

## **FRANCHISE DISCLOSURE DOCUMENT**



The Seals Franchising, LLC  
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Orlando, Florida 32821  
Phone: (800) 231-6814  
Email: [info@theseals.biz](mailto:info@theseals.biz)  
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We grant franchises known as "The Seals," a business specializing in the sale and installation of gaskets for refrigeration door units, freezer doors, oven doors, hardware and cutting boards.

The total investment necessary to begin operation of The Seals franchise ranges from \$101,200 to \$147,300. This includes \$50,497 that must be paid to the franchisor or affiliate.

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 government 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 David Wells at The Seals Franchising, LLC, 6700 Forum Drive, Suite 150, Orlando, Florida 32821, telephone: (800) 231-6814.

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 ("FTC"). 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 on franchising. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 30, 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 franchises. You can find their names and contact information in Item 20 or Exhibits E and F.
<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 B 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 The Seals 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 The Seals franchisee?</b>	Item 20 or Exhibits E and F 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 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 or arbitration only in the State of Florida. Out-of-state mediation or arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or arbitrate with the franchisor in Florida than in your own state.

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.

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

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

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

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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  
G. Mennen Williams Building, 7th Floor  
525 W. Ottawa Street  
Lansing, Michigan 48909  
Telephone Number: (517) 373-7117

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## **ITEM 1: THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

To simplify the language in this Disclosure Document, “We,” “Us,” “the Company,” or “The Seals” refers to The Seals Franchising, LLC, the Franchisor (excluding the Company’s officers, directors, agents, and employees). “You” or “Franchisee” refers to the individual who purchases a franchise from us. If you are a corporation, partnership, or other entity, our Franchise Agreement will also apply to your owners, officers, and directors. Unless otherwise indicated, the term “Franchised Business” or “Office” means a franchised The Seals Office.

If, in our sole business judgment, we accept you as a franchisee, you will develop and operate the Franchised Business, offering the services under the terms and conditions of the Franchise Agreement. Under the terms of your Franchise Agreement, you will use the trademarks and service marks we designate (the "Trademarks") during the term in connection with the operation of the Franchised Business. We may change, replace, or alter the Trademarks at any time during the term of your Franchise Agreement, provided that we give you notice, and you will be required to comply with all designated changes. You must operate the Franchised Business following The Seals franchise system (the "System"), which may include distinctive services and products, designated and approved suppliers, sales and business techniques, operational guidelines, initial and ongoing training programs, and procedures following our specified standards and procedures. As stated above, you will enter into a Franchise Agreement (attached as Exhibit C) for your Franchised Business.

### **The Franchisor, Parents, Predecessors, and Affiliates**

We are a North Carolina limited liability company created in August 2019. Our principal business address is 6700 Forum Drive, Suite 150, Orlando, Florida 32821, and the telephone number is (800) 231-6814. We conduct business under our corporate name and “The Seals.” We have offered franchises since 2019. We do not operate a business of the type being offered in this disclosure document. We have not conducted business in any other line of business or offered franchises in any other line of business. We have no other business activities. As of December 31, 2024, we have five franchises and one company store, all located in the United States.

Our agents for service of process are listed in Exhibit A to this Disclosure Document. We are in the Business of administering franchise systems.

On February 3, 2025, Clintar, Inc. acquired 100% of the membership interests of The Seals Franchising, LLC. As a result of this transaction, our parent is Clintar, Inc. d/b/a EverSmith Brands (“EverSmith Brands”), a Delaware corporation formed on July 2, 2021, with an address at 6700 Forum Drive, Suite 150, Orlando, FL 32821. EverSmith Brands’ parent is EverSmith Brands Intermediate Holding Company (f/k/a Clintar Intermediate Holding Company), a Delaware corporation formed on November 25, 2020, and EverSmith Brands Holding Company (f/k/a Clintar Holding Company), a Delaware corporation formed on November 25, 2020, each with an address of 6700 Forum Drive, Suite 150, Orlando, FL 32821. EverSmith Brands Holding Company (f/k/a Clintar Holding Company) is directly or indirectly controlled by Riverside Micro-Cap Fund V, L.P. and Riverside Micro-Cap Fund V-A, L.P. which are part of The Riverside Company, a global private equity firm focused on investing in and acquiring growing businesses and it maintains its principal business address at 45 Rockefeller Center, 630 Fifth Avenue, Suite 400, New York, NY 10111.

Through various private equity funds managed by The Riverside Company the following portfolio companies of The Riverside Company offer franchises in the United States:

### **EverSmith Brands**

U.S. Lawns, Inc. (“U.S Lawns”) has offered franchises under the mark “U.S. Lawns” since August 1986. U.S. Lawns’ principal business address is 6700 Forum Drive, Suite 150, Orlando, FL 32821. A U.S. Lawn franchise offers outdoor commercial property and landscaping services. As of December 31, 2024, U.S. Lawns had 210 franchises operating in the United States.

MilliCare Franchising, LLC (“MilliCare”) and its predecessors have offered franchises since January 2011. MilliCare’s principal business address is 6700 Forum Drive, Suite 150, Orlando, FL 32821. A MilliCare franchise offers cleaning and maintenance of floor coverings and interior finishes and related services under the mark “milliCare Floor & Textile Care.” As of December 31, 2024, MilliCare had 59 franchises operating in the United States.

Kitchen Guard Franchising, Inc. (“Kitchen Guard”) has offered franchises since August 2023. Kitchen Guard’s principal business address is 6700 Forum Drive, Suite 150, Orlando, FL 32821. A Kitchen Guard franchise offers commercial kitchen exhaust system cleaning, inspection, maintenance, and restoration services. As of December 31, 2024, Kitchen Guard had 5 franchises operating in the United States.

Restoration Specialties Franchise Group, LLC is a Michigan limited liability company formed on March 23, 2012, with its principal business address at 12001 Levan Road, Livonia, MI 48150, offers restoration service franchises under the mark “Prism Specialties”. As of December 31, 2024, there were 93 Prism Specialties franchises operating in the United States.

TruServe Groundscare, Inc. is an Ontario corporation formed on January 1, 2008, with an address at 200 Cachet Wood Court, Unit 119. Markham, ON, Canada L6C 0Z8, offers outdoor commercial property service franchises under the “Clintar Commercial Outdoor Services” mark in Canada. Our affiliate and its predecessor have offered Clintar Commercial Outdoor Services franchises since 1982. As of December 31, 2024, there were 23 franchised Clintar Commercial Outdoor Services businesses operating in Canada.

### **Evive Brands**

Executive Home Care Franchising, LLC (“Executive Care”) has offered franchises under the mark “Executive Home Care” since June 2013. Executive Home Care’s principal business address is 8100 E. Indian School Road, Suite 201, Scottsdale, AZ 85251. An Executive Home Care franchise offers in-home comprehensive care and medical services to home care clients, and supplemental healthcare staffing services to institutional clients. As of December 31, 2024, Executive Care had 22 franchises operating in the United States.

B & P Burke, LLC (“B&P”) has offered franchises under the mark “Grasons” since May 2014. B&P’s principal business address is 8100 E. Indian School Road, Suite 201, Scottsdale, AZ 85251. A Grasons franchise offers estate sale and business liquidation services. As of December 31, 2024, B&P had 61 franchises operating in the United States.

ALL Franchising, LLC (“ALL”) and its predecessors have offered franchises under the mark “Assisted Living Locators” since May 2006. ALL’s principal business address is 8100 E. Indian School Road, Suite 201, Scottsdale, AZ 85251. An Assisted Living Locators franchise assist seniors and their families in locating assisted living facilities, memory care communities, nursing homes, senior care homes and independent living senior communities. As of December 31, 2024, ALL had 162 franchises operating in the United States.

Brothers Parsons Franchising LLC (“Brothers”) and its predecessor have offered franchises under the mark “The Brothers that just do Gutters” since July 2015. Brothers’ principal business address is 8100 E. Indian School Road, Suite 201, Scottsdale, AZ 8525. A “The Brothers that just do Gutters” franchise provides gutter installation, maintenance, cleaning, repair, and related services and products. As of December 31, 2024, Brothers had 355 franchises operating in the United States.

### **Head-to-Toe Brands**

BCC Franchising, LLC (“BCC”) and its predecessor have offered franchises since March 2007 under the mark “Bishops”. BCC’s principal business address is 550 Reserve Street, Suite 380, Southlake, TX 76092. A Bishops franchise offers haircuts, coloring, and barber services. As of December 31, 2024, BCC had 40 franchises operating in the United States.

Frenchies, LLC (“Frenchies”) has offered franchises under the mark “Frenchies Modern Nail Care” since April 2015. Frenchies’ principal business address is 550 Reserve Street, Suite 380, Southlake, TX 76092. A Frenchies Modern Nail Care franchise offers hand and foot care. As of December 31, 2024, Frenchies had 23 franchisees operating in the United States.

The Lash Franchise Holdings, LLC (“Lash”) and its predecessor has offered franchises under the mark “Lash Lounge” since March 2010. Lash’s principal business address is 550 Reserve Street, Suite 380, Southlake, TX 76092. A Lash Lounge franchise offers permanent and temporary eyelash and eyebrow extensions and other eye-enhancing services. As of December 31, 2024, Lash had 140 Lash Lounge franchises in the United States.

## **Best Life Brands**

Blue Moon Franchise Systems, LLC (“Blue Moon”) has offered franchises under the mark “Blue Moon Estate Sales” since August 2013. Blue Moon’s principal business address is 900 Wilshire Drive, Suite 102, Troy, MI 48084. A Blue Moon franchise sells personal property as well as the provision of consignment sales for those who are downsizing, relocating, or are deceased. As of December 31, 2024, Blue Moon had 124 franchises in operation in the United States.

