Non-Exclusivity; Franchisor's Reservation of Rights. Franchisee acknowledges that the franchise granted hereunder is non-exclusive and that Franchisor and its Affiliates retain the exclusive right, among others to:

1.5.1 Own, franchise, or operate Craters & Freighters outlets at any location outside of the Territory, regardless of the proximity to the boundaries of the Territory; provided, however, Franchisor will not establish within the Territory another franchisee or company-owned outlet which may also use the Marks;

1.5.2 Use the Marks and System to sell any products or services similar to those which Franchisee will sell, through any alternate channels of distribution within or outside of the Territory, including to National Accounts (as defined below). This includes, but is not limited to, other channels of distribution such as television, mail order, catalog sales, wholesale to unrelated retail outlets, or over the Internet. Franchisor exclusively reserves alternative channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing, as channels of distribution for Franchisor. Franchisee may not independently use alternative channels of distribution to make sales within or outside the Territory without Franchisor's prior written approval;

1.5.3 Use and license the use of other proprietary and non-proprietary marks or methods which are not the same as or are confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business offering shipping, packaging, crating, receiving and delivery, storage, transportation, moving, logistics, blanket wrap, and freight forwarding services and products, at any location, including within the Territory, which may be similar to or different from Franchisee's Franchised Business;

1.5.4 Purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with Franchisee's Franchised Business, wherever located, so long as such business does not operate under the same or similar trademarks or service mark;

1.5.5 Acquire and convert to the system operated by Franchisor any businesses offering shipping, packaging, crating, receiving and delivery, storage, transportation, moving, logistics, blanket wrap, and freight forwarding services and products, including such businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned and whether located inside or outside of the Territory; and

1.5.6 Implement multi-area marketing programs, including but not limited to a National Accounts program.

1.6 Best Efforts. Franchisee agrees to at all times faithfully, honestly, and diligently perform Franchisee's obligations hereunder and to exert Franchisee's best efforts to promote, develop, and expand the business of the Franchised Business.

2. TERM OF AGREEMENT.

2.1 Initial Term. This Agreement will begin on the Effective Date and will expire fifteen (15) years from such Effective Date (collectively, the “**Initial Term**”), unless sooner terminated or extended as hereinafter provided.

2.2 Successor Term. Franchisee will have the right to renew the Franchise for an additional term of fifteen (15) years (“**Successor Term**”) by entering into Franchisor’s then current form of Franchise Agreement (“**Successor Franchise Agreement**”), which may include terms and conditions materially different from those in this Agreement, so long as all of the following conditions have been met:

2.2.1 Franchisee has adhered to all the terms and conditions of this Agreement and any other requirements or standards established in the Operations Manuals (as such term is defined below), including but not limited to complying with all System Standards (as such term is defined below).

2.2.2 Franchisee has given notice of renewal to Franchisor in accordance with Section 2.3 of this Agreement.

2.2.3 Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor and any Affiliate of Franchisor and has timely met these obligations throughout the Initial Term of this Agreement.

2.2.4 Franchisee has presented evidence satisfactory to Franchisor that it has the right to remain in possession of the Premises (as such term is defined below) for the duration of any Successor Term; or, in the event Franchisee is unable to maintain possession of the Premises, or if, in the judgment of Franchisor, the Premises should be relocated, Franchisee secures substitute premises approved by Franchisor and has developed and furnished such premises to bring the Franchised Business at its substituted premises into full compliance with the then-current specifications and standards before the expiration of the Initial Term.

2.2.5 Franchisee meets all of Franchisor’s then-current standards and criteria for a franchisee entering the System.

2.2.6 Franchisee’s Franchised Business meets or exceeds Franchisor’s then-current financial performance targets for renewing franchisees, including but not limited to, those relating to Adjusted Gross Sales per capita within the Territory, year-to-year growth in Adjusted Gross Sales, and servicing metrics throughout the Territory.

2.2.7 Franchisee has executed a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor, Franchisor’s Affiliates, and subsidiaries and their respective officers, directors, agents, shareholders and employees.

2.2.8 Franchisee has paid to Franchisor a successor fee (“**Successor Fee**”) in the amount of Five Thousand Dollars (\$5,000).

2.3 Notice of Intention to Renew. If Franchisee desires to enter into a Successor Franchise Agreement, Franchisee must provide Franchisor with written notice of such desire (“**Renewal Request Notice**”) at least six (6) months, but not more than nine (9) months, prior to the expiration of the Initial Term of this Agreement. Upon receipt of the Renewal Request Notice, Franchisor will have one (1) month to approve or disapprove Franchisor’s renewal request, and Franchisor will notify Franchisee in writing of such approval or disapproval.

2.4 Confirmation from Franchisor. If Franchisee provides Franchisor with the Renewal Request Notice and Franchisor approves Franchisee’s renewal request, prior to entering into the Successor Franchise Agreement, Franchisor will provide a copy of Franchisor’s then-current Franchise Disclosure Document, so long as Franchisor’s registration of such Franchise Disclosure Document is current, if applicable to the state in which the Franchised Business is located.

2.5 Return of Executed Documents. In the event Franchisor provides Franchisee with the Successor Franchise Agreement and Franchisee does not return an executed copy of such Successor Franchise Agreement to Franchisor within the time period prescribed by Franchisor (which will not be any later than the date on which the initial Term of this Agreement expires), Franchisee’s option to renew will expire.

2.6 Interim Period. If Franchisee does not sign a Successor Franchise Agreement prior to the date on which the Initial Term of this Agreement expires and Franchisee continues to accept the benefits of this Agreement after the expiration of this Agreement, then at Franchisor’s option, this Agreement may be treated either as (i) expired as of the date of expiration with Franchisee then operating without a license to do so and in violation of Franchisor’s rights; or (ii) continued on a month-to-month basis (“**Interim Period**”) until one party provides the other with written notice of such party’s intent to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period. In the latter case, all of Franchisee’s obligations will remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement will be deemed to take effect upon termination of the Interim Period.

### 3. FEES AND EXPENSES.

3.1 Franchise Fee. As consideration for the execution of this Agreement and Franchisor’s granting of the franchise to Franchisee, Franchisee hereby agrees to pay to Franchisor an initial franchise fee (“**Initial Franchise Fee**”) in the amount set forth in Attachment A to this Agreement, which is payable upon the execution of this Agreement. The Initial Franchise Fee will be deemed fully earned and non-refundable upon receipt by Franchisor.

3.2 Royalties. Franchisee must pay a monthly royalty (“**Royalty Fee**”) equal to the greater of (a) five percent (5%) of the Adjusted Gross Sales (as defined below) generated by the Franchised Business during the previous month, or (b) the Minimum Monthly Royalty, as

determined by the Minimum Performance Standards set forth in Attachment B to this Agreement. The Royalty Fee will be paid to Franchisor monthly via electronic funds transfer (“EFT”) or other similar means (such as ACH or wire transfer) or as otherwise prescribed in the Operations Manuals. Regardless of the method of payment required by Franchisor, each Royalty Fee payment must be received by Franchisor on or before the twelfth (12<sup>th</sup>) day of the month. Franchisee agrees to comply with procedures specified by the Franchisor and/or perform such acts and deliver and execute such documents, including authorization for direct debits from the bank operating account of the Franchised Business, as may be necessary to assist in or accomplish payment by such method. Under this procedure, Franchisee will authorize Franchisor to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to Franchisor and any interest charged due thereon. In order to facilitate direct debits, the EFT Authorization is attached as Attachment C to this Agreement. It is Franchisee’s responsibility to initiate electronic payments timely and accurately; any failure or refusal by Franchisee to make a timely and accurate payment of the Royalty Fee or any other fee or payment due and owing to Franchisor in accordance with this Agreement will grant Franchisor the right to use direct debit to fulfill Franchisee’s obligation to collect such payment(s). Franchisor will provide Franchisee with written notice prior to collecting such payments through direct debit.

Franchisor reserves the right to collect the Royalty Fee more frequently (e.g., weekly) upon thirty (30) days’ prior written notice to Franchisee. Non-payment of any Royalty Fees will be deemed a default under this Agreement and will provide Franchisor a basis to terminate this Agreement. “**Adjusted Gross Sales**” means the total of all amounts received from customers for services performed and products sold from, at or in connection with Franchisee’s Franchised Business, or arising out of the operation or conduct of business by Franchisee’s Franchised Business, including sales made at or away from the Premises, whether such amounts are paid by cash, credit, checks, gift certificates, coupons, services, property or other means of exchange, but excluding all federal, state or municipal sales or services taxes collected from customers and paid to the appropriate taxing authority.

**3.3 Minimum Performance Standards.** Franchisee must meet the minimum performance standards (“**Minimum Performance Standards**”) set forth in Attachment B to this Agreement. The Minimum Performance Standards are based on population (which determination should be made based upon the latest United States Census information available for the Territory), demographic factors, economic factors, competition, market penetration, the growth rate of other Craters & Freighters franchised businesses and other relevant factors solely determined by Franchisor. Franchisee understands that meeting the annual Minimum Performance Standards does not suggest that Franchisee is sufficiently penetrating the market in its Territory or that its Franchised Business will be successful. Rather, the Minimum Performance Standards are threshold minimum amounts. In the event Franchisee does not meet the Minimum Performance Standards, Franchisor will have the right to reduce the size of, or otherwise modify, Franchisee’s Territory upon providing 30 days’ written notice to Franchisee.

**3.4 Marketing Fund Contribution.** Franchisee must pay to Franchisor a contribution to the Marketing Fund (“**Marketing Fund Contribution**”) equal to one percent (1%) of the Adjusted Gross Sales generated by the Franchised Business during the previous month, payable monthly at

the same time and in the same manner as the monthly Royalty Fee. Franchisor reserves the right to increase the Marketing Fund Contribution up to two percent (2%) of the Adjusted Gross Sales generated by the Franchised Business, so long as Franchisor provides Franchisee with thirty (30) days' notice of such increase.

3.5 Individual Advertising Expense. Each year throughout the duration of this Agreement, Franchisee must spend the greater of (a) Six Thousand Dollars (\$6,000) or (b) one percent (1%) of the Adjusted Gross Sales for the prior calendar year on advertising and promotion of the Franchised Business in the Territory (“**Individual Advertising Expense**”); provided, however, the Individual Advertising Expense will not exceed Eighteen Thousand Dollars (\$18,000) on an annual basis, although Franchisee has the right to spend more than such amount. Franchisee must submit annual reports to Franchisor reflecting advertising expenditures, which must be utilized only for marketing, promotions, and advertising of the Franchised Business. Franchisor reserves the right to require Franchisee to pay a portion or the entire amount of such Individual Advertising Expense to an approved supplier of Franchisor.

3.6 Technology Fee. Each month throughout the duration of this Agreement, Franchisee must pay to Franchisor a technology fee (“**Technology Fee**”) in the amount of Franchisor’s then-current rate for such Technology Fee, relating to software subscription(s), up to seven (7) email accounts established for the Franchised Business, Geosite domain registration, other technology enhancements, and maintenance and support of the same provided by Franchisor or its designee(s). Franchisor reserves the right to increase such Technology Fee from time to time during the Term of this Agreement, so long as Franchisor provides Franchisee with thirty (30) days’ notice of such increase; provided, however, the Technology Fee will not exceed the amount of Seven Hundred Fifty Dollars (\$750) per month. In the event Franchisee requests any additional email accounts (i.e., more than seven (7) email accounts), the Technology Fee paid by Franchisee will be increased by the amount of Franchisor’s then-current rate for such email account(s). The Technology Fee is payable monthly at the same time and in the same manner as the monthly Royalty Fee.

3.7 Insurance Payment. Each month throughout the duration of this Agreement, Franchisee must pay to Franchisor a payment (“**Insurance Payment**”) relating to insurance secured by Franchisor on behalf of Franchisee as part of a system-wide program.

3.8 CPI Adjustments. All fixed dollar amounts referenced in this Agreement may increase annually based on increases in the Consumer Price Index (“**CPI**”) maintained by the U.S. Department of Labor (or such equivalent index as may be adopted in the future), or a comparable index Franchisor selects if the CPI is no longer published.

#### 4. DEVELOPMENT OF FRANCHISED BUSINESS

4.1 Site Selection. Franchisee agrees to locate, within sixty (60) days after the execution date of this Agreement, a site within the Territory suitable for the operation of the Franchised Business (collectively, “**Premises**”) which must be approved by Franchisor. Such Premises must include 5,000 square feet or greater of warehouse space in an industrial area. Franchisee acknowledges and agrees that the continued operation of a warehouse within the Premises is a

fundamental requirement for the operation of the Franchised Business. The physical appearance and location of the Premises must meet Franchisor's standards and specifications. The Premises should preferably have a loading dock and must have an overhead dock door that enables Franchisee to ship out and to receive large items of freight. If the dock door opens to ground level, Franchisee must have a forklift. Franchisor will use reasonable efforts to assist Franchisee to locate a suitable Premises for the Franchised Business. Franchisee acknowledges and agrees that Franchisor's approval of the Premises and any information regarding the Premises do not constitute a representation or warranty of any kind, express or implied, as to the suitability of a site for the Franchised Business or for any other purpose. Franchisor's approval of the Premises indicates only that Franchisor believes that a site falls within the acceptable criteria established by Franchisor as of that time. Franchisee acknowledges that application of criteria that have been effective with respect to other sites may not be predictive of potential for all sites and that, subsequent to Franchisor's approval of a Premises, demographic and/or economic factors included in or excluded from Franchisor's criteria could change (including the entry of competing businesses into the market of the Franchised Business), thereby altering the potential of a particular Premises. The uncertainty and instability of such criteria are beyond Franchisor's control and Franchisor will not be responsible for the failure of a Premises approved by Franchisor to meet expectations as to potential revenue or operational criteria. Franchisee further acknowledges and agrees that Franchisee's purchase of a franchise for the operation of a Franchised Business at the Premises is based on Franchisee's own independent investigation of the suitability of the Premises and that the final decision regarding the Premises will be made by Franchisee. The location of the Premises, once approved by Franchisor, will be set forth in Attachment A to this Agreement.

4.2 Lease of Premises. Franchisee acknowledges that Franchisor must approve the lease, and any renewal of such lease (collectively, "**Lease**") for the Premises of the Franchised Business prior to executing such Lease. Franchisor's approval of such Lease cannot be unreasonably withheld or delayed. Franchisee agrees to use Franchisee's best efforts to incorporate into the Lease the terms and conditions set forth in the form of Collateral Assignment of Lease and Addendum, attached hereto as Attachment D to this Agreement. Franchisee acknowledges that Franchisor's approval of the Lease for the Premises does not constitute a guarantee or warranty by Franchisor, express or implied, of the successful operation or profitability of a Craters & Freighters Franchised Business operated at the Premises and indicates only that Franchisor believes the terms and conditions of the Lease fall within the acceptable criteria established by Franchisor as of that time. Franchisee agrees to deliver a copy of the executed Lease to Franchisor within fifteen (15) days after the execution of such Lease.

4.3 Development of the Premises. Franchisee will be solely responsible for developing and furnishing the Premises. Franchisor will provide to Franchisee mandatory or suggested specifications for the premises of a Craters & Freighters Franchised Business including but not limited to those involving dimensions, design, image, interior layout, décor, fixtures, Equipment, computer hardware and software, signs, and color scheme which Franchisor has approved based on its standards for quality, design, appearance, function, and performance. Franchisee must provide Franchisor with the construction plans for the Premises ("**Construction Plans**"), and receive Franchisor's written approval of such Construction Plans, before construction of the Premises commences. Franchisee will, upon request by Franchisor, submit to Franchisor all revised or "as

built" Construction Plans during the construction of the Premises. Additionally, Franchisee is solely responsible, at Franchisee's own expense, for all of the following relating to developing and furnishing the Premises: (i) securing all required financing; (ii) obtaining all required permits and licenses; (iii) complying with all required permits and licenses; (iv) complying with all applicable laws and the Lease; (v) constructing all required improvements and decorating the Premises in compliance with the approved Construction Plans and then-current specifications of Franchisor relating to approved brands, types, or models; (vi) purchasing and installing all required fixtures, Equipment, and signs required for the Premises; (vii) placing or displaying at the Premises (interior and exterior) only such signs, emblems, lettering, logos, and display materials that Franchisor approves from time to time; and (viii) purchasing an opening inventory of materials and supplies, including the Equipment.