Boost Franchise Systems, LLC (“Boost”) has offered franchises under the mark “Boost Home Healthcare: since July 2021. Boost’s principal business address is 900 Wilshire Drive, Suite 102, Troy, MI 48084. A Boost franchise offers intermittent care ordered by a doctor and performed by a home health aide and other licensed healthcare providers to patients of all ages with acute and chronic long term complex health conditions within the patient’s residence or within health care facilities. As of December 31, 2024, Boost had 6 franchises in operation in the United States.

ComForCare Franchise Systems, LLC (“ComForCare”) and its predecessor has offered franchise under the mark “ComForCare Home Care” since April 2021. ComForCare’s principal business address is 900 Wilshire Drive, Suite 102, Troy, MI 48084. A ComForCare Home Healthcare franchise offers (i) companionship and personal/domestic care services, and other special needs services, primarily on a non-medical basis, for seniors and people of all ages so that they may remain in their residences, (ii) supplemental healthcare staffing services for persons who need this kind of assistance in their home or a facility in which they reside, and (iii) private duty nursing services. As of December 31, 2024, ComForCare had 248 franchises operating in the United States.

CarePatrol Franchise Systems, LLC (“CarePatrol”) and its predecessor has offered franchises under the “CarePatrol” mark since April 2009. CarePatrol’s principal address is 900 Wilshire Drive, Suite 102, Troy, MI 48084. A CarePatrol franchise offers senior living placement, referral, and consulting services to families. As of December 31, 2024, CarePatrol had 201 Care Patrol franchises operating in the United States.

Next Day Access, LLC (“Next Day”) has offered franchises under the “Next Day Access: mark since 2012. Next Day’s principal business address is 900 Wilshire Drive, Suite 102, Troy, MI 48084. A Next Day Access franchise offers ramps and other products and accessories that enhance the life of physically disabled or challenged persons. As of December 31, 2024, Next Day had 50 franchises operating in the United States.

## **Threshold Brands**

Maid Pro Franchise, LLC (“MaidPro”) has offered franchises under the “Maid Pro” mark since February 1997. MaidPro’s principal business address is 77 North Washington Street, Boston, MA 02114. A Maid Pro franchise offers home cleaning services for residential and commercial customers. As of December 31, 2024, MaidPro had 237 franchises operating in the United States.

Men In Kilts US, LLC (“MIK”) has offered franchises under the mark “Men in Kilts” since March 2019. MIK’s principal place of business is 77 North Washington Street, Boston, MA 02114. A Men in Kilts franchise offers window cleaning, gutter cleaning, pressure washing, siding cleaning, snow removal and other related services. As of December 31, 2024, MIK had 23 franchises operating in the United States.

Pestmaster Franchise Network, LLC ("Pestmaster") and its predecessor has offered franchises under the “Pestmaster” mark since June 2021. Pestmaster’s principal business address is 9716 South Virginia Street, Suite E, Reno, NV 89511. A Pestmaster franchise offers structural and agricultural pest control and related services. As of December 31, 2024, Pestmaster had 57 franchises operating in the United States.

USA Insulation Franchise, LLC (“USA Insulation”) has offered franchises under the “USA Insulation” mark since March 2006. USA Insulation’s principal business address is 17700 Saint Clair Avenue, Cleveland, OH 44110. A USA insulation franchise offers residential insulation services. As of December 31, 2024, USA Insulation had 109 franchises operating in the United States.

Granite Garage Floors Franchising, LLC (“Granite”) has offered franchises under the mark “Granite Garage Floors” since June 2013. Granite’s principal business address is 110 Mansell Circle, Suite 375, Roswell, GA 30075, A Granite Garage Floors franchise sells and installs residential garage floor coating systems. As of December 31, 2024, Granite had 55 franchises operating in the United States.

December 2020. Mold Medics' principal business address is 811 Washington Avenue, Carnegie, PA 15106. A Mold Medics franchise offers mold remediation, air duct cleaning, radon testing and mitigation services, and other services and products. As of December 31, 2024, Mold Medics had 6 franchise operating in the United States.

Sir Grout Franchising, LLC ("Sir Grout") has offered franchises under the "Sir Grout" mark since August 2007. Sir Grout's principal business address is 77 North Washington Street, Boston, MA 02114. A Sir Grout franchise offers grout and tile cleaning, sealing, caulking and restoration services and other services. As of December 31, 2024, Sir Grout had 71 franchises operating in the United States.

Miracle Method LLC ("Miracle") and its predecessors have offered franchises under the "Miracle Method" mark since September 1996. Miracle's principal business address is 4310 Arrowswest Drive, Colorado Springs, CO 80907. A Miracle Method franchise offers refinishing and restoration of bathtubs, sinks, showers, tiles, countertops, and similar surfaces. As of December 31, 2024, Miracle Method had 201 franchises and 2 master franchises operating in the United States.

PHP Franchise, LLC ("PHP") has offered plumbing service franchises under the mark "Plumbing Paramedics" and heating and air conditioning installation and service franchises operating under the mark "Heating + Air Paramedics" since November 2021. PHP's principal business address is 750 E. 150th Street. Noblesville, IN 46060. As of December 31, 2024, PHP had 15 Plumbing Paramedics and 14 Heating + Air Paramedics franchises operating in the United States.

### The Business Operations

We grant franchises known as "The Seals," a business specializing in the sale and replacement of gaskets for refrigeration door units, freezer doors, oven doors and cutting boards.

Under the Standard Franchise Agreement (the "Franchise Agreement" or the "Agreement"), which is Exhibit C of this Disclosure Document, we offer qualified purchasers the right to establish and operate an Office from a single location (the "Location") within a specified Territory (the "Territory"). The Franchise Agreement gives you the right to operate the Office under the name and mark "The Seals" and other marks designated by us from time-to-time (all referred to as the "Proprietary Marks").

You must operate your franchise in accordance with the standards and procedures designated by the Company (the "System") and according to our Operations Manuals (the "Manual").

### The Market and Competition

The market for The Seals franchises includes all facilities that have commercial refrigeration equipment. You will be working primarily with restaurant Owners, General Managers, Kitchen Managers, and Head Cooks. Replacing commercial refrigeration gaskets is something that kitchen operators must oversee on a regular basis for two compelling reasons: (1) gaskets wear out, and (2) gaskets are required to be replaced by health inspectors if torn or worn out. We also provide our customers with new cutting boards, hot-side gaskets, door sweeps and closers, strip curtains, and hardware repair services, but we do not offer any refrigeration repair services.

In addition to working with restaurants, we also provide services to supermarkets, convenience stores, hotels, colleges, country clubs, school systems, nursing homes, hospitals, and hospitality venues, as well as any establishment that utilizes commercial refrigeration units. We do not anticipate any significant seasonal variations in the market. You will compete with other retail businesses that may sell similar products to their customers, some of which may be franchised. This is an established market.

### Laws and Regulations

There are no specific federal or state laws relating to the operation of your Franchised Business or to the industry; however, there may be laws and regulations in your state or county that apply to the operation of the Office. In addition to laws and regulations that apply to businesses generally, the Office may be subject to federal, state, and local laws, as well as occupational safety and health regulations, the Equal Employment Opportunity Act, and the Americans with Disabilities Act rules and regulations. Some jurisdictions may choose to vigorously regulate these and other laws that could adversely affect your ability to obtain the necessary permits to open the Office. Prior to

signing the Franchise Agreement, we strongly recommend that you consult with local counsel to ensure that you can obtain all necessary permits and licenses to operate the Office in your Territory.

## **ITEM 2: BUSINESS EXPERIENCE**

### **Chief Executive Officer and Director: Ken Hutcheson**

Ken Hutcheson has served as our CEO since May 7, 2024, and holds the same position in EverSmith Brands and with each of our affiliates. Mr. Hutcheson also serves as President of our affiliate, U.S. Lawns, Inc., located in Orlando, Florida, a position he has held since 2005.

### **President & Chief Operating Officer: Justin Ghadery**

Justin Ghadery has served as our President since March 2025 and as our Chief Operating Officer since September 2024; he holds this same position for EverSmith Brands and with each of our affiliates. Mr. Ghadery served as our Interim Brand President from November 2024 to March 2025, and had the same role with our Affiliate, Prism Specialties, from October 2024 to March 2025. Mr. Ghadery has served on the Board of Advisors for Best Life Brands since September 2022 and on the International Franchise Association's Veteran Affairs Committee since January 2023. From December 2021 through August 2022, Mr. Ghadery served as the Chief Operating Officer for Afterburn Holdings, an Orangetheory Fitness area developer in Houston, Texas. Mr. Ghadery served as Title Boxing Club's Chief Operating Officer in Culver City, California, from January 2021 to December 2021. From September 2016 to September 2020, Mr. Ghadery served as Senior Executive Vice President at Gold's Gym in Dallas, Texas.

### **Chief Financial Officer: Keri Thoma**

Keri Thoma has served as our Chief Financial Officer since January 2025 and holds the same position in EverSmith Brands and with each of our affiliates. Previously, Ms. Thoma served as Chief Financial Officer and Chief People Officer for Concierge Home Care in Jacksonville, Florida, from November 2020 to December 2024. From March 2019 to October 2020, Ms. Thoma served as Chief Financial Officer and Chief Administrative Officer for Shearwater Health in Nashville, Tennessee.

### **Founder: Andrew Dinkin**

Andrew Dinkin founded The Seals in North Carolina, in June of 2010. He served as the President of The Seals Franchising, LLC., located in North Carolina, from July of 2019 to February 2025. Mr. Dinkin is also the President of Niknid Enterprises, LLC., dba The Seals of North Carolina, a position he has held since June 2010, which is in North Carolina.

### **Senior Vice President, Brand Development: David Wells**

David Wells has served as our Senior Vice President since May 2024, and holds the same position in EverSmith Brands and with each of our affiliates since May 2024. Mr. Wells spent the prior six years with our affiliate U.S. Lawns, Inc., located in Orlando, Florida, where he served as Vice President, Brand Development from February 2022 to May 2024. Senior Director of Brand Development from January 2021 to February 2022, and Senior Director of Franchise Recruiting from April 2018.

### **Chairman and Director: Michael Eblin**

Michael Eblin has served as Chairman of our parent's Board of Directors and as a director of our affiliates since February 2025. Mr. Eblin has served as CEO of Clearlake, LLC in Glendale, Arizona since April 2014.

### **Director: Brian Sauer**

Brian Sauer has served as a director since our inception and in the same capacity for our affiliates TruServe Groundscare, Inc. since December 2020, MilliCare, Inc., Inc. since September 2021, MilliCare Franchising, LLC since its inception in January 2022, U.S. Lawns since January 2024, and our parent EverSmith Brands since July 2021. Mr. Sauer is a senior partner in The Riverside Company, in its Santa Monica, California offices and has been with the company since 2004.

### **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**

All initial fees are due when you sign the Franchise Agreement and are nonrefundable. All of the fees described in Item 5 are uniformly calculated and imposed.

#### **Initial Franchise Fee**

The Initial Franchise Fee for one franchise is \$49,000. In exchange for the Initial Franchise Fee, you will receive a territory with between 1,000 and 2,500 Retail Food Service Locations (“RFSL”). We are currently offering a discount on purchasing a second The Seals Franchise Agreement. If you buy a second Franchise Agreement at the same time as your first, you’ll receive a \$9,000 discount on the Initial Franchise Fee. If you are approved to purchase an additional The Seals franchise after at least one year of operating experience and provided that you also meet our current expansion requirements (as outlined in Item 12), you may receive a 50% discount on the then-current Initial Franchise Fee. Please note that we reserve the right to discontinue this offer at any time, and any such change will be reflected in the then-current FDD. We reserve the right to reduce the Initial Franchise Fee for rural, secondary markets and/ or for conversions of existing businesses that offer similar services.

In our most recent fiscal year, we sold one Franchisee, who paid an Initial Franchise of \$97,000, which was for an oversized territory.

From time to time, we may offer incentive programs to prospective franchisees for a limited time basis. Occasionally, we may establish various franchise expansion programs, which are generally, but not exclusively, available only to existing franchise owners to provide incentives to franchisees to expand their existing franchise territories or service lines. These programs, which are established and maintained at our sole discretion, and uniformly offered to similarly situated prospects or franchisees, may include reduced or rebated fees or certain credits.

#### **Veteran Discount**

We participate in the Veterans Transition Franchise Initiative (commonly referred to as “VetFran”), which seeks to provide opportunities for veterans who want to be in business. If you are a veteran of the U.S. Armed Forces who has been honorably discharged (such as DD214), you may be eligible to receive a \$5,000 discount off the Initial Franchise Fee for the first Franchise / Service Line awarded to you.

#### **Referral Fee**

We pay a referral fee (“Referral Fee”) to any of our current franchisees or those of any affiliated brand if they are the first to refer a new candidate to us who meets our qualifications and signs a Franchise Agreement within six (6) months of the date of referral. Currently, the Referral Fee is \$10,000 for each successful referral. This incentive payment is only paid for the first franchise purchased by the referred new franchisee, and other limitations may apply. We may change or eliminate the referral program at any time without notice. Franchisees participating in the referral program are not our sales agents and are not authorized to make any statements on our behalf, including any statements related to the financial performance or prospect for success of any franchise.

### **ITEM 6: OTHER FEES**

<b>Name of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	8% - 10% of annual Gross Billings	By the 15 <sup>th</sup> day of the following month	See Note 1 below

Name of Fee	Amount	Due Date	Remarks
	10% on annual Gross Billings up to \$1,499,999; 9% on annual Gross Billings between \$1,500,000 up to \$2,999,999; and 8% on annual Gross Billings \$3,000,000 and above. You must pay us a minimum monthly royalty of \$750 - \$2,000 depending on how long you have been operating. (See Notes 1 & 2)		
Promotional Marketing Fund (“Promo Fund”)	2% of Monthly Gross Billings	By the 15 <sup>th</sup> day of the following month	See Note 2 below
Technology Fee	The then-current fee (currently, \$499 per month), which may be increased periodically up to the greater of the fee (or aggregate fees) any vendor charges us or an affiliate for your technology services, which may include a fee based on percentage of sales. Additional licenses may be requested for a fee.	Same as Royalty	Additional licenses are at your request. Includes access to our suite of Software. We reserve the right to vary the cost based on the services that you request. See Note 3 below.
Additional Training, Assistance & Refresher Training	Our then-current per diem amount, currently \$750 per day, plus travel and lodging expenses.	As incurred on the date we specify	See Note 4 below
Transfer Fee	The then-current transfer fee. Currently, \$15,000 for the first agreement (reduced to \$5,000 if sold to an existing The Seals Franchisee) plus \$2,500 for each additional franchise agreement transferred in the same transaction.	Upon transfer	Paid at closing of the transfer. The Transfer Fee will not increase by more than 5% in any calendar year. See Note 5.
Resale Assistance Fee	The then-current fee: presently \$10,000 - \$40,000	As incurred. Before transfer	Payable by you if we find a buyer for your franchise. See Note 6.
Renewal Fee	You must pay us the then-current fee, which is presently \$5,000, not	At the time of renewal	If you elect to renew the franchise, sign the then-current Franchise

Name of Fee	Amount	Due Date	Remarks
	to exceed 20% of the then-current Initial Franchise Fee.		Agreement and sign a Release. See Note 7.
Supplier and Equipment Testing	Our costs	When billed	In the event you wish us to approve a particular supplier, item of equipment, or supply item, you will reimburse us for our costs of testing or inspecting new suppliers or equipment.
Failure to Maintain Insurance Fee	Our costs, together with interest at the lower of 3% above the prime interest rate charged by our primary bank and the maximum rate permitted by applicable law, from the date the expense is incurred until the date we receive payment.	When billed	If you fail to obtain or maintain any insurance that is required under the Franchise Agreement, we may obtain the required insurance at your sole cost and expense.
Management Fee	Currently 15% of Gross Billings plus expenses.	Payable weekly out of Franchise proceeds.	The Management Fee is paid to us in the event we exercise our right to step in and operate your Franchised Business in certain circumstances, including your default, death, disability or prolonged absence. The reimbursable expenses include travel, lodging and meals.
Audit	100% of understated royalty plus interest at the maximum rate allowable by law (not to exceed 18% per year), as well as reimbursement of the cost of the audit.	Upon invoice	Payable if audit shows an understatement exceeding 2% of royalties, Promo Fund contributions or other amounts due to the Company. See Note 8.
Additional Training or extraordinary consultation	\$750 per day, plus travel and lodging expenses.	Upon invoice	Payable if you: (a) request our assistance, (b) an audit shows a significant operational deficiency, (c) you breach the Franchise, or (d) following the death or incapacity of the franchisee, and (e) we deem it necessary to

Name of Fee	Amount	Due Date	Remarks
			provide additional training. See Note 9
Interest/Late/NSF Fees	<u>Interest</u> : 18% per year or the highest amount allowed by applicable law, whichever is less.  <u>Late Fee</u> : \$100 per incident.  <u>NSF Fee</u> : currently \$55 per payment returned by the bank for non-sufficient funds.	Upon invoice	This applies to all overdue fees/payments and reports you owe us or for NSF. Applies to understatements in amounts revealed by audit or otherwise. See Note 10.
Non-compliance Fees	If you are not compliant with the Franchise Agreement, in addition to any other remedies, there is a non-compliance fee of up to \$1,000 per occurrence.	As incurred	See Note 11.
Costs and Attorney's Fees	Will vary under the circumstances	As incurred	See Note 12.
Indemnification	Will vary under circumstances.	As incurred	See Note 13.

(1) Royalty Fee. The continuing Royalty Fee will range between 8% and 10% of Gross Billings. You will pay 10% of your annual Gross Billings up to \$1,499,999, 9% of your annual Gross Billings between \$1,500,000 and \$2,999,999, and 8% of your annual Gross Billings above \$3,000,000. Payment of the Royalty Fee will commence within two months of executing the Franchise Agreement. If you are a multi-unit owner, you will pay a separate Royalty Fee based on the Gross Billings of each separate Franchised Business that you own.

You must pay a minimum monthly Royalty for each Franchised Business that you own. Payment of the Minimum Monthly Royalty commences on the one year anniversary of your execution of the Franchise Agreement and shall be in the following amounts: Months 12 to 17: \$750 per month; Months 18 to 30: \$1,000 per month; Months 31 and thereafter: \$2,000 per month.

You will be required to execute the forms and complete the reasonable procedures we have established for a bank draft arrangement whereby we will be able to present a draft for the Royalty Fee to the bank or other financial institution used by us. You must have sufficient funds in your account for the bank draft to be honored by your bank or other financial institution and agree to advise us in advance of any change in your bank, financial institution or account. We will submit bank drafts only for the correct Royalty Fee as noted in your Franchise Agreement (See Attachment F to the Franchise Agreement for the form of Bank Draft Authorization to be executed by you). Royalty Fees are uniformly imposed by us throughout the System and the Royalty Fees are not refundable.

The term "Gross Billings" means the gross amount billed by you during any calendar month, whether or not payment is received therefore, on account of Approved Services performed by or on behalf of you, directly or indirectly, and on account of any and all other related goods and services sold or rendered under or in connection with your use of the Marks (including the sale of unauthorized goods and services), and including work performed for or on behalf of persons or business entities which are customers of yours as of the Effective Date. Gross Billings exclude sales taxes collected and paid to the

proper authorities.