**4.4 Continuous Operation at the Premises.** Franchisee agrees to operate the Franchised Business at the Premises, in accordance with Franchisor's standards, throughout the Initial Term and any Successor Term of this Agreement, unless otherwise approved in writing by Franchisor.

**4.5 Relocation of the Premises.** In the event Franchisee desires to relocate the Premises, Franchisee must obtain Franchisor's prior written consent, which Franchisor will not unreasonably withhold, so long as: (i) Franchisee secures an alternate location for the Premises within the Territory that meets Franchisor's then-current site selection criteria for the Premises of the Franchised Business; (ii) Franchisee complies with Section 4.2 of this Agreement in obtaining Franchisor's approval of the new lease for such alternate location; and (iii) Franchisee reimburses Franchisor for the costs and expenses Franchisor incurs in connection with evaluating any relocation request, not to exceed Two Thousand Five Hundred Dollars (\$2,500).

**4.6 Opening of the Franchised Business.** Franchisee agrees not to open the Franchised Business for business until Franchisee has complied with all of its obligations under Sections 4.1, 4.2, and 4.3 of this Agreement, and has furnished Franchisor with copies of all required insurance policies or such other evidence of coverage and payment as Franchisor may request. Franchisee agrees to open the Franchised Business for business within fifteen (15) days after Franchisor notifies Franchisee that the conditions set forth in this Section 4.5 have been satisfied.

## **5. OBLIGATIONS OF FRANCHISOR.**

**5.1 Initial Training Program.** Prior to the opening of the Franchised Business, Franchisor will furnish Franchisee with an initial training program regarding the operation of a Craters & Freighters Franchised Business in accordance with Franchisor's then-current initial training program (collectively, "**Initial Training Program**"). There is no limit on the number of people who may participate in the Initial Training Program, so long as Franchisee's owner(s) and the Designated Manager (as such term is defined below) participate and complete the Initial Training Program to Franchisor's satisfaction prior to opening the Franchised Business. Franchisee will be responsible for all travel and living expenses incurred in connection with participating in the Initial Training Program. If Franchisor determines it is necessary, Franchisor or a designee of Franchisor will provide Franchisee with approximately three (3) days of additional training at the Premises during normal business hours after the Franchised Business has opened. If Franchisor determines that

Franchisee needs more than the three (3) days of additional training referenced in the preceding sentence, Franchisee will pay to Franchisor an amount equal to Franchisor's then current daily rate and will reimburse Franchisor for the out-of-pocket expenses it incurred in providing such training including, but not limited to all travel and living expenses.

5.2 Operations Manuals. So long as Franchisor is in compliance with all terms and conditions of this Agreement, Franchisor will provide Franchisee with access to Franchisor's proprietary and confidential operations manuals ("Operations Manuals"), which will include all manuals, written materials, directives, books, pamphlets, bulletins, memoranda, order forms, packing slips, invoices, letters, e-mail, internet or intranet data, or other publications, documents, software programs, transmittances or communications, in whatever form (including electronic form) prepared by or on behalf of Franchisor for use by the System franchisees generally or for Franchisee in particular, containing information, methods, standards, operating procedures, requirements, instructions, information about (and processes involving) approved suppliers, and/or policies relating to the operation of a Craters & Freighters franchised business, as they may be added to, deleted, or otherwise amended by Franchisor from time to time. Franchisee acknowledges that Franchisor will have the right to delegate the performance of any portion of its obligations and duties hereunder to third parties from time to time, whether such third parties are agents of Franchisor or independent contractors, which Franchisor has contracted with to provide such services. Franchisee agrees in advance to any such delegation by Franchisor of any portion or all of its obligations and duties hereunder.

5.3 Promotional Support for Opening. Franchisor will provide Franchisee with promotional support for the opening of the Franchised Business.

5.4 Proprietary Software and Other Software. Franchisor will develop, maintain, and grant Franchisee the right to use Franchisor's proprietary operating software ("Proprietary Software"). The Proprietary Software will be the central platform the Franchised Business uses to process customer jobs from start to finish with consistency, efficiency, and accuracy. Additionally, all royalty reports submitted by the Franchised Business will be managed exclusively through the Proprietary Software, which is also designed to assist Franchisee in streamlining operations and complying with Franchisor's standards. Franchisor will also require Franchisee to use select software, as solely determined by Franchisor.

5.5 Email Account(s). As partial consideration for Franchisee's payment of the Technology Fee, Franchisor will establish up to seven (7) email accounts for Franchisee to use exclusively in connection with the Franchised Business. In the event Franchisee requests any additional email accounts, Franchisee acknowledges and agrees that Franchisee will pay Franchisor's then-current rate for such email account(s), and such amount will be added to the amount of the Technology Fee paid by Franchisee.

5.6 Franchisee Geosite. Franchisor will establish and maintain a stand-alone website for Franchisee ("Franchisee Geosite"), which is separate and apart from Franchisor's website. Such Franchisee Geosite will include the contact information for the Franchised Business and various customer-oriented functions relating to products and services offered by the Franchised Business.

Franchisee acknowledges and agrees that Franchisor will own and control the domain, design, layout, and content associated with such Franchisee Geosite. Franchisee may propose content to appear on such Franchisee Geosite, but all such content will be subject to the review and approval of Franchisor.

5.7 Post-Opening On-Site Visit. At any point during the first ninety (90) days of Franchisee's operation of the Franchised Business (i.e., after the Franchised Business has opened to the public), Franchisor's personnel or designee may, upon request from Franchisee, conduct an on-site visit for three (3) business days with Franchisee at the Premises to provide Franchisee with post-opening support and assistance in the operation of the Franchised Business. There will be no charge to Franchisee for any such on-site visit.

5.8 Additional On-Site Visits. At any point during the first year of Franchisee's operation of the Franchised Business, upon request by Franchisee, Franchisor will conduct one (1) additional on-site visit for three (3) business days at no charge to Franchisee. Thereafter, Franchisor will provide Franchisee with on-site visits upon reasonable request by Franchisee or in the event Franchisor solely determines that an on-site visit is necessary. In either scenario, Franchisee must pay all of Franchisor's travel and living expenses for such on-site visit(s) plus Franchisor's then-current daily per-diem fee as set forth in the Operations Manuals.

5.9 Ongoing Support. Franchisor will provide and maintain support for Franchisee in connection with Franchisee's operation of the Franchised Business, which support may be provided by telephone conversations, regional and national conventions, site visits, group conference calls, online communications, through an intranet operated by Franchisor, and any other means solely determined by Franchisor.

5.10 Periodic Ongoing Training. Franchisor will require Franchisee's owner(s) or Franchisee's Designated Manager and other managers to attend periodic courses or training meetings with respect to new methods, techniques, equipment, services, and procedures, at such times and locations that Franchisor designates. In the event such Franchisee personnel are required to travel to attend such periodic courses or training meetings, Franchisee will be responsible for all travel and living expenses incurred in connection with any such courses or training meetings.

5.11 Administration of Marketing Fund. Franchisor will administer the Marketing Fund as it deems advisable to the System in its sole discretion as described more fully in Section 9.3 of this Agreement.

5.12 Review of Marketing and Advertising Materials. Franchisor will review and approve (or reject) marketing and advertising materials proposed by Franchisee relating to the Franchised Business in accordance with Section 9.5 of this Agreement.

5.13 Franchisee Geosite. Franchisor will maintain the Franchisee Geosite in accordance with Section 9.6 of this Agreement.

5.14 Carrier Tariffs, Vendors, and Related Topics. Franchisor will use commercially reasonable efforts to keep Franchisee informed regarding information on carrier tariffs, vendors, and related topics.

5.15 Purpose of Training, Support and Guidance. Franchisee acknowledges and agrees that any training, support, guidance or tools Franchisor provides to Franchisee under this Agreement are for the purpose of protecting the Craters & Freighters brand and Marks and to assist Franchisee in the operation of the Franchised Business and not for the purpose of controlling or in any way intended to exercise or exert control over Franchisee's decisions or day-to-day operations of the Franchised Business, including Franchisee's sole responsibility for the hiring, wages and other compensation (including benefits), training, supervision and termination of Franchisee's employees and all other employment and employee related matters.

5.16 Modification of System. Franchisor will keep Franchisee informed regarding any changes in the System. Franchisor reserves the right to periodically change, improve, or further develop the System, or any part of the System, including but not limited to the Marks. Franchisee must promptly accept and comply with any change to the System and incur any expenditures as necessary to comply with the System; provided, however, such expenditures will not exceed an aggregate amount of Ten Thousand Dollars (\$10,000) during the term of this Agreement. Franchisee acknowledges that such expenditures are not limited or capped by Franchisor in any way.

## 6. OBLIGATIONS OF FRANCHISEE.

6.1 Personal Guaranty. Each of the owners of Franchisee must execute the Owner's Guaranty and Assumption of Obligations set forth in Attachment E to this Agreement, pursuant to which all obligations and duties of Franchisee are guaranteed by such individuals. Franchisee and each such owner of Franchisee represent that the entity ownership percentages set forth in Attachment E to this Agreement are true, complete, accurate, and not misleading.

6.2 Lease. Franchisee must locate and sign a Lease on the Premises to be used by the Franchised Business within sixty (60) days after execution of this Agreement.

6.3 Initial Training Program. Franchisee must successfully complete the Initial Training Program to the satisfaction of Franchisor prior to opening the Franchised Business.

6.4 Licenses and Permits for Franchised Business. Prior to opening the Franchised Business, Franchisee must obtain all required licenses, permits, and approvals to establish, open, and operate the Franchised Business at the Premises (collectively, the "**Licenses and Permits**"). Thereafter, Franchisee must maintain all applicable Licenses and Permits throughout this Agreement.

6.5 Opening. Franchisee must open the Franchised Business to the public within ninety (90) days after execution of this Agreement.

6.6 Equipment. Franchisee acknowledges and agrees that special equipment ("Equipment") is necessary to fulfill the quality packing and shipping of products, including but

not limited to a truck with a liftgate and graphics, equipment, and tools, as set forth in the Operations Manuals. Franchisee agrees to purchase and install the Equipment at the Premises prior to the opening of the Franchised Business, and to maintain such Equipment throughout the Initial Term and any Successor Term, according to the requirements and standards established by Franchisor.

**6.7 Proprietary Software, Other Software, and Hardware.** During this Agreement, Franchisor will grant Franchisee with the right to use the Proprietary Software. Franchisee agrees to use the Proprietary Software and comply with all rules and requirements established by Franchisor from time to time relating to such Proprietary Software. Franchisee must purchase any additional select software, hardware (which will accept the software required by Franchisor), dedicated telephone and power lines, and other computer related accessories, peripherals, and equipment as required by Franchisor. Franchisee must obtain high-speed communication access for its computer system such as broadband, DSL, or other high-speed capacity. Franchisee agrees to maintain such computer system and software program in good repair at its expense. The aggregate cost of Franchisee's obligations to carry out upgrades of the computer system, addition of components to the computer system, and replacement of components to the computer system will not exceed Five Thousand Dollars (\$5,000) per year during the term of this Agreement. Franchisee acknowledges that Franchisor cannot estimate the cost of maintaining, updating, or upgrading Franchisee's computer system or software, as such cost will depend on Franchisee's repair history and local cost of computer maintenance services in its area and technological advances, which Franchisor cannot predict.

**6.8 Franchisee's Responsibilities Relating to Vulnerability of Computer Systems.** Franchisee acknowledges and understands that computer systems are vulnerable to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders. Franchisor does not guarantee that information or communication systems supplied by Franchisor or its approved suppliers will not be vulnerable to these problems. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from these problems. Franchisee must also take reasonable steps to verify that Franchisee's approved suppliers, lenders, lessors, customers, and governmental agencies on which Franchisee relies, are reasonably protected. This may include taking reasonable steps to secure Franchisee's systems, including, but not limited to, purchasing firewalls, access code protection, anti-virus systems, and using backup systems.

**6.9 Email Account(s).** Franchisee must maintain the email account(s) established by Franchisor for Franchisee's Franchised Business. Franchisee agrees to use such email account(s) at all times when communicating within the System and the public. Franchisee may not create or use any alternative or deviations of any email address(es) associated with such email account(s).

**6.10 Compliance with Laws.** Franchisee must at all times conduct and operate the Franchised Business in accordance with all federal, state, and local laws, ordinances, and regulations applicable thereto. Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business. It is Franchisee's sole and absolute obligation to research all applicable laws governing the operation of the Franchised Business and to ensure that such operation does not violate any applicable laws. For example, there are various federal laws that could affect the

Franchised Business and that Franchisee must comply with such as the Occupational Safety and Health Act, the CAN-SPAM Act, the Telephone Consumer Protection Act (the “TCPA”), the Telemarketing Sales Rule, other federal and state anti-solicitation laws regulating marketing phone calls, and federal and state laws that regulate data security and privacy (including the use, storage, transmission, and disposal of data regardless of media type). Franchisee should investigate these laws to understand its potential legal obligations.

**6.11 Training and Supervision of Personnel.** Franchisee must ensure the training of Franchisee’s personnel, including but not limited to warehouse personnel who will be responsible for crating, packing, and shipping goods in connection with the operation of the Franchised Business. Franchisee alone is responsible for hiring, firing, training, setting hours for, and supervising all employees, and for hiring, firing, and supervising all independent contractors retained by Franchisee. Franchisee acknowledges and agrees that no employee of Franchisee will be deemed to be an employee of Franchisor or Franchisor’s Affiliates for any purpose whatsoever, and nothing in any aspect of the System or the Marks in any way shifts any employee or employment related responsibility from Franchisee to Franchisor. Franchisee agrees to be solely responsible for all employment decisions and, in accordance with Section 6.10 of this Agreement, to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, discipline, and workplace safety of employees, paid or unpaid, full or part-time.

**6.12 Compliance with Lease.** Franchisee must comply with both the Lease and any additional leasehold covenants and regulations of the building in which the Premises is located. In the event the landlord of the Premises terminates the Lease due to Franchisee’s default of such Lease, such termination of the Lease will also constitute a material breach of this Agreement by Franchisee, so long as Franchisor verifies Franchisee’s alleged default(s) of such Lease.

**6.13 Compliance with System Standards.** To protect the reputation and goodwill of Franchisor and the System, and to maintain uniform standards of operation under the Marks, Franchisee will conduct the Franchised Business in strict accordance with the specifications, standards, operating procedures, and rules set forth in this Agreement, the Operations Manuals, and otherwise established and communicated by Franchisor (collectively the “**System Standards**”). Franchisee acknowledges the System Standards are intended to protect Franchisor’s standards, systems, names, Marks, Confidential Information, and Trade Secrets (including but not limited to the Proprietary Software) and are not intended to control the day-to-day operation of Franchisee’s Franchised Business. Franchisee further acknowledges and agrees that Franchisee’s Franchised Business will be under the control of the Franchisee at all times and that Franchisee will be solely responsible for the day-to-day operation of the business. Any failure or refusal by Franchisee to comply with the System Standards will be a material default by Franchisee under this Agreement.

**6.14 Display of Logo.** Throughout the duration of this Agreement, Franchisee will use and display the Marks and will make the Craters & Freighters logo (“**Logo**”) the primary focus of identification on all promotional and direct mail, such as on letterhead, envelopes, and sales material. Any signage used on buildings, trucks, or billboards in connection with the Franchised Business will

display the Logo. Any use and display of the Marks or the Logo must be done in compliance with Franchisor's then-current brand identity design standards.

6.15 Management of the Franchised Business. Franchisee must manage and operate the Franchised Business in an ethical and honorable manner. Franchisee must ensure that all those working at the Franchised Business provide courteous and professional services to customers and always keep the customers' interests in mind while protecting the goodwill of the Marks, System, and Franchised Business. Franchisee must handle all customer complaints and requests for refunds and adjustments in a manner consistent with applicable laws and regulations and Franchisor's applicable standards and specifications. Franchisee must also work with other Craters & Freighters franchisees in an ethical, honorable, and cooperative manner. Franchisor cannot willfully engage in a course of conduct which includes any misrepresentations or deceptive or unlawful acts or practices in connection with offering and/or selling products and services to customers.

6.16 Periodic Ongoing Training; Convention and Regional Meetings. Franchisee's manager(s) will attend periodic courses or training meetings with respect to new methods, techniques, equipment, services, and procedures, at such times and locations that Franchisor designates. In the event such Franchisee personnel are required to travel to attend such periodic courses or training meetings, Franchisee will be responsible for all travel and living expenses incurred in connection with any such courses or training meetings. Franchisee's owner(s) or designee(s) of such owner(s) must attend Franchisor's annual franchisee convention. Franchisee's owners must attend regional meetings conducted by Franchisor.