- (2) Promotional Fund. We reserve the right to establish a Promotional Fund (“Promo Fund”) and to require a monthly contribution to the Promo Fund in an amount equal to 2% of your office’s monthly Gross Billings. Payments will be due by the 15<sup>th</sup> day of the following month.
- (3) Technology Fee. You must subscribe to and use the required operating software for all The Seals businesses. If you elect to purchase additional licenses, additional fees may apply. Currently, the cost for additional licenses ranges from \$8-\$37 per month per user, depending on the services you choose.
- (4) Additional Training, Assistance, and Refresher Training. We will provide initial training for up to two people for no extra charge. We permit franchise owners to send additional people to the initial training class on a space-available basis and may charge a fee, to be based upon a daily per diem charge as outlined in our Manual, and the costs involved in such training. We also reserve the right to charge per diem charges for other training courses.

The registration fee for the annual conference is currently \$975. Every The Seals franchisee (or the General Manager) for every Territory must attend the Seals Annual Conference at least 6 times during the Initial Term as a condition to renewal of your franchise.

You are also responsible for all out-of-pocket expenses (including travel and lodging costs, if any) involved in such additional training, assistance, or refresher training, including at the Annual Conference.
- (5) Transfer Fee. The Transfer Fee is \$15,000 if transfer is to outside 3<sup>rd</sup> party. The Transfer fee is \$5,000 if the transfer is to a person or entity that already owns or controls a majority interest in an existing The Seals franchise. If multiple Franchise Agreements are transferred as part of the same transaction, the Transfer Fee for each additional Agreement after the first is \$2,500.00. The Transfer Fee is due on or before the effective date of the transfer. There are other conditions for transfer or assignment (See Item 17 in this Disclosure Document).
- (6) Resale Assistance Fee. If we find a buyer for your business, the fee will be the current rate, which is either \$10,000 or the actual cost of finding the buyer, whichever amount is higher. Currently, the maximum fee is \$40,000. Alternatively, if you find a buyer on your own, no resale assistance fee will be charged.
- (7) Renewal Fee. If you renew your Franchise Agreement, then we will charge a renewal fee per Franchise Agreement. Each term is for a period of ten (10) years. There are other conditions for renewal (See Item 17 in this Disclosure Document).
- (8) Audit. You must maintain accurate business records, reports, accounts, books, and data relating to the operation of your Franchised Business. We and our designees retain the right to inspect and/or audit your business records, which includes your call logs related to your Franchised Business, at any time during normal business hours, without notice, to determine whether you are current with suppliers and/or otherwise are operating in compliance with the terms of the Franchise Agreement and Operations Manual. In the event any such audit discloses an understatement of amounts reported or paid to us, you agree to pay to us the amount due, plus interest (at the rate and on the terms provided for herein) from the date originally due until the date of payment. Furthermore, you must reimburse us for our costs and expenses associated with conducting the audit in the event: (i) such audit is made necessary by your failure to timely furnish reports, supporting records, other information, or financial statements required under the Franchise Agreement; or (ii) if that audit reveals an understatement of greater than two percent (2%). These costs and expenses include, without limitation, our legal and accounting fees, travel, lodging, and meal expenses, as well as applicable per diem charges for our employees. The foregoing remedies are in addition to our other remedies and rights under the Franchise Agreement and/or applicable law. In the event any audit reveals that your information has been inaccurately reported, we reserve the right to audit other entities owned, controlled by, or affiliated with you.
- (9) Additional Training or extraordinary consultation. We may require you to pay us an additional training fee and all travel and lodging expenses we incur if the training is provided at your franchised business

location. If the additional training is held at our headquarters, you will also be responsible for all of your costs and expenses related to travel, lodging, meals and wages. You will also have to pay the current fee for extraordinary training or consultations.

- (10) **Interest/Late/NSF Fees.** If you fail to pay your Royalty Fee or for inventory or supplies purchased from us or our affiliated company (if applicable), then you are subject to a late fee of \$100 per incident plus 1½% interest per month of the unpaid balance, or the maximum permitted by law, whichever is higher. However, if during a 12-month period, you are late with your payments to us or one of our affiliated companies, by more than five days on three or more occasions, then all of your future purchases from us or one of our affiliated companies must be paid on a Cash-On Delivery basis. The NSF fee currently is \$50 per returned payment. This cost may increase but may be no higher than our actual costs incurred due to the returned payment, plus \$5 per returned payment as an administrative processing fee.
- (11) **Non-Compliance Fee.** Should you be in default of the Franchise Agreement, in lieu of termination, and in addition to any other remedies under the Franchise Agreement, we may elect to assess a non-compliance fee of \$1,000 per occurrence.
- (12) **Costs and Attorney's Fees.** If we prevail in any action or other legal/administrative proceeding brought against you arising out of the Franchise Agreement or any other agreement with us, you must reimburse us for our reasonable attorneys' fees and other costs paid that we incurred in such proceedings in the event we prevail. If you bring any legal action to interpret or enforce the terms of the Franchise Agreement or any other agreement with us, and your claim in such action is denied or the action is dismissed, then we are entitled to recover our reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending the matter, and to have such an amount awarded as part of the judgment in the proceeding.
- (13) **Indemnification.** You are solely responsible for and must indemnify and hold us harmless for all loss, damage, claims, or demands arising out of, or related to, the operation of your Franchised Business. Your indemnification obligations are described more fully in the Franchise Agreement.
- (14) **Other.** Except as otherwise disclosed, all fees in this Item 6 are uniformly imposed on all The Seals Franchisees. All fees are payable to the Company and are not refundable for any reason.

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## ITEM 7: ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount Low	Amount High	When Due	Method of Payment	To Whom Payment is to be Made
Initial Franchise Fee <sup>1</sup>	\$49,000	\$49,000	Upon signing the Franchise Agreement	As Arranged	Us
Training <sup>2</sup>	\$1,200	\$3,800	As Incurred	During first year	Airlines, hotels, restaurants, and other vendors
Equipment, Inventory, Supplies, and Marketing Supplies <sup>3</sup>	\$1,000	\$4,000	As Arranged	As Arranged	Vendors
Rent <sup>4</sup>	\$1,000	\$7,500	As Incurred	Before opening and monthly	Landlord
Tenant improvements <sup>5</sup>	\$1,000	\$7,000	As Incurred	Before opening	Landlord and Suppliers
Vehicle Expenses <sup>6</sup>	\$5,500	\$11,000	As Incurred	Before opening and monthly	Vendors
Computer equipment, phones, and Technology Fees <sup>7</sup>	\$3,000	\$5,000	As Arranged	As Arranged	Us, and Vendors
Miscellaneous <sup>8</sup>	\$5,500	\$9,000	As Arranged	As Arranged	Vendors, Government Agencies, insurance agents, etc.
Local Marketing <sup>9</sup>	\$4,000	\$6,000	Monthly	Before Opening and monthly	Vendors
Additional Funds - 3 Months <sup>10</sup>	\$30,000	\$45,000	As Arranged	As Arranged	Vendors
<b>TOTAL</b>	<b>\$101,200</b>	<b>\$147,300</b>			

All expenditures in Item 7 are non-refundable.

- (1) Initial Franchise Fee. The non-refundable initial franchise fee is \$49,000.
- (2) Training. You must pay for all of your expenses incurred during The Seals Initial Training Program, including airfare or other travel expenses, food, and lodging. The estimate is for two people.
- (3) Equipment, Inventory, Supplies, and Marketing Supplies. Opening inventory of uniforms, marketing items, equipment, and general supplies. The estimate varies based on shipping costs and local tax rates. Most products used in performing the services will not be carried in inventory. You will order supplies only after an order is confirmed. You can choose to buy a small inventory of door closers and hinges to service immediate customer needs.
- (4) Rent. If permitted by law, and you have adequate space that has been approved by us, you may begin your business from your home, or you may rent an office. The low end is a climate-controlled 200 sq

foot storage facility, and the high-end is a 1,000 sq foot office and warehouse combo. Rental charges and terms will vary. You should consult a local real estate expert. Provided your proposed location for the Business satisfies our site selection criteria, we will not unreasonably withhold our acceptance of the site.

- (5) **Tenant improvements.** The cost of the tenant improvements will depend on the size, location, and condition of the premises, and landlord contributions, if any. Your cost will be a function of the condition of the real estate and the extent of the necessary improvements. The low end assumes space requiring minimal changes to conform the space to an office and warehouse. The high end assumes a space requiring a greater degree of modifications.
- (6) **Vehicle.** The number of vehicles depends on the size and location of your business operations. You are required to own or lease at least one service vehicle that meets our specifications. You may lease, or you also have the option to acquire a 2020 or newer model with under 60,000 miles. The range in the table above includes the first three months of estimated lease payments (based upon a 5-year lease). The amount you will pay will depend on the amount of your down payment (if any). Your expenses may be higher than the estimate, depending on whether you purchase or lease a new vehicle. The vehicles must be painted and wrapped according to our color and design specifications, and the trademarks must be professionally applied before the vehicle is put into service. You will also need to pay for gas, insurance, service, and repair.
- (7) **Computer equipment, phones, and Technology Fees.** Includes computer hardware, software, and peripheral equipment, the monthly Technology Fee for three months, and telephone hardware and services.
- (8) **Miscellaneous.** Includes insurance, signage, business license fees, legal and accounting fees, security deposits, utility set-up costs, and incorporation fees.
- (9) **Local Marketing.** You must engage in grand opening advertising of \$1,000 per month, and expend such funds as we direct. The required Grand Opening Advertising Spend will begin one month prior to opening and end no earlier than twelve months after opening. This estimate is for the one month prior to opening and the three months thereafter. You may spend additional amounts on other pre-opening advertising that are arranged or approved by the Company.
- (10) **Additional Funds (Working Capital).** The amount of working capital is projected to cover initial operating expenses, payroll costs, royalty, promotional fund fees, security deposits, professional fees, networking association fees, and any other general business expenses for a period of 3 months. The estimate of additional funds does not include an owner's salary or draw. These figures are estimates only.