6.17 Products and Services. Franchisee will sell only the products and services set forth in the Operations Manuals. In prescribing standards, specifications, processes, procedures, requirements, or instructions under this Agreement and the Operations Manuals, Franchisor will provide guidance to Franchisee, as required in Franchisor's sole discretion, in determining the prices to be charged by Franchisee for services or products. Franchisor will not have control over the day-to-day managerial operations of the Franchised Business, and Franchisee will be free to establish its own prices.

6.18 Hours of Operation. Franchisee will keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may prescribe in the Operations Manuals.

6.19 Access for Inspections and Audits. To determine whether Franchisee is complying with this Agreement, the Operations Manuals and the System, Franchisor and its designated agents or representatives may, without prior written notice to Franchisee: (i) inspect the Premises; (ii) observe and monitor the operation of the Franchised Business for consecutive or intermittent periods as Franchisor deems necessary; (iii) interview personnel and customers of the Franchised Business; and (iv) inspect, audit and/or copy any books, records, and agreements relating to the operation of the Franchised Business, including all financial information. Franchisee agrees to cooperate with Franchisor fully in connection with these undertakings by Franchisor (if taken). If Franchisor exercises any of these rights, Franchisor will not interfere unreasonably with the operation of the Franchised Business.

**6.20 Personal Participation by Franchisee; Staffing.** The owner(s) of Franchisee must personally participate in the direct management of the Franchised Business on a full-time basis, unless the owner(s) of Franchisee engage(s) a manager (“**Designated Manager**”) whom Franchisor approves in writing to manage the day-to-day operations of the Franchised Business when the owner(s) of Franchisee are not present. If Franchisee engages a Designated Manager at any time prior to the opening of the Franchised Business, the Designated Manager must successfully complete the Initial Training Program to Franchisor’s satisfaction prior to such Designated Manager assuming any management responsibilities in connection with the Franchised Business. The cost of the Initial Training Program for a Designated Manager engaged by Franchisee prior to the opening of the Franchised Business will be borne by Franchisor. The cost of any training provided by Franchisor (upon Franchisee’s request or as determined by Franchisor) to any Designated Manager engaged by Franchisee after the opening of the Franchised Business will be paid by Franchisee to Franchisor based on Franchisor’s then-current daily rate for additional training; Franchisee will also reimburse Franchisor for the out-of-pocket expenses Franchisor incurs in providing such training including, but not limited to, all travel and living expenses.

At least one member of Franchisee’s staff must be designated as the primary salesperson for the Franchised Business (“**Lead Salesperson**”), and such Salesperson will direct Franchisee’s lead generation efforts and manage the day-to-day customer sales of the Franchised Business. Such Lead Salesperson does not need to attend the Initial Training Program, but will be required to participate in any sales training that Franchisor may choose to provide (whether virtual or in person) at Franchisee’s sole cost and expense.

Regardless as to whether Franchisee engages a Designated Manager, Franchisee is solely responsible for all aspects of the operation of the Franchised Business and ensuring that all the terms, conditions, and requirements contained in this Agreement and in the Operations Manuals are met and kept. Franchisee will use best efforts to ensure that the Franchised Business is sufficiently staffed.

**6.21 Payments to Franchisor, Franchisor’s Affiliates, and Approved Suppliers.** Franchisee agrees to promptly pay Franchisor all payments and contributions that are due to Franchisor, Franchisor’s Affiliates, or any approved supplier of Franchisor.

**6.22 Payment of Taxes.** Franchisee will be responsible for the payment of all sales, use, service, occupation, excise, gross receipts, income, property, or any other taxes relating to the operation of the Franchised Business, whether levied upon Franchisee, Franchisee’s property, or upon Franchisor, in connection with the sales made or business conducted by Franchisee (except any taxes Franchisor is required by law to collect from Franchisee with respect to Franchisee purchases from Franchisor). Franchisee acknowledges and agrees that Franchisor will not have any responsibility regarding the payment of any such taxes and required payments.

**6.23 Best Efforts.** Franchisee will devote Franchisee’s best efforts to develop, operate, and grow the Franchised Business throughout the duration of this Agreement.

7. CONFIDENTIAL INFORMATION AND TRADE SECRETS.

7.1 Confidential Information and Trade Secrets. In connection with the operation of the Franchised Business, Franchisee will from time to time become acquainted with, work with, and even generate certain information, procedures, techniques, data, and materials that are and, by this Agreement, will become proprietary to Franchisor. “**Confidential Information**” means certain confidential information relating to the operation of a Craters & Freighters Franchised Business which includes, but is not limited to, all knowledge, know-how, standards, methods and procedures related to the establishment and operation of the System and includes all records pertaining to customers, approved suppliers, and other service providers of, and/or related in any way to, Franchisee’s Franchised Business including, without limitation, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, e-mail addresses, customer purchase records, manuals, promotional and marketing materials, marketing strategies and any other data which Franchisor designates as confidential. “**Trade Secret(s)**” means information, including any formula, pattern, compilation, program, device, method, training technique or process related to the System that both derives independent 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 is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

7.2 Confidentiality Obligations. Franchisee and Franchisee’s owner(s) agree they: (i) will keep confidential any of Franchisor’s Confidential Information or Trade Secrets, (ii) will not use such for its or their own purpose or supply or divulge same to any person, firm, association, or corporation except as reasonably necessary to operate the Franchised Business, (iii) will adopt and implement all reasonable procedures, including those that Franchisor prescribes to prevent unauthorized use or disclosure of any Confidential Information or Trade Secrets. The confidentiality obligations set forth in this section will remain in full force and effect during the term of this Agreement and in perpetuity after its termination or expiration and non-renewal. Upon the termination or expiration and non-renewal of this Agreement, all items, records, documentation, and recordings incorporating any Confidential Information or Trade Secrets will be immediately turned over by Franchisee, at Franchisee’s sole expense, to Franchisor or to Franchisor’s authorized representative. Franchisee must ensure and require that all of Franchisee’s owners, officers, directors, shareholders, and partners (each a “**Restricted Person**” and, collectively, “**Restricted Persons**”) execute a prescribed form of confidentiality and non-competition agreement that will be in substantially the same form attached to this Agreement as Attachment F (“**Confidentiality and Non-Competition Agreement**”). Franchisee must obtain a signed copy of the Confidentiality and Non-Competition Agreement from every such Restricted Person prior to, or at the same time of, that Restricted Person undertaking its role with Franchisee. Franchisee’s spouse or significant other will also be bound by the same requirement and will sign the same Confidentiality and Non-Competition Agreement. Franchisee must provide Franchisor with a copy of each signed Confidentiality and Non-Competition Agreement within ten (10) days of executing such Confidentiality and Non-Competition Agreement.

7.3 No Interest. Franchisee acknowledges and agrees that Franchisee will not acquire any interest in any Confidential Information or Trade Secrets, other than the right to utilize disclosed

Confidential Information or Trade Secrets in operating the Franchised Business during this Agreement, and that any use or duplication of any Confidential Information or Trade Secrets in any other business would constitute an unfair method of competition.

7.4 Improvements. Franchisee agrees to fully and promptly disclose to Franchisor any and all inventions, discoveries, improvements, ideas, concepts, methods, and techniques, whether or not patentable or copyrightable, that are conceived or made by Franchisee or its employees or agents that are in any way related to the establishment or operations of the Franchised Business (collectively, the “**Improvements**”), all of which will be automatically and without further action owned by Franchisor without compensation to Franchisee (including all intellectual property rights therein). Whenever requested to do so by Franchisor, Franchisee will execute any and all applications, assignments, or other instruments that Franchisor may deem necessary to apply for and obtain intellectual property protection or to otherwise protect Franchisor’s interest therein. These obligations will continue beyond the termination or expiration and non-renewal of this Agreement. If a court should determine that Franchisor cannot automatically own certain of the Improvements that may be developed, then Franchisee hereby agrees to grant Franchisor a perpetual, royalty-free worldwide license to use and sublicense others to use such Improvements.

## 8. MARKS.

8.1 Ownership of Marks. Franchisee acknowledges Franchisor is the exclusive owner of all right, title, and interest, together with all the goodwill, of the Marks. Nothing herein shall give Franchisee any right, title, or interest in or to any of the Marks, except a mere privilege during this Agreement to display and use the Marks according to the standards and specifications established by Franchisor in this Agreement and the Operations Manuals.

8.2 Permitted Use. Franchisee acknowledges and agrees that Franchisee’s use of the Marks applies only in connection with the operation of the Franchised Business, and includes only such Marks as are now designated, or which may hereafter be designated in the Operations Manuals or otherwise in writing as part of the System (which might or might not be all of the Marks pertaining to the System owned by Franchisor), and does not include any other mark, name, or indicia of origin of Franchisor now existing or which may hereafter be adopted or acquired by Franchisor.

8.3 No Contest. Franchisee agrees that, during the term of this Agreement and after its termination or expiration and non-renewal, Franchisee will not directly or indirectly contest or aid in contesting the validity of the Marks or the ownership or rights of the Marks by Franchisor. Furthermore, Franchisee intends and hereby concedes that any commercial use Franchisee may make of the Marks will contribute and inure to the commercial use and benefit of Franchisor, which Franchisor may claim to strengthen and further secure ownership of the Marks. In the event that Franchisee acquires any rights, title or interest in the Marks, Franchisee agrees to assign and hereby assigns all such rights, title, or interest to Franchisor.

8.4 DBA Name. When communicating with the public, Franchisee agrees to identify itself as “Craters & Freighters” or “Craters & Freighters of {location}” as set forth on the cover page of this Agreement.

8.5 Use of Marks on the Internet. Franchisor retains the sole right to use the Marks and market on the Internet, including all of use website, domain names, URLs, linking, advertising, and co-branding arrangements. Franchisee may not establish a presence on the Internet except as Franchisor may specify, and only after Franchisee obtains Franchisor's prior written consent.

8.6 Use of Marks in Franchisee's Name. Franchisee may not use Franchisor's trade name or trademarks, or any portion of Franchisor's trade name or trademarks, as part of a corporate or trade name, or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form.

8.7 Modification or Discontinued Use of Marks. If Franchisor determines it is advisable for Franchisor and/or Franchisee to modify or discontinue use of any Mark and/or use one or more additional or substitute trade or service marks, Franchisee agrees to comply with Franchisor's directions to do so within a reasonable time after notice thereof. Franchisor will not reimburse Franchisee for any out-of-pocket expenses Franchisee incurs in modifying or discontinuing the use of a Mark and substituting therefore a different trademark or service mark in connection with the major signage identifying the premises. Additionally, Franchisor will not reimburse Franchisee for any loss of goodwill associated with the modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute trademark or service mark.

8.8 Unauthorized Use of Marks. Franchisee shall not employ any of the Marks in signing any contract or applying for any license or permit, in a manner that may result in Franchisor's liability for any of Franchisee's indebtedness or obligations, nor may Franchisee use the Marks in any way not expressly authorized by Franchisor.

8.9 Attorney in Fact. Upon the sooner of termination or expiration and non-renewal of this Agreement, Franchisor may, if Franchisee does not do so, execute in Franchisee's name and on Franchisee's behalf, any and all documents necessary in Franchisor's judgment to end and cause the discontinuance of Franchisee's use of Franchisor's trade name and trademarks and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact to do so.

8.10 Infringement of Marks. In the event that Franchisee becomes aware, receives notice, or is informed of any claim, suit, or demand against Franchisee on account of any alleged infringement, unfair competition, or similar matter relating to the use of the Marks or any trademarks, trade names, service marks, logotypes, insignia, or designs owned by Franchisor or represented by Franchisor and used by Franchisee in accordance with the terms and conditions of this Agreement, Franchisee will notify Franchisor in writing ("Infringement Notice") within three (3) calendar days of any such claim, suit, or demand. Franchisee will not communicate with any persons other than Franchisor or Franchisor's legal counsel in connection with any such claim, suit, or demand. Upon receiving the Infringement Notice from Franchisee, Franchisor will indemnify and defend Franchisee against any such claim by any third party, so long as such claim arose solely out of Franchisee's authorized use of the Marks licensed under this Agreement in connection with the operation of the Franchised Business. Further, Franchisee acknowledges that Franchisor has the right to completely control the defense and, if appropriate, settlement negotiations and resolution regarding such claim, including the right to select legal counsel Franchisor deems appropriate.

Franchisee agrees to fully cooperate with Franchisor under such circumstances and to execute any and all documents and to complete such actions as may be necessary in the opinion of counsel for Franchisor to carry out such defense, settlement negotiations, or resolution of such claim. Notwithstanding anything in this Section to the contrary, Franchisor's liability under this Section will be limited to no more than the Initial Franchise Fee paid by Franchisee under this Agreement.

## 9. MARKETING AND PROMOTION.

9.1 Solicitation. Except as set forth in this Agreement or in the Operations Manuals, Franchisee may not directly market to or solicit customers outside of the Territory without the prior written consent of Franchisor.

9.2 Marketing Fund. Franchisor will maintain and administer a national marketing fund ("Marketing Fund") for such marketing, advertising, and promotional programs as Franchisor deems necessary or appropriate in its sole determination, and Franchisee will pay the Marketing Fund Contribution as set forth in Section 3.4 of this Agreement. The Marketing Fund will be used exclusively for the purpose of promoting the System. Franchisor may expend Marketing Fund monies towards the creation, production, and/or placement of advertising in local, regional, or national media including, but not limited to, broadcast, print, electronic, direct mail, radio, television, or other media), developing promotional materials, and undertaking public relations activities on behalf of the entire System or on behalf of a particular portion of the System. The Marketing Fund may also be used to meet any and all costs of maintaining, administering, directing, and preparing marketing, advertising, and promotional efforts and programs including, but not limited to: direct mail advertising; local, regional, and national promotions; call centers; market research; public relations activities; developing and maintaining Franchisor's Website and franchisee geosites (including the Franchisee Geosite); employing marketing, advertising, and public relations agencies (including the payment of commissions); purchasing promotional items; attending trade shows; providing other marketing materials and services to Craters & Freighters Franchised Businesses operating under the System; and other marketing, advertising, and promotional activities. These costs may include the proportionate salary share of employees of Franchisor or any Affiliate of Franchisor who devote time and render services for marketing, advertising, or promotion, or the administration of the Marketing Fund; such costs may include administrative costs, salaries, and overhead expenses. No part of the Marketing Fund will be used by Franchisor to defray any of Franchisor's general operating expenses, other than those reasonably allocable to the marketing, advertising, or promotional activities described in this Section or other activities reasonably related to the administration or direction of the Marketing Fund. Franchisor, any Affiliate of Franchisor, and Franchisor's authorized representatives may be reimbursed from the Marketing Fund for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting and legal expenses, taxes and all other reasonable direct or indirect expenses that Franchisor, any Affiliate of Franchisor, and Franchisor's authorized representatives may incur relating to programs funded by the Marketing Fund. The Marketing Fund is intended to maximize the general brand recognition of the System, and Franchisor is not obligated to expend Marketing Fund monies on Franchisee's behalf or benefit or to expend Marketing Fund monies equivalent or proportionate to Franchisee's contributions or Franchisee's benefit. Franchisor does not guarantee that advertising expenditures from the Marketing Fund will benefit Franchisee or any other franchisee directly, on a pro rata basis,

or at all. Franchisor does not derive revenue or any other material consideration as a result of Franchisee's Marketing Fund Contributions. Franchisor is not required to spend an amount from the Marketing Fund on local marketing or advertising in Franchisee's Territory. Franchisor does not spend any of funds collected by the Marketing Fund on directly soliciting new franchisees. Any unused funds in any calendar year will be applied to the following year's funds, and Franchisor reserves the right to contribute or loan additional funds to the Marketing Fund on any terms Franchisor deems reasonable. Upon request, Franchisor will make available to Franchisee an annual accounting for the Marketing Fund that shows how the Marketing Fund proceeds have been spent for the previous year.

**9.3 Individual Advertising Expense.** Franchisee must expend the Individual Advertising Expense in accordance with Section 3.5 of this Agreement. Franchisee may not market or advertise in violation of federal laws regulating advertising, such as the CAN-SPAM Act and the TCPA, and state advertising laws applicable to the Franchised Business.

**9.4 Internet Marketing by Franchisor Only.** Franchisor has the sole right to market on the Internet and use the Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media. Franchisee may not separately register any domain name or any portion of a domain name containing the Marks or participate or market on any website or other form of electronic media (including social technology, social media and social networking platforms) using the Marks unless Franchisee first obtains written approval from Franchisor. Franchisee's general conduct on the Internet or other forms of electronic media, including Franchisee's use of the Marks or any advertising, is subject to the terms and conditions of this Agreement and any other rules, requirements or policies that Franchisor may establish from time to time as set forth in the Operations Manuals or otherwise.

**9.5 Marketing and Advertising Materials.** All marketing and advertising plans and materials utilized or distributed in any medium by Franchisee must comply with Franchisor's branding standards as set forth in the Operations Manuals or otherwise and must be approved by Franchisor or Franchisor's designee. Such plans and materials must be submitted to, and approved by, Franchisor prior to being utilized or distributed by Franchisee. Upon receipt of such materials, Franchisor will have thirty (30) days to review such plans and materials and notify Franchisee of Franchisor's approval or rejection of such plans and materials. If Franchisor does not notify Franchisee of its approval prior to the expiration of such thirty (30) day period, the proposed materials will be deemed rejected by Franchisor. Any plans or materials submitted by Franchisee to Franchisor will immediately become Franchisor's property and Franchisor will retain all rights and interests in such plans and materials. Once approved by Franchisor, Franchisee may use such plans or materials for a period of one (1) year, unless Franchisor establishes a different time period for use and distribution when providing its approval, including a shorter or longer period of time. Franchisor reserves the right to require Franchisee to include certain language on any marketing or advertising carried out by Franchisee.

**9.6 Franchisee Geosite.** Within the Franchisee Geosite developed by Franchisor for the Franchised Business, Franchisee will have the ability to provide input for local content and specific

approved product, service, and industry topics to promote its areas of emphasis for its local market, subject to the requirements set forth in Section 9.5 above. Franchisee may not develop its own individual location website or any other Internet presence.

9.7 Call Center. Franchisor reserves the right to establish, operate, or contract with one or more call centers for the purpose of receiving incoming telephone calls or other communications from prospective customers and/or placing outbound telephone calls or other communications to prospective customers. Such call center(s) may be operated by Franchisor, an Affiliate of Franchisor, or an independent third-party. Franchisor may, but is not obligated to, allocate business generated by such telephone calls or other communications to Franchisee; provided, however, Franchisor will use its best efforts to direct telephone calls or other communications from prospective customers located in the Territory to Franchisee. Franchisor reserves the right to use Marketing Fund monies for such call center(s).

9.8 Marketing Cooperatives. Franchisor reserves the right to establish one or more marketing cooperatives (each a “**Cooperative**”). Specifically, Franchisor may designate any geographic area in which two (2) or more Craters & Freighters outlets are located as a region for establishing a Cooperative. If a Cooperative is established for a geographic area where the Franchised Business is located, Franchisee must become a member of the Cooperative and abide by the rules of the Cooperative. All amounts contributed by Franchisee to a Cooperative will count towards the Individual Advertising Expense. Franchisor reserves the right to form, change, or dissolve any such Cooperative at any time.

## 10. NATIONAL ACCOUNTS PROGRAM.

Franchisor has developed a program in connection with an Affiliate of Franchisor which solicits and administers business accounts (each a “**National Account**” and, collectively, the “**National Accounts**”) for packaging and shipping from businesses or institutions which have operations in two (2) or more territories within the System (“**National Accounts Program**”). The fulfillment of any such National Account will first be offered to the franchisee operating the Craters & Freighters Franchised Business in the territory in which the business is to be serviced pursuant to the corresponding National Account agreement established by Franchisor or its designee. Such franchisee is required to service the National Account according to the terms and conditions (including the price(s)) established in the corresponding National Account agreement. If such franchisee fails or refuses to service the National Account in accordance with such terms and conditions, or if Franchisor determines—in Franchisor’s sole discretion—that Franchisee will not meet certain requirements to perform the work requested under the relevant corresponding National Account agreement, Franchisor reserves the right to perform the requested service(s) for the National Account or to assign the work to other franchisees, outside third-party vendors, or an Affiliate of Franchisor, in Franchisor’s sole determination. Franchisor reserves the right to establish mandatory policies and procedures relating to the National Accounts Program in the Operations Manuals.

## 11. ACCOUNTING, REPORTS, AND RECORDS

11.1 Accounting and Reports. Franchisee must keep accurate records and financial bookkeeping regarding the operations of the Franchised Business as required by law and by Franchisor in accordance with this Agreement, the Operations Manuals, and otherwise. Specifically, Franchisee must perform all of the following:

11.1.1 On or before the tenth (10<sup>th</sup>) day of each calendar month, Franchisee must submit, and Franchisor must have received, a report on the Franchised Business's Adjusted Gross Sales for the preceding calendar month in the form then required by Franchisor. In the event Franchisor requires Franchisee to pay the Royalty Fee on a weekly basis, Franchisee must submit, and Franchisor must receive, such report by the deadline then established by Franchisor.

11.1.2 On or before the tenth (10<sup>th</sup>) day of each calendar month, Franchisee must submit, and Franchisor must have received, a report on the Franchised Business's insurance activities for the preceding calendar month in the form then required by Franchisor. In the event Franchisor requires Franchisee to pay the Insurance Payment on a weekly basis, Franchisee must submit, and Franchisor must receive, such report by the deadline then established by Franchisor.

11.1.3 Upon request by Franchisor, Franchisee must promptly submit to Franchisor monthly or quarterly financial statements.

11.1.4 On or before the ninetieth (90<sup>th</sup>) day after the end of each fiscal year of Franchisee, Franchisee must submit to Franchisor a balance sheet and profit and loss statement for such fiscal year.

11.1.5 Upon request of Franchisor, within ten (10) days after such returns are filed, exact copies of federal and state income, sales and any other tax returns, and such other forms, records, books, and other information as Franchisor may periodically require.

11.1.6 Any other report required by Franchisor relating to the Franchised Business.

Each report and financial statement referenced above must be signed and verified by Franchisee in the manner Franchisor prescribes. Franchisor will have the right to use and/or disclose any data derived from such sales reports, so long as Franchisor does not specifically identify Franchisee in connection with such data or sales reports.

11.2 Business Records; Franchisor's Right to Access Information. Franchisee acknowledges and agrees that Franchisor owns all business records, accounts, books, data, licenses, reports, and contracts (collectively, "**Business Records**") with respect to customers, and other service professionals of, and related to, the Franchised Business including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, phone

numbers, e-mail addresses, customer purchase records, and all other records contained in the databases, and all other Business Records created and maintained by Franchisee. Franchisee hereby authorizes Franchisor, any Affiliate of Franchisor, and any designee of Franchisor to access all such Business Records from such reporting systems and associated equipment, including the Proprietary Software, whether by inspection on the Premises or via retrieval by modem or other method of retrieval, as Franchisor deems necessary. All such reporting systems and associated equipment must be accessible to Franchisor, any Affiliate of Franchisor, and any designee of Franchisor upon reasonable request by Franchisor, and Franchisee agrees not to inhibit Franchisor's access to the reporting system or associated equipment. Franchisee acknowledges and agrees there is no contractual limitation on Franchisor's right to receive or use information through the Proprietary Software or any other reporting system and associated equipment.

11.3 Preservation of Records. Franchisee must keep and preserve, for a period of not less than thirty-six (36) months after the end of each year, full, complete, and accurate books, records, reports, and accounts relating to the Franchised Business.

## 12. AUDITS AND INSPECTIONS.

12.1 Access to Business Records. Franchisor, any Affiliate of Franchisor, or any designee of Franchisee has the right, at any time during reasonable business hours and without prior notice to Franchisee, to undertake or cause an audit or inspection of the Business Records, accounting records, sales and income tax records and returns, and other records of the Franchised Business and the books and records of any corporations or partnership which have any ownership interest in Franchisee. Franchisee must fully cooperate with Franchisor, any Affiliate of Franchisor, and any designee of Franchisor who is carrying out any such audit or inspection.

12.2 Inspections at Premises. To determine whether Franchisee and the Franchised Business are complying with this Agreement and, more specifically, all System Standards, Franchisor, any Affiliate of Franchisor, or any designee of Franchisee has the right at any reasonable time, and without prior notice to Franchisee, to: (1) inspect and photograph the Premises, and (2) interview personnel and customers of the Franchised Business. Franchisee agrees to cooperate fully with Franchisor in connection with any such inspections and interviews, including but not limited to using any evaluation forms and surveys prescribed by Franchisor.

12.3 Understatement of Adjusted Gross Sales. In the event any audit or inspection discloses an understatement of the Franchised Business's Adjusted Gross Sales, Franchisee must pay to Franchisor, within fifteen (15) days after receipt of the audit or inspection report, the Royalty Fee and Marketing Fund Contributions due on the amount of such understatement, plus interest at the rate of prime plus five percent (5%) as per the records of any mega national bank from the date originally due until the day of payment. In addition, Franchisee must reimburse Franchisor for the cost of such any such audit or inspection, including, without limitation, any charges incurred by Franchisor relating to fees arising from attorneys, independent accountants, and the travel expenses, room and board, and compensation of Franchisor's employees in the event such audit or inspection is made necessary by any one or more of the following: (1) Franchisee's failure or refusal to furnish reports, supporting records, or any other information as herein required; (2) Franchisee's failure or refusal to furnish such records or other information as herein required; (3) Franchisee's failure or

refusal to furnish such information on a timely basis; (4) if, after receiving advance notice from Franchisor, Franchisee fails or refuses to have the books and records available for such audit or inspection; (5) Franchisee's failure or refusal to cooperate with any such audit or inspection; or (6) any understatement of Adjusted Gross Sales for the period of any audit or inspection is determined by any such audit or inspection to be greater than five percent (5%). The foregoing remedies will be in addition to any other remedies and rights Franchisor may have under this Agreement or applicable law.

12.4 No Control by Franchisor of Franchisee's Operations. Franchisee acknowledges and agrees that any evaluation, inspection, or related activity by Franchisor, any Affiliate of Franchisor, or any designee of Franchisor is not intended to exercise, and does not constitute, control over Franchisee's day-to-day operation of the Franchised Business or to assume any responsibility for Franchisee's obligations under this Agreement.

### 13. INSURANCE.

13.1 Required Policies. Franchisee must procure and keep in force insurance policies, in such amounts and on such terms, as prescribed by Franchisor in the Operations Manuals, by an insurance company acceptable to Franchisor at all times during this Agreement. Franchisee must obtain such policies within thirty (30) days after signing this Agreement or prior to opening the Franchised Business to the public, whichever occurs first. Insurance coverage must include general liability, combined single limit, bodily injury and property damage insurance for premises operations, products liability, cargo, and packers legal liability insurance and all other occurrences against claims of any person, employee, customer, agent or otherwise in an amount per occurrence of not less than such amount set forth in the Operations Manuals. Franchisee acknowledges that Franchisor reserves the right to update such required insurance policies and amounts from time to time in Franchisor's sole discretion. Franchisee must also procure and pay for all other insurance required by state or federal law, including, without limitation, workers' compensation and unemployment insurance.

13.2 Insured Parties; Notice of Cancellation. All insurance policies procured and kept in force by Franchisee relating to the Franchised Business must insure Franchisee and Franchisor and their respective Affiliates, officers, stockholders, directors, and all other parties designated by Franchisor, as additional named insureds against any liability that may accrue against them by reason of the ownership, maintenance or operation by Franchisee of the Franchised Business. The policies must also stipulate that Franchisor will receive a thirty (30) day prior written notice of cancellation.

13.3 Proof of Insurance. Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to Franchisor, including original endorsements affecting the coverage required by this Section, must be furnished to Franchisor together with proof of payment within ten (10) days of issuance thereof. Franchisee must also furnish Franchisor with certificates and endorsements evidencing such insurance coverage within ten (10) days after each of the following events: (i) at all policy renewal periods, no less often than annually, and (ii) at all instances of any change to, addition to, or replacement of any insurance. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to

bind coverage on its behalf. All certificates and endorsements are subject to approval by Franchisor. Franchisor reserves the right to require complete, certified copies of all required insurance policies at any time.

**13.4 Failure or Refusal to Obtain and Maintain Insurance.** In the event Franchisee fails or refuses to obtain the required insurance, to keep the same in full force and effect, or to provide Franchisor with proof of insurance, Franchisor may, but will not be obligated to, purchase insurance on Franchisee's behalf from an insurance carrier of Franchisor's choice, and Franchisee must reimburse Franchisor for the full cost of such insurance, along with a reasonable service charge to compensate Franchisor for the time and effort expended to secure such insurance, within five (5) days of the date Franchisor delivers an invoice detailing such costs and expenses to Franchisee. Notwithstanding the foregoing, the failure or refusal of Franchisee to obtain and maintain insurance constitutes a material breach of this Agreement entitling Franchisor to terminate this Agreement or exercise any or a combination of the other default remedies set forth in this Agreement.

**14. INDEMNIFICATION.**

Franchisee agrees, during the term of this Agreement and continuing after the termination or expiration of this Agreement, at Franchisee's own cost, to indemnify, defend, and hold harmless Franchisor, Franchisor's subsidiaries, and Franchisor's Affiliates, and their respective shareholders, directors, officers, employees, agents, successors, and assignees (each an "**Indemnified Party**" and, collectively, the "**Indemnified Parties**") from and against any and all claims, obligations, demands, losses, damages (including punitive damages), costs, suits, judgments, penalties, expenses (including reasonable attorneys' fees and amounts paid in settlement or compromise), and liabilities of any kind (collectively, "**Claims**"), however caused, directly or indirectly arising from or pertaining to the breach by Franchisee of its obligations under this Agreement or the operation of the Franchised Business. Such Claims will include, without limitation, those arising from the death or injury to any person or arising from damages to the property of Franchisee or Franchisor, their agents or employees, or any third person, firm, or corporation, whether or not such Claims were actually or allegedly caused wholly or in part through the active or passive negligence of Franchisor or any of its agents or employees or resulted from any strict liability imposed on Franchisor or any of its agents or employees. These indemnity obligations will continue in full force and effect subsequent to, and notwithstanding, the expiration or termination of this Agreement. Franchisor must have the right to defend any such claim against it.

**15. FRANCHISEE RESTRICTIVE COVENANTS.**

**15.1 Franchisee Acknowledgment.** Franchisee and Franchisee's owner(s) acknowledge the uniqueness of the System and that it would be an unfair method of competition to use or duplicate or to allow others to use or duplicate any of the knowledge, know-how or expertise Franchisee receives from Franchisor or any Affiliate of Franchisor other than for the operation of the Franchised Business under this Agreement, and that the provisions set forth in this Section 15 are also intended to protect Franchisor's legitimate business interests and business relationships, including, but not limited to, Franchisor's relationship with approved suppliers, customers, and franchisees.

Franchisee and Franchisee's owner(s) further acknowledge that these covenants and agreements relating to non-competition and non-solicitation are material inducements for Franchisor to enter into this Agreement, and that it is essential that Franchisee and Franchisee's owner(s) comply with the terms set forth herein.

**15.2 In-Term Restrictive Covenants.** During the term of this Agreement, Franchisee and Franchisee's owner(s) may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership, or corporation:

15.2.1 Perform any services for, consult for, engage in, acquire, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any business that offers shipping, packaging, crating, receiving and delivery, storage, transportation, moving, logistics, blanket wrap, or freight forwarding services, or products or services similar to the Franchised Business ("Competitive Business") without the prior written consent of Franchisor. Notwithstanding the foregoing, Franchisee will not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent five percent (5%) or less of that class of securities.

15.2.2 Divert, attempt to divert, or solicit business or customers of the Franchised Business, any Craters & Freighters Franchised Business, or any Craters & Freighters company-owned or Affiliate-owned business, to any Competitive Business by direct or indirect inducement or otherwise.

**15.3 Post-Term Restrictive Covenants.** For a period of two (2) years after the expiration, transfer, or termination of this Agreement, Franchisee and its owner(s) may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership, or corporation:

15.3.1 Perform any services for, consult for, engage in, acquire, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any Competitive Business at or within the following areas: (i) at the Premises of the Franchised Business; (ii) within the Territory granted to Franchisee under this Agreement; or (iii) within a radius of ten (10) miles of (a) the Premises of the Franchised Business, or (b) the premises of any other Craters & Freighters Franchised Business or any Craters & Freighters company-owned or Affiliate-owned outlet then-existing as of the date of the expiration, transfer, or termination of this Agreement.