This estimates your initial start-up expenses for the initial phase of three months. This estimate is based on our Franchisees' experiences and our estimate of average costs and market conditions prevailing as of the date of this Disclosure Document. You should review these figures carefully with a business advisor before making any decision to purchase this franchise opportunity.

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

You must operate your Franchised Business in strict compliance with our prescribed methods, standards, and specifications as outlined in the Operating Manual (collectively, the "Operations Manual"). We may modify the Operations Manual at our sole discretion. It remains confidential and our exclusive property; you may not disclose, duplicate, or use it without authorization. The Operations Manual's provisions are incorporated into the Franchise Agreement as if fully stated therein. You are responsible for keeping your copy current. In case of a dispute regarding its content, our master copy at corporate headquarters will prevail.

##### *Authorized Products and Services*

To maintain the high standards of quality associated with The Seals System, you must purchase products and inventory only from the Company, an affiliate of the Company, or another supplier designated by the Company.

Currently, neither the Company nor any affiliate are the supplier of any products or services to System franchisees, but we reserve the right to sell proprietary and non-proprietary equipment and supplies, in the future to franchisees.

You may only offer services that we approve, as listed in the Operations Manual. We may require you to purchase items from designated suppliers to ensure service quality, supply continuity, and marketplace efficiency. You will not receive any material benefit from using designated suppliers.

We may modify standards and specifications based on our experience and that of our franchisees. Changes may apply to services, products, signage, furnishings, supplies, fixtures, and equipment, as specified in the Franchise Agreement or Operations Manual. Compliance with these changes may increase your costs, which you must cover, though no modification will materially alter your fundamental rights under the Franchise Agreement.

We reserve the right to derive revenue from your required purchases. We are the sole approved vendor for the Software Suite that we license to you. As of our fiscal year, which ended on December 31, 2024, we derived no revenue from required franchisee purchases or leases. In 2025, we expect to derive 5% of our revenues from required purchases or leases, although, as further noted below, we may derive revenue from required purchases or leases in the future. No officer of the Franchisor owns an interest in any other approved supplier.

The required inventory of products, equipment, and supplies necessary to operate the Franchised Business is listed in the Operations Manual". The required purchase of products and equipment from the Company, its affiliates or its designated suppliers, or according to our specifications is 80% to 90% of your overall purchases in establishing your business, and 50% to 60% of your overall purchases in operating your business.

You may purchase equipment and supply items only from Company-approved suppliers or, if there is no approved supplier for a particular equipment or supply item, from suppliers who meet all of the Company's specifications and standards as to quality, composition, and functionality and adequately demonstrate their capacity and facilities to supply your needs in the quantities, at the times, and with the reliability necessary for an efficient operation. The Company provides certain of its specifications and standards to approved suppliers in the course of doing business with them and will share its criteria for approving approved suppliers with a franchisee upon request in the process of reviewing requested alternative suppliers. The Company reserves the right to designate a single supplier for any equipment and supply items and to require you to use such a designated supplier exclusively, which exclusive designated supplier may be the Company or its affiliates.

#### *Supplier Approval Process*

If you wish to purchase any equipment or supplies that have not been approved by the Company or from a supplier who has not been approved by the Company, you must submit a written request to change products or suppliers to the Company. To obtain approval of any proposed alternative equipment, supply item, or supplier, you must provide the Company with documentation from a source independent of Franchisee or the proposed supplier which demonstrates to the Company's satisfaction that the proposed alternate equipment, supply item, or supplier performs as well as the item or supplier to be replaced. The Company has the right to further test any proposed equipment or supply item, and to further evaluate any proposed alternate supplier. There is no fee charged to franchisees or proposed suppliers for the Company to test any proposed equipment or supply item or to evaluate any proposed supplier. The Company will notify you within 90 days of the approval or disapproval of products, equipment, supplies, and suppliers.

Regardless of the above, the Company reserves the right to disapprove of proposed and existing suppliers, products, equipment and supplies for any reason, including the number of such suppliers or items that have already been approved. The Company may revoke the approval of suppliers if their product no longer satisfies our quality standards or for any other reason by written notice or update to the Operations Manual. The Company may at any time require the substitution of newly developed proprietary products for non-proprietary items.

#### *Insurance Required Purchases*

You must obtain and maintain insurance during the entire term of the Franchise Agreement. This insurance should protect you, your employees, and us, including our officers, employees, and any other individuals we designate. The insurance should cover any loss, liability, fire, injury, death, property damage, or theft related to the operation or promotion of the business.

The types of insurance and minimum coverage amounts listed below are what we require, but these may not be enough for your specific needs or state requirements. It is your responsibility to ensure that you have the appropriate coverage. We may also require you to use specific insurance providers.

You must keep these insurance policies in place throughout the term of your Franchise Agreement and provide proof of coverage when we request it. The insurance must come from carriers rated "A" or better by A.M. Best & Company, Inc. and be licensed in your state. All policies must (1) name us (and any other people or entities we specify) as additional insured parties. (2) Include a waiver of subrogation rights against us. (3) Not reduce your coverage if we file a claim. (4) Be primary insurance without relying on other insurance we may have. (5) Notify us at least 10 days in advance if a policy is about to be canceled or changed.

Each year, you must submit proof that you meet our insurance requirements. Occasionally, we may update the required insurance limits or types of coverage to reflect changes in business practices, legal standards, or other factors. If this happens, we will give you at least 90 days' written notice.

The current insurance requirements are:

- (i) **Commercial General Liability and Professional Liability Insurance:** Coverage for "bodily injury," "property damage," and "personal and advertising injury" with no exclusion or limitation applying to the products / completed operations liability coverage. Limits must be at least \$2,000,000 general aggregate, \$2,000,000 products and completed operations aggregate, \$1,000,000 personal and advertising injury limit, and \$1,000,000 per occurrence.
- (ii) **Workers' Compensation and Employers' Liability:** You must have the required workers' compensation insurance with limits of at least \$1,000,000 per accident, \$1,000,000 per disease, and a \$1,000,000 policy limit. In certain states, additional coverage may be needed. In "Monopolistic States," including Ohio, North Dakota, Washington, Wyoming, and West Virginia, "Stop Gap" coverage must be purchased separately or added to the commercial general liability policy and/or workers' compensation and employers' liability policy. "Stop Gap" in Ohio must not contain exclusion with the "substantially certain to occur" language.
- (iii) **Commercial Automobile Liability:** Insurance should cover \$1,000,000 for bodily injury and property damage, including coverage for hired and non-owned vehicles, and uninsured or under-insured motorists.
- (iv) **Umbrella Liability Insurance:** You are required to maintain a commercial umbrella liability insurance policy with minimum limits of \$3,000,000 per occurrence and aggregate and shall list the commercial general liability, and automobile liability as scheduled underlying policies.
- (vi) **Property Insurance:** You are required to maintain property or renter's insurance, as well as coverage for business personal property (coverage should be on a Special Form with replacement cost valuation).

We recommend but do not require that you attain Employment Practices Liability Coverage, and Employee Dishonesty Insurance.

You must carry any other such insurance coverages or amounts as required by law or agreement related to the Franchised Business.

No deductible or self-insured retention can exceed \$5,000 for any required policy, except that you may have retention of up to \$10,000 on the Umbrella Liability Insurance policy. You cannot reduce, cancel, or change any policy without our written consent.

Commercial General Liability, Automobile Liability Insurance, and Umbrella or Excess Liability Insurance policies will name The Seals Franchising, LLC., as an additional insured **at the carrier level** and any other entities that we designate (the "Indemnified Parties"), will contain no provision which in any way limits or reduces coverage for you in the event of a claim by any one or more of the Indemnified Parties, will extend to and provide indemnity for all obligations assumed by you and all items for which you are required to indemnify us, will be primary to and without right of contribution from any other insurance purchased by the Indemnified Parties, and will provide, by endorsement, that we receive at least ten days prior notice of any intent to cancel or materially alter any policy. Whenever a change is made to your policy, and before the expiration of any insurance coverage, you must submit to us a copy or certificate or other acceptable proof of such insurance with a copy of the Additional Insured Endorsement

on your policy. On occasion, we may request complete copies of all insurance policies to ensure compliance with the insurance provisions of this contract.

Periodically, we may modify the minimum insurance limits and require different or additional kinds of insurance to reflect changes in insurance standards, normal business practices, higher court awards, and other relevant circumstances. You will receive at least 90 days advance written notice of any change.

#### *Technology Required Purchases*

You must equip your facility with a computer system containing certain minimum hardware and software (Item 11). The Company is not a supplier of these items.

#### *Purchasing Arrangements and Revenue*

The Company and/or an affiliate may negotiate purchase arrangements with suppliers (including price terms) for the benefit of franchisees and to promote the overall interests of The Seals franchise network and our interests as the Franchisor. We are not required to negotiate purchase arrangements. Currently, there are no purchasing or distribution cooperatives. We do not provide material benefits to a franchisee based on a franchisee's use of designated or approved suppliers; however, a franchisee who does not use such sources will be in breach of the Franchise Agreement.

The Company has the right to receive payments from suppliers on account of their dealings with you and other franchisees, and we may use the amounts received without restriction and for any purpose the Company and its affiliates deem appropriate.