15.3.2 Divert, attempt to divert, or solicit business or customers of the Franchised Business, any Craters & Freighters Franchised Business, or any Craters & Freighters company-owned or Affiliate-owned business, to any Competitive Business by direct or indirect inducement or otherwise.

15.3.3 Attempt to endorse, or enter into any business competing in whole or in part with Franchisor in granting franchisors or licenses, or establishing joint ventures, for Competitive Businesses.

15.4 Reasonableness of Restrictions. Franchisee and Franchisee's owner(s) acknowledge and confirm that the length of the term and geographical restrictions contained in Section 15.3 are fair and reasonable and not the result of overreaching, duress, or coercion of any kind. Franchisee and Franchisee's owner(s) also acknowledge and confirm that their full, uninhibited and faithful observance of each of the covenants contained in Section 15.3 will not cause any undue hardship, financial or otherwise, and that enforcement of each of the covenants contained in Section 15.3 will not impair their ability to obtain employment commensurate with their respective abilities and on terms fully acceptable to them.

15.5 Enforcement. Each of the foregoing covenants in this Section 15 will be construed as severable and independent and will be interpreted and applied consistent with the requirements of reasonableness and equity. In the event a court of competent jurisdiction determines the business, time, or geographic limitations contained in this Agreement are illegal, invalid, or unenforceable, then, the court so holding will reduce the limitation necessary to render such restriction enforceable by the court. In addition to any other remedies available at law or equity, Franchisor will have the right to injunctive relief for any violation or threatened violation of any covenant described in this Section 15 by Franchisee or any of Franchisee's owners.

15.6 Confidentiality and Non-Competition Agreement. Contemporaneously with the execution of this Agreement, Franchisee's owner(s) must sign the Confidentiality and Non-Competition Agreement attached hereto as Attachment F and must furnish Franchisor with a copy of each executed agreement within thirty (30) days of entering into this Agreement.

## 16. TRANSFER.

16.1 By Franchisor. This Agreement is fully transferable by Franchisor and will inure to the benefit of any transferee or other legal successor to Franchisor's interest herein. However, no transfer will be made except to an assignee that, in the good faith judgment of Franchisor, is willing and able to assume Franchisor's obligation under this Agreement.

16.2 By Franchisee. Franchisee agrees that the rights and duties created by this Agreement are personal to Franchisee (and to its owner(s) and that Franchisor has granted Franchisee the right to operate the Franchised Business in reliance upon Franchisor's perceptions of the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee and Franchisee's owner(s). Accordingly, neither this Agreement (or any interest therein), nor any part or all of the ownership of Franchisee or the Franchised Business (or any interest therein) may be transferred without Franchisor's prior written approval. Any transfer without such approval will constitute a material breach of the Agreement and will be void and of no effect. As used in this Agreement, the term "**transfer**" will mean and include the voluntary, involuntary, direct or indirect assignment, sale, gift, or other disposition by Franchisee (or any of its owners) of any interest in: (1) this Agreement; (2) the ownership of Franchisee; or (3) the Franchised Business. Any such assignment, sale, gift, or other disposition will include one of the following events: (1) transfer of

ownership of capital stock or a partnership interest in Franchisee; (2) merger or consolidation or issuance of additional securities representing an ownership interest in Franchisee; (3) any sale of capital stock of Franchisee or any security convertible to capital stock of Franchisee; (4) transfer of an interest in Franchisee, this Agreement, or the Franchised Business in a divorce, insolvency, corporate, or partnership dissolution proceeding, or otherwise by operation of law; or (5) transfer of an interest in Franchisee, this Agreement, or the Franchised Business in the event of the death of Franchisee or an owner of Franchisee by will, declaration of or transfer in trust, or under the laws of interstate succession.

16.3 Conditions for Approval of Transfer. So long as Franchisee and its owner(s) are in full compliance with this Agreement as of the date of the transfer, Franchisor will not reasonably withhold its approval of a transfer that meets all of the following conditions prior to or concurrently with the effective date of the transfer:

16.3.1 No Default. Franchisee and Franchisee's owner(s) have performed all obligations and duties under this Agreement.

16.3.2 Payments. Franchisee has paid all Royalty Fees, Marketing Fund Contributions, Insurance Payments, Technology Fees, and other amounts owed by Franchisee to Franchisor, any Affiliate of Franchisor, and any third-party creditors relating to the Franchised Business.

16.3.3 Governmental Compliance. The transfer is conducted in compliance with applicable laws and regulations.

16.3.4 Standards for Franchisees and Franchisee Owners. The transferee and its owner(s) are individual(s) of good moral character, have sufficient business experience, aptitude, and financial resources to operate the Franchised Business, and have otherwise met Franchisor's then-applicable standards for franchisees and franchisee owners.

16.3.5 Training. The transferee and/or its management personnel have completed Franchisor's Initial Training Program to Franchisor's satisfaction.

16.3.6 Transfer Fee. Franchisee or the transferee has paid Franchisor a transfer fee ("Transfer Fee") in the amount of Fifteen Thousand Dollars and Zero Cents (\$15,000.00) to defray expenses Franchisor incurs in connection with the transfer (unless the transfer is to or among then-existing owners of Franchisee).

16.3.7 Release. Franchisee and its owner(s) have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its subsidiaries, and its Affiliates, and their respective shareholders, directors, officers, employees, agents, successors, and assignees.

16.3.8 Economically Reasonable Terms. Franchisor has approved the material terms and conditions of such transfer, including, without limitation, that the price and terms of payment are not so burdensome as to affect adversely the transferee's operation of the Franchised Business, in the sole determination of Franchisor.

16.3.9 Obligations. In the event Franchisee and/or Franchisee's owner(s) finance any part of the sale price of the transferred interest, Franchisee and/or Franchisee's owner(s) have agreed that all obligations of the transferee under or pursuant to any promissory notes, agreements, or security interest reserved by Franchisee or its owners in the assets of the Franchised Business or the Premises will be subordinate to the transferee's obligations to pay Royalty Fees and other amounts due to Franchisor and its Affiliates and otherwise to comply with this Agreement.

16.3.10 Landlord Consent. If required, the lessor of the Premises has consented to the assignment or sublease of the Premises to the transferee.

16.3.11 Right of First Refusal Not Exercised. Franchisor has provided written notice to Franchisee that Franchisor will not exercise its right of first refusal as set forth in Section 17 of this Agreement.

16.3.12 Execution of Franchise Agreement. Transferee and its owner(s) execute Franchisor's then-current form of franchise agreement and agree to be bound by all of the terms and conditions of such franchise agreement, which may materially differ from the terms and conditions set forth in this Agreement.

16.4 Transfer to Wholly Owned Entity. So long as Franchisee and Franchisee's owner(s) are in full compliance with this Agreement as of the date of the transfer, Franchisee may transfer this Agreement, by assignment forms prepared by Franchisor, to an entity wholly owned by Franchisee and Franchisee's owner(s). Such transfer will not be subject to Franchisor's right of first refusal, and Franchisee will not be required to pay the Transfer Fee; provided, however, Franchisee will be required to pay Franchisor a fee in the amount of Eight Hundred Dollars (\$800) to assist with the legal and other costs incurred by Franchisor in connection with such transfer.

## 17. RIGHT OF FIRST REFUSAL.

In the event Franchisee desires to transfer either this Agreement or all, or substantially all, of the assets used in connection with the Franchised Business or any interest in Franchisee's lease to any third party that is not a legal entity wholly owned by Franchisee or Franchisee's owner(s) ("Third Party"), Franchisee must first offer to sell such interest to Franchisor on the same terms and conditions contained in the offer involving such Third Party. To do so, Franchisee and Third Party must enter into a letter of intent (signed by Franchisee and Third Party), which summarizes the terms and conditions of the offer ("Letter of Intent"), and Franchisee must provide Franchisor with a copy of such Letter of Intent. Franchisor will have ten (10) business days to elect whether or not Franchisor will exercise its right to purchase the interest according to the terms and conditions of the Letter of Intent. If Franchisor elects not to exercise its right, Franchisee and Third Party will

have sixty (60) days to complete the transfer described in the Letter of Interest, subject to the conditions for Franchisor consent set forth in Section 16.3 of this Agreement. Any material change in the terms and conditions of Franchisee's transfer of the interest to Third Party will be deemed a new proposal subject to Franchisor's right of first refusal set forth herein. So long as Franchisee has obtained Franchisor's prior written consent, which will not be unreasonably withheld, a transfer by Franchisee to an existing partner or shareholder of Franchisee, or a transfer as a result of the death, disability, or incapacitation of Franchisee or a principal owner of Franchisee, in accordance with the provisions set forth below, is not subject to Franchisor's first right of refusal set forth herein.

18. DEATH OR DISABILITY OF FRANCHISEE.

Upon death or permanent disability of Franchisee or a principal owner of Franchisee, the executor, administrator, conservator, guardian, or other personal representative of such person must transfer its interest in this Agreement or such interest in Franchisee to a third party approved by Franchisor. Such disposition of this Agreement or such interest (including, without limitation, transfer by bequest or inheritance) (collectively, "**Disposition**") must be completed within a reasonable time, not to exceed six (6) months from the date of death or permanent disability ("**Disposition Deadline**"), and will be subject to all of the terms and conditions applicable to transfers contained in Section 16 of this Agreement including, but not limited to Franchisor's right of first refusal; provided, however, in the event the Disposition has not been completed before the Disposition Deadline because the estate of Franchisee (or a principal owner of Franchisee, as the case may be) has not yet been concluded in probate court, then the Disposition Deadline will be extended until such time that such probate court has completed the probate process, not to exceed a total of twelve (12) months from the date of death or permanent disability. For purposes hereof, the term "**permanent disability**" will mean a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent Franchisee or an owner of a controlling interest in Franchisee from supervising the management and operation of the Franchised Business for a period of six (6) months or more from the onset of such disability, impairment, or condition.

19. DEFAULT AND TERMINATION.

19.1 Non-curable Breaches. Franchisor will have the right to terminate this Agreement without prior notice to Franchisee upon the occurrence of any of the following events at any time during this Agreement, each of which will be deemed an incurable breach of this Agreement:

19.1.1 Failure or Refusal to Open. Franchisee fails or refuses to open the Franchised Business to the public within ninety (90) days after execution of this Agreement.

19.1.2 Material Misrepresentation or Omission. Franchisee made any material misrepresentation or omission in applying to be a Craters & Freighters franchisee.

19.1.3     Initial Training Program. Franchisee or any other required attendee(s) fail to attend and complete, to Franchisor's satisfaction, the Initial Training Program.

19.1.4     Abandonment. Franchisee abandons the Franchised Business. For purposes of this Agreement, "**abandon**" means Franchisee's failure or refusal to actively operate the Franchised Business from the Premises for four (4) consecutive calendar days ("**Abandonment Period**"), unless the Premises has been closed because of fire, flood, or acts of government. Evidence of abandonment will also include, but not be limited to, an inability of Franchisor to establish contact with Franchisee via telephone and electronic-mail or other electronic communication during such Abandonment Period.

19.1.5     Criminal Conduct. Franchisee, any principal owner of Franchisee, or any owner of Franchisee owning more than ten percent (10%) of Franchisee, is charged with any felony crime, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole determination of Franchisor, to materially and unfavorably affect the System, Marks, or goodwill or reputation of the System or Marks.

19.1.6     Detrimental Conduct. Franchisee, any principal owner of Franchisee, or any owner of Franchisee owning more than ten percent (10%) of Franchisee, engages in any act or conduct which, in the sole determination of Franchisor, materially impairs the goodwill and/or reputation of the System or Marks, and Franchisee fails or refuses to take corrective measures to minimize or eliminate the negative impact of such act or conduct within 24 hours after receipt of written notice from Franchisor.

19.1.7     Repeated Non-Payment. Franchisee fails or refuses, when due, to pay any Royalty Fees, Marketing Fund Contributions, Insurance Payments, Technology Fees, or any other payments due to Franchisor or any Affiliate of Franchisor as required by Franchisor pursuant to this Agreement, the Operations Manuals, or otherwise, on two (2) or more occasions during any calendar year during this Agreement, even if such non-payment was subsequently cured by Franchisee. For purposes of this Section, any late payment by Franchisee of any amount due to Franchisor or any Affiliate of Franchisor will be deemed a non-payment that was cured by Franchisee.

19.1.8     Management of the Franchised Business. Franchisee willfully engages in a course of conduct which includes any misrepresentations or deceptive or unlawful acts or practices in connection with offering and/or selling products and services to customers.

19.1.9     Health and Safety. Franchisee fails, refuses, or neglects to take appropriate and necessary measures to protect any employee or customer from

imminent and significant danger due to any health or safety matter in connection with the operation of the Franchised Business, or if Franchisee commits repeated violations of any health or safety-related law, standard, or practice.

19.1.10 Unauthorized Use or Disclosure. Franchisee makes any unauthorized use of the Marks, unauthorized use or disclosure of any Confidential Information or Trade Secrets, or uses, duplicates, or discloses any portion of the Operations Manuals or Proprietary Software in violation of this Agreement, the Operations Manuals, or the Confidentiality and Non-Competition Agreement.

19.1.11 Report or Financial Statement. Franchisee intentionally understates the Franchised Business's Adjusted Gross Sales in any report or financial statement.

19.1.12 Restrictive Covenant. Franchisee fails or refuses to comply with any of the in-term restrictive covenants set forth in this Agreement including, but not limited to, those set forth in Section 15.2 of this Agreement.

19.1.13 Cross-Default. Franchisee, or any partnership, joint venture, limited liability company, corporation, or other business entity in which Franchisee and/or Franchisee's owner(s) have a controlling equity interest or which has a controlling interest in Franchisee, defaults under any term of any other agreement with Franchisor or any of Franchisor's Affiliates (including, but not limited to, another franchise agreement or a promissory note) and such default has not been cured within the time specified (if any) in such other agreement.

19.1.14 Unauthorized Transfer. Franchisee makes an unauthorized transfer of this Agreement (or any interest therein), or any part or all of the ownership of Franchisee or the Franchised Business (or any interest therein) that does not comply with the conditions set forth in Section 16 of this Agreement. This provision also applies to any unauthorized transfer made in connection with Section 18 of this Agreement involving the death or permanent disability of Franchisee or a principal owner of Franchisee.

19.1.15 Insolvency. Franchisee becomes insolvent or is adjudicated a bankrupt; or any action is taken by Franchisee, or by another against Franchisee under any insolvency, bankruptcy, or reorganization act, or if Franchisee makes an assignment for the benefit of creditors, or a receiver is appointed for Franchisee.

19.2 Curable Breaches. Franchisor will have the right to terminate this Agreement, or take other action as set forth in Section 19.5 of this Agreement, in the event Franchisee fails or refuses to cure any of the following events within thirty (30) days after receiving written notice of the occurrence of such event(s) at any time during this Agreement, each of which will be deemed a curable breach of this Agreement:

19.2.1     Non-Payment. Franchisee fails or refuses, when due, to pay any Royalty Fees, Marketing Fund Contributions, Insurance Payments, Technology Fees, or any other payments due to Franchisor or any Affiliate of Franchisor as required by Franchisor pursuant to this Agreement, the Operations Manuals, or otherwise.

19.2.2     Submission of Reports. Franchisee fails or refuses to submit, when due, any report or other data, information, or supporting records relating to the Franchised Business as required by this Agreement, Operations Manuals, or otherwise by Franchisor.

19.2.3     Accuracy of Reports. Franchisee fails or refuses to accurately report the Adjusted Gross Sales of the Franchised Business.

19.2.4     Warehouse. Franchisee fails or refuses to operate a warehouse within the Premises necessary for the operation of the Franchised Business.

19.2.5     Lease. Franchisee defaults under the Lease for the Premises and does not cure such default within the period of time required under such Lease, or Franchisee otherwise loses its right to possess and control the Premises to operate the Franchised Business, except in cases of force majeure and where Franchisor has previously granted a request from Franchisee to relocate the Premises in accordance with Section 4.5 of this Agreement.

19.2.6     Unauthorized Products or Services. Franchisee offers or sells any products or services that are not authorized by Franchisor. In the event Franchisee has sold any such unauthorized products or services, Franchisee must include the Adjusted Gross Sales collected from the sale of such unauthorized products or services when calculating the Royalty Fee.

19.2.7     Compliance with Operations Manuals and System Standards. Franchisee fails or refuses to comply with the Operations Manuals or, more specifically, any of the System Standards.

19.2.8     Taxes. Franchisee fails or refuses to pay any federal, state, or local income, sales, or other taxes due in connection with Franchisee's operation of the Franchised Business, including any taxes levied upon Franchisor, in connection with the sales made or business conducted by Franchisee (except any taxes Franchisor is required by law to collect from Franchisee with respect to purchases from Franchisor).

19.2.9     Licenses and Permits. Franchisee fails or refuses to obtain and/or maintain all applicable Licenses and Permits relating to the operation of the Franchised Business.

19.2.10    Consent Not Obtained. Franchisee fails or refuses to obtain Franchisor's prior written approval or consent when required by this Agreement or the Operations Manuals.

19.2.11 Insurance. Franchisee fails or refuses to obtain and maintain insurance required under this Agreement.

19.2.12 Other Compliance. Franchisee fails or refuses to comply with any other provision of this Agreement, the Operations Manuals, or any System Standard.

19.3 No Waiver. No waiver or delay in enforcement of any breach set forth in Section 19.1, Section 19.2, or any other term, covenant, or condition of this Agreement, nor any acceptance of any payment made by Franchisee, will be construed to be a waiver by Franchisor of any other breach of any term, covenant, or condition of this Agreement.

19.4 Subject to State Law. In the event any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement and the parties hereto limits Franchisor's rights of termination set forth in this Agreement, or requires longer notice periods than those set forth above, this Agreement will be amended to conform to such valid, applicable law or regulation; provided, however, Franchisor will not be precluded from contesting the validity or enforceability of the application of such law or regulation in any hearing or dispute relating to this Agreement or the termination or expiration of this Agreement.

19.5 Franchisor's Right to Reduce Territory Size and Suspend Performance. In the event Franchisee is in default of this Agreement based on the occurrence of any events set forth in Section 19.1 (i.e., Sections 19.1.1 through 19.1.15) or Section 19.2.1, Franchisor reserves the right to reduce the size or modify the boundaries of Franchisee's Territory. Under such circumstances, Franchisor will also have the right to suspend performance of any or all of the services provided to Franchisee by Franchisor, any Affiliate of Franchisor, or any designee of Franchisor, during the time period in which Franchisee is in default of this Agreement.

## 20. EFFECTS OF TERMINATION OR EXPIRATION.

20.1 Required Actions. In the event of the termination of this Agreement, whether by reason of default, lapse of time, or other cause, Franchisee must immediately complete all of the following:

20.1.1 Payment of Monies Owed. Franchisee must pay to Franchisor, or any Affiliate of Franchisor, as the case may be, all monies owed to Franchisor or such Affiliate(s), respectively, within ten (10) days of the date on which the Agreement was terminated or expired.

20.1.2 Discontinue Use of Marks. Franchisee must discontinue the use of the Marks including, but not limited to, all of Franchisor's trademarks, service marks and trade names. Additionally, Franchisee must cease doing business under any name or in any manner that might provide the general public with the impression that Franchisee is operating a Craters & Freighters Franchised Business. At the option of Franchisor, within a reasonable period after the termination or expiration of this

Agreement, Franchisee must destroy or return to Franchisor any physical copies or electronic versions of items bearing or containing any of the Marks.

20.1.3 Discontinue Use of Confidential Information and Trade Secrets. Franchisee must discontinue the use, in any manner, or for any purpose, directly or indirectly, of any of Franchisor's Confidential Information, Trade Secrets, or any other aspect of the System. At the option of Franchisor, Franchisee must destroy or return to Franchisor any physical copies or electronic versions of items containing any Confidential Information, Trade Secrets, or any other aspect of the System.

20.1.4 Discontinue Telephone Numbers. Franchisee must discontinue the use of all telephone numbers associated with the Franchised Business and transfer such numbers to Franchisor.

20.1.5 Compliance with Post-Term Restrictive Covenants. Franchisee and Franchisee's owner(s) must comply with the post-term restrictive covenants set forth in Section 15.3 of this Agreement.

20.2 Franchisor's Option to Purchase Assets. Upon the termination or expiration of this Agreement, Franchisor will have the option, but not the obligation, to purchase any and all of the assets used by Franchisee to operate the Franchised Business at a purchase price equal to market value. In the event Franchisor desires to purchase such assets: (i) Franchisor must notify Franchisee in writing within thirty (30) days after the date on which the Agreement is terminated or expires; (ii) Franchisor will have a right to inspect such assets before consummating the purchase of such assets; and (iii) Franchisee must provide Franchisor with customary warranties and representations regarding the maintenance, function, and condition of the assets and Franchisee's good title to such assets (including, but not limited to, that Franchisee owns the assets free and clear of any liens and encumbrances).

20.3. Surviving Provisions. The termination or expiration of this Agreement will be without prejudice to the rights of Franchisor against Franchisee and such expiration or termination will not relieve Franchisee of any of its obligations to Franchisor existing at the time of such termination or expiration or terminate those obligations of Franchisee, which by their nature, survive the expiration or termination of this Agreement.

21. RESERVED.

22. INDEPENDENT CONTRACTOR.

In all matters pertaining to the operations of the Franchised Business, Franchisee is and will be an independent contractor. No employee of Franchisee will be deemed to be an employee of Franchisor. Nothing herein contained in this Agreement will be construed so as to create a partnership, joint venture, or agency; and neither party hereto shall be liable for the debts or obligations of the other. Franchisee may not represent to third parties that Franchisee is an agent of Franchisor and it is understood between the parties hereto that because Franchisee is and will be an independent contractor, 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 behalf of Franchisor.

23. GOVERNING LAW AND DISPUTE RESOLUTION.

23.1 Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement and the relationship of the parties hereto is to be construed according to the laws of the State of Colorado, which laws will prevail in the event of any conflict of law.

23.2 Mediation. Franchisee must first submit any claim against Franchisor or any of Franchisor's Affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or any of Franchisor's Affiliates) (collectively, a "Claim"), to mediation. Specifically, Franchisee must submit such Claim to mediation to take place at Franchisor's then-current headquarters under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Franchisee will share mediator fees equally. Each party will use best efforts to resolve the dispute involving the Claim through mediation. The parties hereto will have sixty (60) days to reach a settlement; such sixty (60) day period will begin on the date that Franchisee has submitted such claim to the AAA. Notwithstanding the foregoing, for the sake of clarity, any controversy, dispute, or claim concerning the following will not be required to be submitted to mediation: (i) any federally protected intellectual property rights in the Marks, the System, or in any Trade Secrets, Confidential Information, or other confidential information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Franchisee's payment obligations under this Agreement.

23.3 Arbitration. In the event any dispute involving a Claim is not resolved through mediation within the sixty (60) day period referenced in Section 23.2 above, Franchisee must submit such Claim to arbitration in Jefferson County or Denver County, State of Colorado, in accordance with the Commercial Arbitration Rules of the American Arbitration Association and judgment upon the award may be entered in any court having jurisdiction thereof. The arbitration will be held before, and decided by, a panel of three (3) arbitrators. Franchisor will select one (1) arbitrator, Franchisee will select one (1) arbitrator, and those two (2) arbitrators will then select the third arbitrator. If the arbitrators selected by Franchisor and Franchisee cannot agree on the third arbitrator, then all three (3) arbitrators will be selected in accordance with the rules of the American Arbitration Association, which means that the arbitrators selected by Franchisor and Franchisee will not serve as arbitrators for such Claim. The parties hereto expressly consent to personal jurisdiction in the State of Colorado and agree that such court(s) will have exclusive jurisdiction over any determination of the "prevailing party" in accordance with such issues not subject to arbitration.

23.3.1 Authority of Arbitrators. The arbitrators will not have any authority to add, delete, or modify in any manner, the terms and provisions of this Agreement. All findings, judgments, and awards will be limited to the dispute set forth in the written demands. All decisions by the arbitrators will be made in writing not later

than ten (10) days after the hearing is complete. Any judgment may be entered in any court of competent jurisdiction; provided, however, the entering of any judgment will not prohibit Franchisor from applying for injunctive relief or other relief to any court having jurisdiction.

23.3.2 Attorneys' Fees. The parties to the arbitration proceeding(s) will be solely responsible for their own legal fees and costs. Such parties will be responsible for their share of the arbitration process fees and costs, subject to Section 23.3.4 of this Agreement.

23.3.3 No Withholding or Offset. Franchisee agrees, during the dispute resolution process set forth in this Section 23, that Franchisee will not withhold payment of any Royalty Fees, Marketing Fund Contributions, Insurance Payments, Technology Fees, or any other payments due to Franchisor or any Affiliate of Franchisor as required by Franchisor pursuant to this Agreement, the Operations Manuals, or otherwise.

23.3.4 Cost Responsibility. If a claim for amounts owed by Franchisee to Franchisor or its affiliates is asserted in any judicial or arbitration proceeding or appeal thereof, or if Franchisor or Franchisee is required to enforce this Agreement in a judicial or arbitration proceeding or appeal thereof, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable arbitrators' fees, accounting and legal fees, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing, or proceeding to enforce the obligations of this Agreement. If Franchisor is required to engage legal counsel in connection with Franchisee's failure to pay when due any amounts owing to Franchisor or any Affiliate of Franchisor, to submit when due any reports, information or supporting records or otherwise to comply with this Agreement, Franchisee will reimburse Franchisor for any of the above-mentioned costs and expenses which Franchisor incurs.

23.4 Injunctive Relief. Notwithstanding anything to the contrary, Franchisor and Franchisee will each have the right in a proper case to obtain temporary or preliminary injunctive relief from a court of competent jurisdiction in connection with any Claim; provided, however, that the parties must contemporaneously submit their dispute involving such Claim for mediation and arbitration on the merits in accordance with Section 23.2 and Section 23.3, respectively. Franchisee agrees that Franchisor may have such temporary or preliminary injunction relief, without bond, but upon due notice, and Franchisee's sole remedy in the event of the entry of such injunctive relief will be the dissolution of such injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby).

## 24. NOTICES.

Any notice, request, demand, approval, consent, or other communication which the parties hereto may be required or permitted to be given hereunder must be in writing and may be transmitted to

the party for whom it is intended by: (a) personal delivery, (b) registered or certified mail, postage prepaid, or (c) by recognized overnight courier:

**To Franchisor:**

Craters & Freighters Franchise Company  
331 Corporate Circle, Suite J  
Golden, Colorado 80401  
Attention: Director of Franchise Development  
Phone: (303) 399-8190  
Email: [admin@cratersandfreighters.com](mailto:admin@cratersandfreighters.com)

**To Franchisee:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Phone: (\_\_\_\_) \_\_\_\_\_  
Email: \_\_\_\_\_

Any such notice or other document delivered personally will be deemed to have been received by and given to the addressee on the day of delivery; any such notice or other document mailed via registered or certified mail will be deemed to have been received by and given to the addressee on the third (3<sup>rd</sup>) business day following the date of mailing; and any delivery made by recognized overnight delivery service will be deemed to be delivered the next business day. Any party may at any time give notice in writing to any other party of any change of address.

25. **GENERAL PROVISIONS.**

25.1 **Entire Agreement.** This Agreement and the documents referred to herein will be construed together and constitute the entire Agreement between the parties hereto and supersede all prior negotiations, understandings, representations, and agreements, if any. However, nothing in this Agreement or any related agreement is intended to disclaim Franchisor's representations made in Franchisor's Franchise Disclosure Document. No amendment, change, or variance from this Agreement will be binding on either party hereto unless executed in writing by both parties hereto.

25.2 **Severability.** Each section, paragraph, term, and condition of this Agreement will be considered severable and if, for any reason, any such paragraph, term, and/or condition of this Agreement is determined to be invalid, contrary to, or in conflict with any applicable present or future law or regulation, such determination will not impair the operation of, or have any other effect upon, the remaining portions of this Agreement, which will continue to be given full force and effect and bind the parties hereto, although any section, paragraph, term, or condition determined to be invalid will be deemed not part of this Agreement. Franchisee will be bound by any promise or covenant imposing the maximum duty permitted by law which is contained within the terms of any provision hereof, as though it were separately stated in and made a part of this Agreement, that may

result from striking any portion of the sections, paragraphs, terms, or conditions hereof which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

25.3 **Force Majeure.** Neither party hereto will be liable for any loss or damage due to any delay in the due performance of the terms hereof (except for the payment of money) by reason of strikes, lockouts and other labor relations, casualties, riots, wars, embargoes, civil commotion, government regulation or control, or acts of God (“**Force Majeure Event**”). Any such delay will extend performance only so long as such event is in progress except such Force Majeure Event will not affect or change Franchisee’s obligation to pay any monies due to Franchisor or any Affiliate of Franchisor when such amounts are due.

25.4 **Titles and Subtitles: Construction.** The titles and subtitles of the various sections of this Agreement are inserted for convenience and will not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, and conditions of this Agreement. The language in all parts of this Agreement will, in all cases, be construed simply according to its fair meaning, and not strictly for or against Franchisor or Franchisee.

25.5 Acknowledgments by Franchisee.

(a) **Receipt of this Agreement and Franchise Disclosure Document.** Franchisee has read this Agreement and Franchisor’s Franchise Disclosure Document (“**FDD**”), which is received from Franchisor at least fourteen (14) days prior to signing this Agreement, or at least fourteen (14) days prior to any payment of any consideration by or on behalf of Franchisee to Franchisor or any Affiliate of Franchisor.

(b) **Protection of Franchisor’s High Standards and Goodwill.** Franchisee understands and accepts the terms contained in this Agreement as being reasonably necessary to maintain Franchisor’s high standards of quality and service and the uniformity of those standards, and to protect and preserve the goodwill of the Marks and the integrity of the System.

(c) **No Misrepresentations.** Franchisee further represents to Franchisor, as an inducement to this entry into the Agreement, that Franchisee has made no misrepresentations in obtaining the franchise.

(d) **Acknowledgements in Certain States.** The following acknowledgements apply to all franchisees and Franchised Businesses, except those that are subject to the state franchise disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

(i) **No Reliance on Other Representations.** No statement, representation or other act, event, or communication, except as set forth in this Agreement and in the FDD provided to Franchisee by Franchisor, is binding on Franchisor in

connection with the subject matter of this Agreement. Franchisee acknowledges and agrees Franchisee has not been induced to enter into this Agreement in reliance upon, nor as a result of, any statements, representations, warranties, conditions, covenants, promises, or inducements, whatsoever, whether oral or written, and whether directly related to the contents hereof or collateral thereto, made by Franchisor, its officers, directors, agents, employees, or contractors except as provided herein.

(ii) Opportunity to Review Agreement. Franchisee acknowledges Franchisee has received, has had ample time to read, and has read this Agreement, and all related agreements with Franchisor. Franchisee acknowledges Franchisor has advised Franchisee to obtain independent legal and accounting advice with respect to this Agreement and the transactions arising out of this Agreement. Franchisee further acknowledges Franchisee has had an adequate opportunity to be advised by legal, accounting, and other professional advisors of its own choosing regarding all pertinent aspects of the Franchised Business, Franchisor, and this Agreement.

(iii) Independent Investigation. Franchisee has conducted an independent investigation of the System and recognizes the Franchised Business venture contemplated by this Agreement and its success involves substantial business risk and will be largely dependent upon the ability of Franchisee as an independent business person and its active participation in the daily affairs of the Franchised Business. Franchisee hereby assumes the responsibility for its success or failure of the Franchised Business.

(iv) No Financial Performance Representations. Except as otherwise set forth in the FDD, Franchisor has not provided any statement, representation, or other act, event, or communication of actual, average, projected, forecasted or potential purchases, sale, cost, earnings, income, or profits to Franchisee.

(v) Disclaimer of Warranties. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any assurance, warranty, or guarantee, expressed or implied, as to the potential volume, profits, earnings, or success of the Franchised Business contemplated by this Agreement.

**25.6 No Waiver or Disclaimer of Reliance in Registration States.** The following provision applies only to franchisees and Franchised Businesses that are subject to the state franchise disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

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

IN WITNESS WHEREOF, the Parties hereto executed, sealed, and delivered this Agreement on the Effective Date.