We and our affiliates also reserve the right to derive revenue from any of the purchases or leases System franchisees are required to make in connection with the Franchised Business. As of the fiscal year ended December 31, 2024, neither we nor any affiliate derived any revenue on account of required purchases or leases by franchisees.

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

**This table lists your principal obligations under the franchise agreement and other related 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 Franchise Agreement</b>	<b>Item in Disclosure Document</b>
a. Site selection and acquisition/lease	§ I, IX	Item 11
b. Pre-opening purchases/leases	§ V, IX	Items 5, 7, 8
c. Site development and other pre-opening requirements	§ II, III, IX	Items 7, 8, 11
d. Initial and on-going training	§ V	Item 11
e. Opening	§ IX	Item 11
f. Fees	§ VI	Items 5, 6
g. Compliance with standards and policies/Operating Manual	§ IX	Items 8, 11, 16
h. Trademarks and proprietary information	§ X, XI, XII	Items 13, 14
i. Restrictions on products/services offered	§ IX	Item 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Item in Disclosure Document</b>
k. Territorial development and sales quotas	§ VI	Item 12
l. On-going product/service Purchases	§ IX	Item 8
m. Maintenance, appearance and remodeling requirements	§ IX	Item 11
n. Insurance	§ XIII	Items 7, 8
o. Advertising	§ VII	Items 6, 7 and 11
p. Indemnification	§ XXII	Not Applicable
q. Owner's participation/ management/ and staffing	§ IX, XVI, Attachment B	Item 15
r. Records and reports	§ VIII	Item 6, 11
s. Inspections and audits	§ X	Item 6
t. Transfer	§ XVII	Items 6, 17
u. Renewal	§ II	Items 6, 17
v. Post-termination obligations	§ XV	Item 17
w. Non-competition covenants	§ XVI	Item 17
x. Dispute resolution	§ XXI	Item 17
y. Other: Guaranty of Franchisee's Obligations	§ VIII, Attachment B	Item 15

## **ITEM 10: FINANCING**

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

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

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

### Pre-Opening Assistance

Prior to the opening of the Office, we are obligated under the Franchise Agreement to make available to you, or assist you in obtaining, the following:

- A. Designate your Territory (Franchise Agreement [“FA”], § I).
- B. Provide you with our standards for location and guidance in the selection of an Office Location (FA, § IV).
- C. Provide you with a recommended layout and design of the Office, if not operating from your residence (FA, § IX).
- D. Identify the inventory, equipment, materials and supplies necessary for the Office to begin operations, including the minimum standards and specifications that must be satisfied and the suppliers from whom these items may be purchased or leased (including the Company and our affiliated companies (FA, § XI).
- E. Provide initial training to you and additional employees, at times and locations designated by us (FA, § V).
- F. Provide lists of approved items of equipment, fixtures and inventory and supplies (by brand name and/or by standards and specifications) and lists of approved suppliers for those items (FA, § XI).

- G. Grant use of The Seals Confidential Operations Manual and other manuals and training aids designated by us for use in the System, as they may be revised by us from time-to-time (FA, § VII).
- H. Provide advice and guidance in preparing to open the Office, including standards and procedures for obtaining inventory and supplies, providing approved services, advertising and promoting the business, and operating the business (FA, § XI).
- I. Provide suggested staffing guidelines for hiring employees, operational instructions which you can use as part of training new employees. All hiring decisions and conditions of employment are your sole responsibility (FA, § III).

#### Post-Opening Assistance

After the opening of the Office, we are obligated under the Agreement to make available to you, or assist you in obtaining the following:

- A. Providing access to continuing courses of training, at times and locations designated by us (FA, § V).
- B. Performing inspections of the Office, as we deem advisable (FA, § X).
- C. Providing updated lists of approved items of equipment, inventory and supplies (by brand name and/or by standards and specifications) and updated lists of approved suppliers for those items (FA, § IX).
- D. Offer you guidance on prices for the products and services that, in our judgment, constitute good business practice (FA, § IX).
- E. Offer certain additional training programs that we may require you to attend (FA, § IX).

#### *Approval of The Seals Office*

We do not select your site. We generally do not own the site where your Office is located and lease it to you. You may operate your Office from your residence or at a commercial office such as an Executive Office location, subject to our approval. If you operate your Office from your residence then it will be automatically approved so long as your residence is within your Territory. We will not review or approve of your Location or lease; however, it must meet our minimum standards and specifications which include being located within a specified site selection area. Some of the factors we will analyze in approving such market area include the general location and neighborhood, population and demographics, distance to other franchises, competition in the market area, traffic counts and patterns, access to the proposed Location, sign ordinances, proximity to major roads and residential areas, parking facilities, costs of leasehold improvements and closeness to business districts. You are solely responsible for obtaining the applicable ordinances, building codes, and permits required to operate your Office, and ensuring your compliance with all applicable laws and regulations, including the Americans with Disabilities Act. See the Manual for details relating to site selection criteria and procedures. We will not review or approve of your lease.

#### *Time to Open*

The typical length of time between signing the Agreement and the opening of your Office is estimated to be 1 to 2 months. Factors that will affect the length of time it takes you to open your Office include your ability to obtain a lease (if appropriate), financing, permits, compliance with local ordinances and restrictions and completion of required training.

If you are operating from a commercial location, you must obtain our written approval for the commercial location within 60-days of signing the Franchise Agreement. You must open the Office, whether home-based or operating from a commercial location, within 180 days after signing the Franchise Agreement. If you do not obtain our written approval for a commercial location and/or open your Office within the time period noted above, we reserve the right to terminate the Agreement and retain the entire Initial Franchise Fee as liquidated damages, not as a penalty (See Item 5 for details).

Factors which may affect the time to open your business include the ability to obtain a lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, scheduling of training, and delayed delivery or installation of equipment, fixtures, and signs.

#### *Advertising and Promotional Requirements*

You are responsible for funding all local advertising and promotional activities in compliance with our policies, as outlined in the Operations Manual.

You must engage in a Grand Opening Advertising campaign, and spend, as we may direct, a minimum of \$1,000 monthly on local marketing, advertising, public relations, and promotions. The required Grand Opening Advertising Spend will begin one month prior to opening and end no earlier than twelve months after opening. We have the right to determine how to spend the Grand Opening Advertising budget and the methods of marketing, advertising, media, and content of the Grand Opening Advertising campaign and promotional program. While we reserve the right to collect your Grand Opening Advertising Spend and expend it on your behalf, we currently only require it to be spent. You may spend additional amounts on other pre-opening advertising that is arranged or approved by us (Franchise Agreement § VII).

All advertising, sales, or promotional materials require our prior approval, which will not be unreasonably withheld. You must submit materials for review, and if we do not respond within 15 business days, approval is automatically granted (Franchise Agreement § VII). You may not advertise or promote on any unauthorized website or social media platform, including but not limited to Facebook, X, LinkedIn, TikTok, blogs, or forums. We control all aspects of The Seals website, including its design, content, and updates. While we may create pages featuring your Franchised Business, we are not obligated to do so. If we require you to provide content for such pages, you must do so at your expense using our templates, subject to our approval.

You may not establish or maintain a separate website, splash page, or social media profile related to the System or your Franchised Business without our prior written approval. You must claim, update, and pay for all online business listings as directed by us or our affiliates. We may modify policies regarding internet use as necessary. You acknowledge that we and/or our affiliates are the sole owners of [www.callintheseals.com](http://www.callintheseals.com) and any other domain names we register. You waive any ownership rights to these or any similar domain names, including abbreviations, acronyms, phonetic variations, or visual variations. You are prohibited from registering any domain names that include or resemble our brand names (Franchise Agreement § VII).

You may not issue any press or other media releases or other communications without our prior written consent. As a franchise owner of the System, you may only participate in internal and external communications activities that create goodwill, enhance our public image, and build The Seals brand.

#### *Advertising Council*

The Company intends to establish a franchisee advisory council to provide input and suggestions regarding use of the Promotional Fund. The franchisee advisory council will serve in an advisory capacity only and will not have any operational or decision-making power. The Company has the power to form, change, dissolve, and merge the franchise advisory council.

#### *Promotional Fund*

You must contribute 2% of your Gross Billings to a promotional fund (the “**Promotional Fund**”). Only The Seals franchisees will contribute to the Promotional Fund (Franchise Agreement § VII).

The Promotional Fund is administered by the Company. The Promotional Fund may be used as determined solely by the Company and without consideration of geographical location of franchisees: to purchase national, regional, and local advertising in any media, including broadcast, print, and electronic media (including a Website for The Seals franchise network); advertising and promotional materials; to acquire the services of in-house and outside advertising and public relations professionals; point-of-purchase materials; review of locally-produced ads; free standing inserts or brochures; research and development, tests or target marketing, the conducting of surveys, Mystery Shoppers, brand development and promotion, to defray the expense of training programs intended to develop the marketing and promotional skills of franchisees and their employees; sponsorships; design and maintenance of a website; celebrity

endorsements; trade shows; association dues; search engine optimization costs; establishment of a third party facility for customizing local advertising; to carry on other advertising and promotional activities, including utilizing Networking Media Websites (such as Facebook, Twitter, and LinkedIn) and other emerging media; and to pay the reasonable expenses of administering the Promotional Fund, including the reasonable compensation of the Company's employees and expenses of the advisory council while working on behalf of the Promotional Fund. The Promotional Fund will not be used for selling additional franchises; however, we may state in any advertisements that franchises are available and contact The Seals for information regarding this opportunity.

In the fiscal year ended December 31, 2024, the Promotional Fund was not operational and there were no contributions or expenditures. Upon request, the Company will account annually, within 120 days of the end of each year, with a financial statement that reports for all Promotional Fund contributions received and spent, together with the balance on account for that year. Other than the foregoing financial statement report, Franchisor does not separately make financial statements of the Promotion Fund available for review. Franchisor is not required to have the Promotional Fund audited. Amounts not spent in a given year are carried over to the next year. The Company is not required to spend any amounts from the Promotional Fund in any franchisee's territory, and the Company is not required to spend any advertising amounts generally in any franchisee's territory.