CRATERS & FREIGHTERS  
FRANCHISE COMPANY  
a Colorado corporation

{Legal Corporate Name}  
FRANCHISEE

By: \_\_\_\_\_

Name: Matthew J. Schmitz

Title: Chief Executive Officer

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**ATTACHMENT A  
TO FRANCHISE AGREEMENT**

F-A-1

**ATTACHMENT A**  
**TERRITORY, PREMISES, AND INITIAL FRANCHISE FEE**

**1. TERRITORY**

Pursuant to Section 1.2 of this Agreement, the Territory is defined as follows:

---

---

---

The population in the Territory as of the Effective Date of this Agreement is:

---

**2. INITIAL FRANCHISE FEE**

Pursuant to Section 3.1 of this Agreement, the Initial Franchise Fee is:

- Thirty-Five Thousand Dollars (\$35,000) for a Territory with a population of fewer than 1,000,000 people.
- Forty-Five Thousand Dollars (\$45,000) for a Territory with a population of 1,000,000 people or more plus a Supplemental Territory Fee in the amount of \$\_\_\_\_\_ , which equals the product of \$.015 multiplied by the population in the Territory.

**3. PREMISES**

Pursuant to Section 4.1 of this Agreement, Franchisor grants to Franchisee the right to operate the Franchised Business from the Premises at the following address:

---

---

---

CRATERS & FREIGHTERS  
FRANCHISE COMPANY  
a Colorado corporation

{Legal Corporate Name}  
FRANCHISEE

By: \_\_\_\_\_  
Name: Matthew J. Schmitz  
Title: Chief Executive Officer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ATTACHMENT B  
TO FRANCHISE AGREEMENT**

F-B-1

Craters & Freighters 2025 FA v2

**ATTACHMENT B**  
**MINIMUM PERFORMANCE STANDARDS AND**  
**MINIMUM MONTHLY ROYALTY FEES**

Year of Operation	Minimum Performance Standard	Minimum Monthly Royalty Fee
1	\$200,000	\$0
2	\$400,000	\$1,667
3	\$510,000	\$2,125
4 – 15	\$1,000,000	\$4,167

The table above sets forth the Minimum Performance Standards and Minimum Monthly Royalty Fees for years one (1) through fifteen (15) of the Franchise Agreement.

In the event that Franchisee is entering into a Successor Franchise Agreement, Franchisor will determine the Minimum Performance Standards and Minimum Monthly Royalty for the Successor Term.

Franchisee acknowledges and agrees that its failure or refusal to meet the Minimum Performance Standards will grant Franchisor the right to reduce the size of, or otherwise modify, Franchisee's Territory in accordance with Section 3.3 of the Franchise Agreement.

CRATERS & FREIGHTERS  
FRANCHISE COMPANY  
a Colorado corporation

{Legal Corporate Name}  
FRANCHISEE

By: \_\_\_\_\_  
Name: Matthew J. Schmitz  
Title: Chief Executive Officer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ATTACHMENT C  
TO FRANCHISE AGREEMENT**

F-C-1

Craters & Freighters 2025 FA v2

## **ATTACHMENT C EFT AUTHORIZATION FORM**

The undersigned depositor (“**Depositor**”) hereby authorizes Craters & Freighters Franchise Company (“**Company**”) to initiate credit and debit entries and / or credit and debit correction entries to the undersigned’s checking and / or savings account(s) indicated below and the depository designated below (“**Depository**”) to debit such account pursuant to Company’s instructions and in accordance with Section 3.2 of the Franchise Agreement by and between Depositor and Company.

Depository	Branch
Address	City, State, Zip Code
Bank Transit / ABA Number	Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Company and Depositor of the Depositor’s termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity on which to act. If an erroneous debit entry is initiated to Depositor’s account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if (a) within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or (b) forty-five (45) days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

**Depositor:**

\_\_\_\_\_  
By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**ATTACHMENT D  
TO FRANCHISE AGREEMENT**

F-D-1

Craters & Freighters 2025 FA v2

**ATTACHMENT D**  
**FORM OF COLLATERAL ASSIGNMENT OF LEASE AND ADDENDUM**

Any lease executed by Franchisee for the operation of the Franchised Business will contain the following provisions or an addendum to the lease as follows:

**ADDENDUM TO LEASE**

This Lease Addendum (this “**Addendum**”) entered into on \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (“**Lessee**”) and \_\_\_\_\_ (“**Landlord**”) for the premises located at \_\_\_\_\_ in the city of \_\_\_\_\_, state of \_\_\_\_\_.

WHEREAS, Lessee has executed a Franchise Agreement (“**Franchise Agreement**”) with Craters & Franchise Company (“**Franchisor**”) and, as part of such Franchise Agreement, the lease (“**Lease**”) for Lessee’s Franchised Business (as such term is defined in the Franchise Agreement) must contain certain provisions.

WHEREAS, Landlord and Lessee agree that the terms contained herein will be applicable to the Lease and, in the event that any conflict arises between the Lease and this Addendum, the terms and conditions of this Addendum will prevail.

NOW, therefore, in consideration of the mutual promises contained herein and the execution of the Lease, which execution is made simultaneously with this Lease Addendum, Landlord and Lessee hereby agree as follows:

1. Landlord agrees to notify Franchisor in writing (“**Default Notice**”) upon the failure of Lessee to cure any default by Lessee under the Lease.

2. Upon the delivery of the Default Notice in accordance with Section 1 above, Landlord agrees that Franchisor will have the right, but will not be obligated, to cure any default(s) by Lessee under the Lease within thirty (30) days after delivery by Landlord of the Default Notice (“**Cure Period**”). Franchisor will notify Landlord in writing whether it intends to cure the default(s) of Lessee and take an automatic assignment of Lessee’s interest in the Lease.

3. Landlord consents to the foregoing collateral assignment of the Lease and agrees that, if Franchisor takes possession of the premises demised by the Lease and confirms to Landlord in writing that Franchisor will be assuming the obligations of Lessee under the Lease, Landlord will recognize Franchisor as the tenant under the Lease, provided that Franchisor has cured the default(s) of Lessee within the Cure Period.

4. In the event Franchisor exercises its right to assume Lessee’s interest in the Lease as set forth in this Addendum, Landlord agrees that: (i) Franchisor may further assign the Lease to, or enter into a sublease with a person, firm, or corporation who shall agree to assume the tenant’s obligations under the Lease and who is reasonably acceptable to Landlord, and (ii) upon

such assignment, Franchisor will have no further liability or obligation under the Lease as tenant, guarantor, or otherwise, other than to certify that such additional assignee or sublessee operates the premises demised by the Lease as a Craters & Freighters business.

5. Landlord acknowledges that Lessee is not an agent or employee of Franchisor and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Landlord has entered into this Addendum to Lease with full understanding that it creates no duties, obligation, or liabilities of or against Franchisor or any affiliate of Franchisor.

6. Lessee and Landlord expressly agree that Franchisor is a third-party beneficiary of this Addendum.

**IN TESTIMONY WHEREOF**, witness the signatures of the parties hereto as of the day, month and year first written above.

**LANDLORD:**

---

By: \_\_\_\_\_

Title: \_\_\_\_\_

**LESSEE:**

---

By: \_\_\_\_\_

Title: \_\_\_\_\_

**ATTACHMENT E  
TO FRANCHISE AGREEMENT**

F-E-1

Craters & Freighters 2025 FA v2

**ATTACHMENT E**  
**OWNER'S GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS**

In consideration of, and as an inducement to, the execution of the above Franchise Agreement (“**Agreement**”) by Craters & Freighters Franchise Company (“**Franchisor**”), each of the undersigned (each a “**Guarantor**” and, collectively, the “**Guarantors**”) hereby personally and unconditionally (1) guarantees to Company and its affiliates and their successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that \_\_\_\_\_ (“**Franchisee**”) will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (2) agrees personally to be bound by, and personally liable for the breach of, each and every provision in this Agreement.

Each of the undersigned waives:

1. Acceptance and notice of acceptance by Franchisor and its affiliates of the foregoing undertaking;
2. notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
3. protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
4. any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and
5. any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

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

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

**GUARANTOR(S)**

**PERCENTAGE  
OF OWNERSHIP  
IN FRANCHISE**

Name: _____	Signed: _____	____ %
Name: _____	Signed: _____	____ %
Name: _____	Signed: _____	____ %
Name: _____	Signed: _____	____ %

**ATTACHMENT F  
TO FRANCHISE AGREEMENT**

## CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Confidentiality and Non-Compete Agreement (“**Agreement**”) is entered into by \_\_\_\_\_ (“**Restricted Person**”) on \_\_\_\_\_ (“**Effective Date**”), in favor of Craters & Freighters Franchise Company (“**Franchisor**”) and in consideration of Restricted Person’s status as a(n) \_\_\_\_\_ of \_\_\_\_\_ (“**Franchisee**”), in accordance with the terms and conditions set forth in this Agreement.

1. **Definitions.** All capitalized terms in this Agreement which are not defined herein will have the same meaning as provided in that certain Franchise Agreement by and between Franchisor and Franchisee of even date herewith (“**Franchise Agreement**”).
2. **Acknowledgment.** Restricted Person acknowledges that such Restricted Person will gain access to, and knowledge of, Franchisor’s Confidential Information and Trade Secrets, which are critical to the success of Franchisor and its franchisees. Restricted Person further acknowledges it is reasonable for Restricted Person to enter into this Agreement for the purpose of avoiding any damage Restricted Person could cause to the System by disclosing or misappropriating any such Confidential Information or Trade Secrets and/or unfairly competing with Franchisor.
3. **Confidentiality.** Restricted Person agrees to: (a) not use the Confidential Information or Trade Secrets in any other business or capacity; (b) use Restricted Person’s best efforts to maintain the confidentiality of the Confidential Information and Trade Secrets; and (c) not make unauthorized copies of any Confidential Information or Trade Secrets. These obligations will continue beyond the end of Restricted Person’s relationship with Franchisee.
4. **In-Term Competition Restriction.** While the Franchise Agreement is in effect and Restricted Person continues in Restricted Person’s role with Franchisee, Restricted Person will not, without Franchisor’s consent, directly or indirectly (such as through an affiliate or a family member), perform any services for, consult for, engage in, acquire, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any Competitive Business, as such term is defined in the Franchise Agreement.
5. **Post-Term Competition Restriction.** For a period of two (2) years after (a) Restricted Person’s relationship with Franchisee ends; (b) the expiration or termination of the Franchise Agreement; or (c) the approved transfer of the Franchise Agreement to a new franchisee, whichever occurs first, Restricted Person will not, without Franchisor’s consent, directly or indirectly (such as through an affiliate or a family member) perform any services for, consult for, engage in, acquire, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any Competitive Business at or within the following areas: (i) at the Premises of the Franchised Business; (ii) within the Territory granted to Franchisee under the Franchisee Agreement; or (iii) within a radius of ten (10) miles of (a) the Premises of the Franchised Business, or (b) the premises of any other Craters & Freighters Franchised Business or any Craters & Freighters company-owned or Affiliate-owned outlet then-existing as of the date of the expiration, transfer, or termination of the Franchise Agreement.

6. Reasonableness of Restrictions. Restricted Person acknowledges and confirms that the length of the term and geographical restrictions contained in Section 5 above are fair and reasonable and not the result of overreaching, duress, or coercion of any kind. In the event a court of competent jurisdiction rules that any of the restrictions set forth in this Agreement is unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited, and/or length of time, Restricted Person agrees to comply with any lesser restriction deemed enforceable by the court.

7. Enforcement. If Franchisor initiates a legal proceeding to enforce this Agreement and prevails in the proceeding, Restricted Person agrees to reimburse Franchisor for its enforcement costs and expenses, including attorneys' fees.

IN WITNESS WHEREOF, the Parties hereto executed, sealed, and delivered this Agreement on the Effective Date.

**RESTRICTED PERSON:**

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**ACKNOWLEDGED BY FRANCHISOR:**

CRATERS & FREIGHTERS FRANCHISE COMPANY  
a Colorado corporation

By: \_\_\_\_\_  
Name: Matthew J. Schmitz  
Title: Chief Executive Officer

***EXHIBIT G***

***State Addendum to the Franchise Disclosure Document and Franchise Agreement***

**STATE SPECIFIC ADDENDUM TO THE  
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**

The following modifications are to the Franchise Disclosure Document of Craters & Freighters Franchise Company and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement dated \_\_\_\_\_, 20\_\_.

The provisions of this State Law Addendum to the Franchise Disclosure Document and Franchise Agreement (“**State Addendum**”) apply only to those persons residing or operating Craters & Freighters Franchised Businesses in the following states:

## **CALIFORNIA**

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

2. Item 3 is amended by the addition of the following language:

Neither Craters & Freighters Franchise Company nor any person identified in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A.78a, et seq., suspending or expelling such persons from membership in such association or exchange.

3. Item 6 is amended to disclose that the highest interest rate allowed in the State of California is 10% per annum.

4. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchise concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

5. The franchise agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

6. The franchise agreement requires arbitration if a dispute is not first resolved by mediation. The arbitration will occur in the city of our then-current headquarters (currently, Golden, Colorado). All parties will be solely responsible for their own legal fees and costs and for their share of the arbitration process fees and costs, with the exception of any dispute of monies owed to Franchisor pursuant to Section 23.3.4 of the Franchise Agreement, in which case all of the costs will be borne by you if Craters & Freighters prevails. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedures Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

7. The franchise agreement requires application of the laws of the state of Colorado. This provision may not be enforceable under California law.

8. Section 31125 of the Franchise Investment Law requires us to give to you a franchise disclosure document approved by the Commissioner of Financial Protection & Innovation before we ask you to consider a material modification of your franchise agreement.

9. You must sign a general release of claims if you transfer your franchise. California Corporations Code Sections 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516.) Business and Professions Code Section 200010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

10. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

11. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS

CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT [www.dfp.ca.gov](http://www.dfp.ca.gov).

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

13. One of the primary trademarks that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

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

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**FRANCHISOR:**

**CRATERS & FREIGHTERS  
FRANCHISE COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

By: \_\_\_\_\_

Title: \_\_\_\_\_

## **ILLINOIS**

Illinois law governs the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

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

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**FRANCHISOR:**

**CRATERS & FREIGHTERS  
FRANCHISE COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

By: \_\_\_\_\_

Title: \_\_\_\_\_

## **MARYLAND**

Item 17.f, Termination by Franchisor with Cause, of the Franchise Disclosure Document and Section 25.3.12 of the Franchise Agreement are revised to include the following: “Franchisor’s termination of the Franchise Agreement because of Franchisee’s bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).”

Item 17.v, Choice of Forum, of the Franchise Disclosure Document and Section 32.1 of the Franchise Agreement are revised to include the following: “Franchisee may bring a lawsuit in Maryland for claims under the Maryland Franchise Registration and Disclosure Law.”

The following language is added to the Franchise Agreement: “All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

Item 17.c, Requirements for Franchisee to Renew or Extend, and Item 17.m, Conditions for Franchisor’s Approval of Transfer, of the Franchise Disclosure Document, and Section 32.4 of the Franchise Agreement are revised to include the following: “The general release required as a condition of renewal and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

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

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**FRANCHISOR:**

**CRATERS & FREIGHTERS  
FRANCHISE COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

By: \_\_\_\_\_

Title: \_\_\_\_\_

## **MINNESOTA**

The following applies to franchises and franchisees subject to Minnesota statutes and regulations. Item numbers correspond to those in the main body.

### **ITEM 17.**

1. Minnesota law provides you with certain termination and nonrenewal rights. As of the date of this Disclosure Document, Minn. Stat. 80C.14, Subd. 3, 4 and 5 which require, (except in certain specified cases) that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.

2. Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

3. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400J. Also, a court will determine if a bond is required.

4. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

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

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

#### **FRANCHISOR:**

**CRATERS & FREIGHTERS  
FRANCHISE COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

#### **FRANCHISEE:**

By: \_\_\_\_\_

Title: \_\_\_\_\_

## **NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

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

7. Receipts – Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 *et seq.*), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**FRANCHISOR:**

**CRATERS & FREIGHTERS  
FRANCHISE COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

By: \_\_\_\_\_

Title: \_\_\_\_\_

## **VIRGINIA**

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

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Craters & Freighters Franchise Company for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 17.h.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable."

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**FRANCHISOR:**

**CRATERS & FREIGHTERS  
FRANCHISE COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

By: \_\_\_\_\_

Title: \_\_\_\_\_

## **WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AND RELATED AGREEMENTS**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Item 17(d) of the Franchise Agreement table and Item 17(d) of the Area Development Agreement in the Franchise Disclosure Document are amended to state that the franchisee may terminate under any grounds permitted by law.

Item 17(v) of the Area Development Agreement table in the Franchise Disclosure Document is amended to disclose that the franchise agreement's provisions regarding termination by the franchisee are subject to state law.

Within the context of RCW 19.100.180(1), Section 14 of the Franchise Agreement is amended to state: "Franchisee has no obligation to indemnify or hold harmless an indemnified party for losses to the

extent that they are determined to have been caused solely and directly by the indemnified party's negligence, willful misconduct, strict liability, or fraud."

Section 15.4 of the Franchise Agreement will not apply in the State of Washington.

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

Any general release which you must sign will not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

Sections 25.5(d)(i) through 25.5(d)(v) of the Franchise Agreement will not apply in the State of Washington.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_.

**FRANCHISOR:**

**CRATERS & FREIGHTERS  
FRANCHISE COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

***EXHIBIT H***

***Statement of Franchisee***

## STATEMENT OF FRANCHISEE

**[Note: Dates and Answers Must be Completed in the Prospective Franchisee's Own Handwriting]**

**THIS STATEMENT SHALL NOT BE COMPLETED BY YOU, AND WILL NOT APPLY, IF THE OFFER OR SALE OF THE FRANCHISE IS SUBJECT TO THE STATE FRANCHISE DISCLOSURE LAWS IN THE STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.**

**IF THE FRANCHISE IS TO BE OPERATED IN, OR YOU ARE A RESIDENT OF, MARYLAND, DO NOT SIGN THIS STATEMENT.**

In order to make sure that no misunderstanding exists between you, the Franchisee, and us, Craters & Freighters Franchise Company (also called "Franchisee" or "we") and to make sure that no violations of law might have occurred, and understanding that we are relying on the statements you make in this document, you assure us as follows:

**A. The following dates are true and correct:**

Date	Initials	
1. _____, 20_____	_____	The date on which I received a Franchise Disclosure Document regarding the Craters & Freighters Franchised Business.
2. _____, 20_____	_____	The date of my first face-to-face meeting with Franchise Salesperson to discuss a possible purchase of a Craters & Freighters Franchised Business.
3. _____, 20_____	_____	The date on which I received a completed copy (other than signatures) of the Franchise Agreement which I later signed.
4. _____, 20_____	_____	The date on which I signed the Franchise Agreement.
5. _____, 20_____	_____	The earliest date on which I delivered cash, check, or other consideration to the Franchise Salesperson or an officer of Craters & Freighters Franchise Company.

**B. Representations.**

1. No oral, written, visual or other promises, agreements, commitments, representations, understandings, "side agreements," options, right-of-first-refusal or otherwise have been made to or with me with respect to any matter (including but not limited to advertising, marketing, site location, operational, marketing or administrative assistance, exclusive rights or exclusive or protected territory or otherwise), nor have I relied in any way on same, except as expressly listed in the Franchise Agreement or an attached written Addendum signed by me and Craters & Freighters Franchise Company, except as follows:

---

(If none, you should write NONE in your own handwriting and initial.)

2. No oral, written, visual or other promises, agreements, commitments, representation, understandings, "side agreements" or otherwise which expanded upon or were inconsistent with the Franchise Disclosure Document

or the Franchise Agreement or any attached written addendum signed by me and an officer of Craters & Freighters Franchise Company, were made to me by any person or entity, nor have I relied in any way on same, except as follows:

---

(If none, you should write NONE in your own handwriting and initial.)

3. Except as listed in ITEM 19 of the Craters & Freighters Franchise Company Franchise Disclosure Document, no oral, written, visual or other claim or representation (including but not limited to charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise), which stated or suggested a specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained) from Craters & Freighters Franchise Company franchised businesses, was made to me by any person or entity, nor have I relied in any way on any such claim or representation, except as follows:

---

(If none, you should write NONE in your own handwriting and initial.)

4. No contingency, prerequisite, reservation or otherwise exists with respect to any matter (including but not limited to my obtaining financing, or my fully performing any of my obligations), nor have I relied in any way on same, except as described in the Franchise Agreement or any attached written Addendum signed by me and Craters & Franchise Company:

---

(If none, you should write NONE in your own handwriting and initial.)

5. The individuals signing for me constitute all of the executive officers, partners, shareholders, investors and/or principals. Each of such individuals has reviewed the Franchise Disclosure Document and all exhibits and carefully read, discussed, understands and agrees to the Franchise Agreement, each attached written Addendum and any personal guaranties.

6. I have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or paying any sums, and Craters & Freighters Franchise Company has strongly recommended that I obtain such independent advice. I have also been strongly advised by Craters & Freighters Franchise Company to discuss my proposed purchase of a Craters & Freighters Franchised Business with any existing Craters & Freighters franchisees prior to signing any binding documents or paying any sums and Craters & Freighters Franchise Company has supplied me with a list of all existing franchisees if any exist.

7. I fully understand that any training, support, guidance or tools that Craters & Freighters Franchise Company will provide to me as part of the franchise are for the purpose of protecting the Craters & Freighters brand and trademarks and to assist me in the operation of my franchised business and not for the purpose of controlling or in any way intended to exercise or exert control over any of my decisions or the day to day operations of my franchised business, including my sole responsibility for the hiring, payment of wages, and other compensation (including benefits), training, supervision and termination of my employees, and all other employment and employee related matters that occur involving my franchised business.

8. I understand that a) entry into any business venture necessarily involves some unavoidable risk or loss or failure; b) while the purchase of a franchise may improve the chances for success, the purchase of a Craters & Freighters Franchised Business or any other franchise is a speculative investment; c) investment beyond that outlined in the Franchise Disclosure Document may be required to succeed; d) there exists no guaranty against possible loss or failure in this or any other business; and e) the most important factors in the success of any

Craters & Freighters Franchised Business including the one to be operated by me, are my personal business skills, which include marketing, sales, and management, and require sound judgment and extremely hard work.

If there are any matters inconsistent with the statements in this document or if anyone has suggested that you sign this document without all of its statements being true, correct and complete, immediately inform Craters & Freighters Franchise Company (Phone: 303-399-8190).

You understand and agree that we do not furnish, or authorize our salespersons, brokers, or others to furnish any oral or written information concerning actual or potential sales, costs, income, expenses, profits, cash flow, tax effects, or otherwise (or information from which such items might be ascertained), from franchise or non-franchised units, that no such results can be assured or estimated, and that actual results will vary from unit to unit.

You understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct, and complete.

This Statement of Franchisee is not intended to limit any rights you may have under local law.

**PROSPECTIVE FRANCHISEE:**

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**FRANCHISE SALESPERSON:**

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**REVIEWED BY FRANCHISOR:**

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

***EXHIBIT I***

***Form of General Release***

## FORM OF GENERAL RELEASE

This General Release (“Release”) is entered into on \_\_\_\_\_ (“Effective Date”), by and among \_\_\_\_\_ (“Franchisee”), \_\_\_\_\_, an individual (“Guarantor”), and Craters & Freighters Franchise Company, a Colorado corporation (“Franchisor”). Franchisee, Guarantor, and Franchisor are each a “Party” and are collectively referred to herein as the “Parties.”

### **RECITALS**

A. Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”), pursuant to which Franchisor granted Franchisee the right to operate a Craters & Freighters franchised business (“Franchised Business”) located at \_\_\_\_\_.

B. Contemporaneously with the execution of the Franchise Agreement, Guarantor entered into that certain Owner’s Guaranty and Assumption of Franchisee’s Obligations (“Original Personal Guaranty”), whereby Guarantor personally guaranteed the obligations of Franchisee under the Franchise Agreement.

C. Franchisee has requested \_\_\_\_\_, and Franchisor is willing to provide its consent to \_\_\_\_\_, subject to the terms and conditions set forth below.

### **AGREEMENT**

NOW, THEREFORE, in exchange for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions. All capitalized terms not defined in this Agreement have the respective meanings set forth in the Franchise Agreement.

2. Consent. Franchisor consents to the \_\_\_\_\_ in accordance with the terms and conditions of this Agreement, subject to the following: [insert conditions]

3. No Waiver or Future Consent. Franchisor’s consent to the \_\_\_\_\_ will not result in any waiver of any rights or as a release under the Franchise Agreement and does not constitute a consent to any additional \_\_\_\_\_.

4. Release by Franchisee and Guarantor. As of the Effective Date, Franchisee and Guarantor do hereby compromise, settle, and absolutely, unconditionally, and fully release, discharge, and hold harmless for themselves and each of their respective heirs, executors, administrators, representatives, successors, assigns, officers, directors, shareholders, employees, partners, and affiliates (collectively, the “Franchisee Releasing Parties”), Franchisor and its past, present and future officers, directors, agents, attorneys, employees, shareholders, successors, assigns, and affiliates (collectively, the “Franchisor Released Parties”), for all purposes, of and from any and all claims, debts, demands, damages, costs, expenses, actions, causes of action, or suits of any kind whatsoever, at common law, statutory or otherwise, whether now known or not, whether contingent or matured, including, without limitation, any claim, demand, or cause of action arising out of or in connection with Franchisor’s consent to the \_\_\_\_\_, the Franchise Agreement between Franchisee and Franchisor, or any other contractual relation between Franchisee and

Franchisor and/or any affiliate of Franchisor, which Franchisee Releasing Parties may have had or may now have directly or indirectly against any or all of the Franchisor Released Parties based upon or arising out of any event, act, or omission that has occurred prior to the Effective Date. The Franchisee Releasing Parties further covenant and agree to never institute, prosecute or assist others to institute or prosecute, or in any way aid any claim, suit, action at law or in equity, or otherwise assert any claim against any or all of the Franchisor Released Parties for any damages (actual, consequential, punitive or otherwise), injunctive relief, or other loss or injury either to person or property, cost, expense, attorneys' fees, amounts paid on account of recovery or settlement, or any other damage or harm whatsoever, based upon or arising out of any event, act, or omission that has occurred prior to the Effective Date.

5. Full and Unconditional Release. The release of claims set forth in Section 4 is intended by the Franchisee Releasing Parties to be a full and unconditional general release, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of the Franchisee Releasing Parties against the Franchisor Released Parties, regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. In making this voluntary express waiver, the Franchisee Releasing Parties acknowledge that claims or facts in addition to or different from those which are now known to exist with respect to the matters mentioned herein may later be discovered and that it is the Franchisee Releasing Parties' intentions to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. The Franchisee Releasing Parties acknowledge that they have had adequate opportunity to gather all information necessary to enter into this Agreement and release. This release is and shall be and remain a full, complete, and unconditional general release relating to the \_\_\_\_\_ and the Franchise Agreement. The Franchisee Releasing Parties acknowledge and agree that the foregoing waiver is an essential, integral, and material term of this Agreement. The Franchisee Releasing Parties further acknowledge and agree that no violation of this Agreement will void the release set forth in this Agreement.

6. Confidentiality. Each of Franchisee and Guarantor acknowledges and agrees that this Agreement and matters discussed in relation thereto are entirely confidential. It is therefore understood and agreed by Franchisee and Guarantor that neither of them will reveal, discuss, publish, or in any way communicate any of the terms, amount or fact of this Agreement to any person, organization or other entity, except to their respective officers, employees or professional representatives, or as required by law.

7. Representation by Counsel. The Parties have had adequate opportunity to consult with an attorney of their own choice, including with respect to the release of claims set forth herein.

8. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Colorado.

9. Miscellaneous. This Agreement, and the documents referred to herein, constitute the entire agreement among the Parties with respect to the subject matter hereof. No amendment will be binding unless in writing and signed by the Party against whom enforcement is sought. The release of claims set forth in Section 4 will not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

10. Counterparts. This Agreement may be executed in more than one counterpart, each of which shall constitute an original copy.

**IN WITNESS WHEREOF**, the Parties have duly executed this Agreement, as of the Effective Date.

**FRANCHISEE:**

\_\_\_\_\_,  
a \_\_\_\_\_

By:

Its:

**FRANCHISOR:**

Craters & Freighters Franchise Company,  
a Colorado corporation

By: Matthew J. Schmitz  
Its: Chief Executive Officer

**GUARANTOR:**

\_\_\_\_\_, an individual

\_\_\_\_\_

***EXHIBIT J***  
***State Effective Page and Receipts***

### **State Effective Dates**

The following states have franchise laws that require that the Disclosure Document be registered or filed with the state or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

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

<b>State</b>	<b>Effective Date</b>
California	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
Rhode Island	Pending
Virginia	Pending
Washington	Pending

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

**RECEIPT**  
**(Retain this Copy)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Craters & Freighters Franchise Company offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the Craters & Freighters Franchise Company or an affiliate in connection with the proposed franchise sale. Under Illinois, Iowa, Maine, Nebraska, Oklahoma, Rhode Island, or South Dakota law, if applicable, Craters & Freighters Franchise Company must provide this disclosure document to you at your first personal meeting to discuss the franchise. Under New York law, Craters & Freighters Franchise Company must provide this disclosure document to you at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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

The name, principal business address and telephone number of our franchise sellers are:

Matthew Schmitz, 331 Corporate Circle, Suite J, Golden, CO 80401, (303) 399-8190.

Tony Shaw, 331 Corporate Circle, Suite J, Golden, CO 80401, (303) 399-8190.

Mark Giraldi, 331 Corporate Circle, Suite J, Golden, CO 80401, (303) 399-8190.

Phil Krieg, 331 Corporate Circle, Suite J, Golden, CO 80401, (303) 399-8190.

Tom Raia, 331 Corporate Circle, Suite J, Golden, CO 80401, (303) 399-8190.

Sam Winfrey, 331 Corporate Circle, Suite J, Golden, CO 80401, (303) 399-8190.

Issuance Date: **April 11, 2025**

See **Exhibit A** and Item 1 for our registered agents authorized to receive service of process.

I received a disclosure document dated April 11, 2025, that included the following Exhibits:

- Exhibit A: List of State Agencies and Agents for Service of Process
- Exhibit B: Table of Contents of Operations Manuals
- Exhibit C: List of Current Franchisees
- Exhibit D: List of Former Franchisees
- Exhibit E: Financial Statements
- Exhibit F: Franchise Agreement
- Exhibit G: State Addendum to the Franchise Disclosure Document and Franchise Agreement
- Exhibit H: Statement of Franchisee
- Exhibit I: Form of General Release
- Exhibit J: State Effective Page and Receipts

---

Date

---

Signature

---

Printed Name

Please retain this copy for your records.

RECEIPT  
(Our Copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Craters & Freighters Franchise Company offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the Craters & Freighters Franchise Company or an affiliate in connection with the proposed franchise sale. Under Illinois, Iowa, Maine, Nebraska, Oklahoma, Rhode Island, or South Dakota law, if applicable, Craters & Freighters Franchise Company must provide this disclosure document to you at your first personal meeting to discuss the franchise. Under New York law, Craters & Freighters Franchise Company must provide this disclosure document to you at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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

The name, principal business address and telephone number of our franchise sellers are:

Matthew Schmitz, 331 Corporate Circle, Suite J, Golden, CO 80401, (303) 399-8190.

Tony Shaw, 331 Corporate Circle, Suite J, Golden, CO 80401, (303) 399-8190.

Mark Giraldi, 331 Corporate Circle, Suite J, Golden, CO 80401, (303) 399-8190.

Phil Krieg, 331 Corporate Circle, Suite J, Golden, CO 80401, (303) 399-8190

Tom Raia, 331 Corporate Circle, Suite J, Golden, CO 80401, (303) 399-8190.

Sam Winfrey, 331 Corporate Circle, Suite J, Golden, CO 80401, (303) 399-8190.

Issuance Date: **April 11, 2025**

See **Exhibit A** and Item 1 for our registered agents authorized to receive service of process.

I received a disclosure document dated April 11, 2025, that included the following Exhibits:

- Exhibit A: List of State Agencies and Agents for Service of Process
- Exhibit B: Table of Contents of Operations Manuals
- Exhibit C: List of Current Franchisees
- Exhibit D: List of Former Franchisees
- Exhibit E: Financial Statements
- Exhibit F: Franchise Agreement
- Exhibit G: State Addendum to the Franchise Disclosure Document and Franchise Agreement
- Exhibit H: Statement of Franchisee
- Exhibit I: Form of General Release
- Exhibit J: State Effective Page and Receipts

---

Date

---

Signature

---

Printed Name

Please sign this copy of the receipt, date your signature, and return it to Craters & Freighters Franchise Company, 331 Corporate Circle, Suite J, Golden, CO 80401.