#### *Software and Computer System*

You must equip your facility with a computer system meeting our specifications within 15 days of signing the Franchise Agreement. None of the hardware used in the computer system is proprietary to the Company. Currently, the minimum requirements for the computer system, which may be purchased from any computer equipment manufacturer, are Windows 11 or higher with Office Suite of products. We currently require the following software: Microsoft Office 365, and QuickBooks Online plus a franchise management software program that the Company may require. Within 14 days of obtaining the system, you must secure high-speed internet access, a branded email address(which we will either provide or you may obtain through our designated supplier) and which email addresses all of your employees must use in The Seals business communications.

We have independent access to all data that is stored on your computer system or within the required Software system(s), including sales information and customer data, with no contractual limitations. You must take all actions we specify to ensure our continual access (Franchise Agreement § IV).

You are required to participate in any System-wide area network, intranet system, or extranet we implement, which may be used for: (i) submitting required reports; (ii) access the Operations Manual; (iii) downloading approved marketing materials; (iv) communicating with us and other franchisees; and (v) participate in online training. Use of these networks must comply with our security standards and protocols, including encryption, content restrictions, and prohibitions against the transmission of libelous, derogatory, or defamatory statements (Franchise Agreement § IV).

You must provide full access to financial and business records according to our reporting formats and schedules, which we may modify from time-to-time. We may retrieve, analyze, download, and use all data stored or used on your Computer System with no contractual limitation on our right to the information. The costs for data storage, communication software, internet access, additional hardware and software needed to implement and maintain these services are at your responsibility (Franchise Agreement § IV and VIII).

You must update your computer system and software as required, with no contractual limits on frequency or cost. We do not provide maintenance, repairs, or upgrades. Estimated annual costs for maintenance and support are \$1,000–\$3,000.

You must subscribe to and use The Seals operating software and all other required software to manage your business, submit financials, for customer relations management, marketing purposes, and for general operations management. You must pay the then-current Technology Fee, which is presently \$499 per month. Estimated costs for computer hardware, software, and peripherals range from \$3,000 to \$5,000. You are responsible for installing and maintaining current antivirus software on all business computers and devices.

You must maintain internet access at the required speeds as specified in the Operations Manual.

It is your responsibility to make sure that you are in compliance with all laws that are applicable to the Computer System or other technology used in the operation of your Business, including but not limited to all data protection or **The Seals Franchise Disclosure Document – 2025**

security laws. This includes requiring that you take all steps, including but not limited to those related to visibility and management of your Business that are necessary to ensure that your business is compliant with all data privacy and security laws and Payment Card Industry Data Security Standards (PCI DSS) requirements, as such standards may be revised and modified by the PCI Security Standards Council (see [pcisecuritystandards.org](http://pcisecuritystandards.org)), or such successor organization or standards that we may reasonably specify. Our standards and specifications are described in the Franchise Agreement, the Operations Manual, and other written documents.

We have the right, under the Franchise Agreement, to change the standards and specifications applicable to operation of the franchise, including standards and specifications for Approved Services and Products, equipment, signs, furnishings, supplies, fixtures, inventory, computer systems (hardware, software, applications, data network and internet connection minimum bandwidth capacities), privacy policies, encryption requirements, data and IT security policies - including implementation of phishing and other security awareness programs and training, cyber incident notification requirements, and Artificial Intelligence policies by written notice to you or through changes in the Operations Manual. We may issue our standards or specifications for goods and services, and changes to those standards and specifications, in writing directly to you or our approved supplier. You may incur an increased cost to comply with these changes at your own expense.

#### *Confidential Operations Manual*

The Company will give you access to the Operations Manual for your use during the term of the franchise (Franchise Agreement § IX). The Operations Manual may be in electronic, digital, or another format. We may revise the Operations Manual at any time. Upon request, we will permit you to view the Manual at our Headquarters before you purchase the Office. To protect the confidentiality of the Manual, we will require you to execute a Confidentiality Agreement prior to your viewing the contents of the Manual.

#### Training Program

The Company will conduct a comprehensive Initial Training Program in the management and operation of the Franchised Business (Franchise Agreement § XX). The Initial Training Program is part in-person and part online. All parts of the Initial Training Program must be successfully completed after signing the Franchise Agreement, but prior to beginning operations; however, it may be completed at any point within that timeframe. You are responsible for all travel, food, lodging and other expenses incurred by you and any of your employees in connection with attendance at the Initial Training Program. The first several modules in the Initial Training Program are pre-recorded training videos which must be completed prior to attending in-person training.

#### **The Seals Franchise Training**

#### **TRAINING PROGRAM**

#### **Owners**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of Hands-On Training</b>	<b>Location</b>
<b>Installation Training</b> <ul style="list-style-type: none"><li>• Safety</li><li>• Product Education</li><li>• Field Training</li><li>• Troubleshooting Techniques</li><li>• Repairs</li><li>• Equipment and Tools</li></ul>	1-2	8-12	Online, Charlotte, NC, or other locations in the U.S. chosen by the Franchisor.
<b>Sales</b> <ul style="list-style-type: none"><li>• Introduction to the market</li><li>• Fundamentals</li><li>• Overcoming objections</li></ul>	3-4	16-24	Online, Charlotte, NC, or other locations in the U.S. chosen by the Franchisor.

Subject	Hours of Classroom Training	Hours of Hands-On Training	Location
<ul style="list-style-type: none"> <li>• Communication</li> <li>• Negotiations</li> <li>• Value proposition</li> <li>• Customer Relationship</li> <li>• Sales Tools &amp; Technology</li> </ul>			
<b>The Seals System</b> <ul style="list-style-type: none"> <li>• Franchise Support</li> <li>• Business Operations</li> <li>• Daily Operations</li> <li>• Financial/Accounting</li> <li>• Safety</li> <li>• Business Systems</li> <li>• Logistics</li> <li>• Equipment</li> <li>• Marketing</li> <li>• Sales overview</li> <li>• Software usage</li> </ul>	4-6	4-6	Online, Charlotte, NC, or other locations in the U.S. chosen by the Franchisor.
<b>Total</b>	1-2 days	4-5 days	

### Sales Professionals

Subject	Hours of Classroom Training	Hours of Hands-On Training	Location
<b>Sales</b> <ul style="list-style-type: none"> <li>• Introduction to the market</li> <li>• Fundamentals</li> <li>• Overcoming objections</li> <li>• Communication</li> <li>• Negotiations</li> <li>• Value proposition</li> <li>• Customer Relationship</li> <li>• Sales Tools &amp; Technology</li> </ul>	3-4	16-24	Online, Charlotte, NC, or other locations in the U.S. chosen by the Franchisor.
<b>Total</b>	3-4 hours	2-3 days	

### Field Staff

Subject	Hours of Classroom Training	Hours of Hands-On Training	Location
<b>Installation Training</b> <ul style="list-style-type: none"> <li>• Safety</li> <li>• Product Education</li> <li>• Field Training</li> </ul>	1-2	8	Online, Charlotte, NC, or other locations in the U.S. chosen by the Franchisor.

Subject	Hours of Classroom Training	Hours of Hands-On Training	Location
<ul style="list-style-type: none"> <li>• Troubleshooting Techniques</li> <li>• Repairs</li> <li>• Equipment and Tools</li> </ul>			
<b>Total</b>	1-2 hours	1 day	

We require that each individual Franchisee attend the initial franchise training program. We provide initial training at no additional charge for you and up to one additional person (See Item 6 regarding fees for additional training.). We may require any other principal(s) or employee(s) of the Office to attend and satisfactorily complete all initial training programs as we may require.

Training will be provided under the direction of Andrew Dinkin who has over 10 years of experience in the industry. Other employees of the Company and other existing franchise owners, who have at least six months experience, may also participate in providing training to new franchise owners and their employees.

We also may offer additional or refresher training courses from time-to-time. Some of these courses may be mandatory, and some may be optional. These courses may be conducted at our Headquarters, in Charlotte, NC, or at any other locations selected by us.

You and/or your employees will be responsible for all out-of-pocket expenses in connection with all training programs, including costs and expenses of transportation, lodging, meals, wages and employee benefits. We reserve the right to impose reasonable charges for training classes and materials in connection with such training courses. We will notify you of any additional charges before you or your employees enroll in a course.

All classes are scheduled by advance written notice to all franchise owners. Our class cancellation policies will be included in the written notice of class schedules.

The instruction materials for our training programs may include computer-based training, handouts, the Manual, tests that we may require you to take and other information that we deem important.

A representative of the Company will visit your location within 90 days after your business opens to assist you in the operation of your business.

It is your responsibility to insure that all subsequent managers and employees are trained in our systems and procedures and that our systems and procedures are utilized at your Office. We may audit your Office at any time to ensure compliance with our systems and procedures.

#### *Ongoing Training*

The Company will provide ongoing training on specific, job-related issues to you and/or your employees as the Company deems appropriate. This training may include on-site training at a franchisee's location. Ongoing training subjects will include job costing and scheduling, employee management, equipment usage, and sales and marketing. Additionally, the Company may provide ongoing general training to introduce new products, services, and equipment, to review sales and marketing practices, and to discuss other relevant topics at its annual conference. Other specific training modules may be offered on from time-to-time (some via electronic learning vehicles), which you, your principal owners, or your designee involved in the Franchised Business for each Territory, must attend. Attendance requirements at other ongoing training sessions will be determined by the content of the class. You must pay for all travel, food, lodging, and other expenses (Franchise Agreement § V). Currently, we may charge \$750 for extraordinary training that is required by us or requested by you which we deem appropriate or necessary.

## ITEM 12: TERRITORY

When you sign the Franchise Agreement, we grant you a Territory defined by geographic boundaries that will between 1,000 and 2,500 Retail Food Service Locations (“RFSL”) within those boundaries. The number of RFSL is solely for the purpose of determining the territory size and does not represent the potential number of customers in your territory. The actual boundaries of the Territory and the designation of the Territory will be set forth on an exhibit to the Franchise Agreement that will be signed by both you and the Company.

We will not operate or grant a franchise for others to operate a The Seals franchised business within the Territory (except as described with respect to Regional Accounts below in this Item 12), although we or another franchisee may from time to time service particular customers in the Territory in the event you are unable or unwilling for whatever reason to meet the service needs of those customers, all as set forth in the Operations Manual. We do retain the right to use other channels of distribution (e.g. the Internet, catalog, telemarketing, direct marketing) inside your Territory using our Marks or other trademarks. We do not have to pay you for exercising our rights, which includes soliciting or accepting orders in your Territory for Regional Accounts or instances where you are unable or unwilling to meet the service needs of customers. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. You have no options, rights of first refusal, or similar rights to acquire additional franchisees.

You may not solicit or accept orders from customers outside of your Territory, and you may not solicit or accept orders from customers within your Territory if services to that customer are provided, in whole or in part, outside of your Territory. You also may not make sales within or outside of your Territory using other channels of distribution, including the Internet, direct mail, telemarketing, or other direct marketing without the Company’s consent.

To keep your Territory, you must comply with the terms of Franchise Agreement and satisfy the performance criteria and generate a minimum of \$40,000 in Gross Billings per month in the Territory beginning in your fourth year of operation. If you fail to meet your minimum performance requirements, we may terminate your Franchise Agreement upon notice to you. We may permit you to relocate your Territory to an open territory, provided that you provide us with notice of the change and you secure a location within the new territory. You may relocate your office with our written consent, which will not be unreasonably withheld provided the new location is located within your Territory. Any relocation will be at your sole expense, and we may charge our then-current relocation fee (if any) for services that we render in connection with the relocation. When considering a request for relocation, we may take into account the desirability of the proposed new location, its distance from other and future-planned franchised locations, the traffic patterns, security, cost, and the demographics of the area, as well as any other related factors we deem appropriate.

We have the right to solicit Regional Accounts wherever they are located. In order to enable us to negotiate special arrangements involving Regional Accounts, including responding to requests for proposals (“RFP”) involving locations which may or may not be in your Territory, at our request, you must promptly evaluate the applicable Regional Account location(s) located within your Territory and prepare a bid package for each such location in accordance with such formats, procedures and specifications as we may establish, including any supplemental or modified bid package which we may require in order to satisfy the requirements of the Regional Account (each a “Bid Package”). If we accept the Bid Package, you must honor your proposal and sign all agreements and other documents and instruments as we and the Regional Account may require to fulfill the agreed on contract terms (“Regional Account Agreement”). We will give you the first opportunity to submit a Bid Package on each proposed Regional Account location which is within your Territory and to perform Approved Services to Regional Account locations located in your Territory; provided, however, that we may, as applicable, submit Bid Packages and perform such Approved Services or cause other owners or contractors to do so, if: (a) you fail to timely submit a Bid Package in accordance with our request, or if we determine that the Bid Package submitted by you is likely to be rejected by the Regional Account; (b) we reject your Bid Package or if the Regional Account notifies you or us that it does not wish to be served by you; (c) you for any reason fail or refuse to perform in accordance with the Bid Package and Regional Account Agreement; (d) you, at the time of the issuance of the RFP or submission of the Bid Package, are in default of your obligations or under any other agreement with us, or under any other Regional Account Agreement to which you are party; or (e) you are, in our judgment exercised in good faith, not qualified, equipped or otherwise capable to satisfy the RFP or Regional Account Agreement requirements or to perform the services as required. We

may, but are not obligated to, compensate you for Approved Services performed by us, our affiliates or other owners or contractors for Regional Account locations located in your Territory in such amounts (if any) as we determine.

We or an affiliate may charge a management fee to offset the sales and administrative expenses of processing and managing Regional Accounts. We reserve the right to modify the Regional Accounts Program from time to time.

In addition to the Regional Accounts program, as it may be modified from time to time, an affiliate of ours may offer you subcontract work in accordance with its then-current procedures for servicing Centrally Managed Accounts. For purposes of this Agreement, the term "Centrally Managed Accounts" refers to customer accounts for multi-site, geographically dispersed real estate portfolios utilizing a network of subcontractors to perform the services. Our affiliates are not obligated to provide you with any subcontract work and may offer such work to your competitors.

The Company does not have any present plan to establish another business offering similar services under a different trade name or trademark, but it retains the right to do so. In addition, we may purchase, merge, acquire or be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business' facilities, and we may then operate, franchise or license those other businesses and/or facilities under any names or marks other than the Marks regardless of the location of these businesses and/or facilities, which may be within your Territory or immediately near it. You will receive no compensation for these activities.

The Company retains the right to solicit and sell to accounts within the Territory that also have locations outside of the Territory, including, but not limited to, solicitation and sales via direct marketing campaigns, telemarketing, and by use of the Internet and other online computer networks, without compensating you.

If the Company enters into an agreement to provide any Services to any customer which has a location in your designated Territory, the Company may offer you the right to service this account at such location at the terms upon which the Company and this account have agreed. If there is more than one franchisee licensed by the Company in your Territory, the Company may allocate opportunities to service these accounts between those franchisees, as the Company in its sole discretion deems appropriate. If, for any reason, you elect not to service such an account that is offered to you, the Company may, in its sole discretion, service this account or appoint any other party to service this account.

Periodically during the term of the Franchise Agreement, the Company may provide you with the names of potential customers for Services within your Territory obtained by sales representatives employed by us or an affiliate; provided, however, that customer preferences will be honored. The Company has the sole discretion regarding the allocation of leads. The Company may provide you with leads for potential customers for Services in locations that are not part of any franchisee's Territory, but we are not required to do so. If you service customers located outside of your Territory, you do not receive any rights in or to these areas.

#### *Additional Franchises*

Upon receiving your written request, we may award you additional franchises at our discretion, provided that you meet the then-current criteria we utilize in the awarding of additional franchises. The criteria to be awarded an additional Franchise are listed in our Manuals and may be updated at any time.

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#### **ITEM 13: TRADEMARKS**

We grant you a limited, non-exclusive license to use our primary mark "The Seals" and certain other Marks in connection with the operation of your Franchised Business within your Territory, provided you use these Marks as outlined in your Franchise Agreement and the Operations Manual. The following are our primary trademarks that we have applied to have registered on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

Trademark	Registration Number	Registration Date
	5378166	January 16, 2018
	5378083	January 16, 2018 Renewed: September 29, 2023
The Seals (Wordmark)	99/119531	Application Date: April 3, 2025

We are the owners of all the above marks and have filed all applicable applications, required affidavits, and renewals for the Proprietary Marks. There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, no pending interference, opposition, or cancellation proceedings, nor any pending material litigation involving the Proprietary Mark.

You must promptly notify us of any suspected unauthorized use of any of the Proprietary Marks, any challenge to the validity of any of the Proprietary Mark, or any challenge to our ownership of, our right to use and to license others to use, or your right to use, any of the Proprietary Marks. We have the sole right, though not the obligation, to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including the right to settle the proceedings or litigation and to affirmatively prosecute actions against third parties for infringement or threatened infringement of any of the Proprietary Marks.

We also have the right, though not the obligation, to defend you against any third-party claim, suit, or demand arising solely out of your use of the Proprietary Mark you are licensed to use under the Franchise Agreement, provided you are using the Proprietary Mark in a manner expressly authorized by us. If we, in our sole discretion, determine that you have used the Proprietary Mark in accordance with the Franchise Agreement and the Operations Manual, we will pay the cost of defending the action, including the cost of any judgment or settlement. If we, in our sole discretion, determine that you have not used the Proprietary Mark in accordance with the Franchise Agreement and the Operations Manual, you will be required to pay for the defense or to reimburse us for costs we incurred in providing the defense, including the cost of any judgment or settlement. In the event of any litigation relating to your use of the Proprietary Mark you are licensed to use under the Franchise Agreement, you are required to sign all documents and assist us, as we deem necessary, to carry out the defense or prosecution, including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Proprietary Mark in a manner not in accordance with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in performing such acts.

We are not aware of any superior prior rights or infringing uses that could materially affect your use of the Proprietary Mark in any state. Therefore, before entering into the Franchise Agreement, you should make every effort to ascertain

that there are no existing uses of the Proprietary Mark or confusingly similar marks being used in the market area where you wish to do business. You should immediately notify us of any confusingly similar marks you discover.

You cannot register any of the Proprietary Marks now or hereafter owned by us or any abbreviation, acronym or variation of the Proprietary Mark, or any other name that could be deemed confusingly similar, as internet domain names. We retain the sole right to advertise the system on the internet and to create, operate, maintain, and modify, or discontinue using of a website using the Proprietary Mark.

You may use only the Proprietary Mark which we designate and may use them only in the manner we authorize and permit. Any goodwill associated with Proprietary Mark, including any goodwill which might be deemed to have arisen through your activities, inures directly and exclusively to our benefit. You may use the Proprietary Mark designated in your Franchise Agreement only for the operation of the Franchised Business and only at the Franchised Business or in advertising for the Franchised Business. You must use all Proprietary Marks without prefix or suffix and in conjunction with the symbols “SM,” “TM,” “S” or “R,” as applicable. You may not use any of the Proprietary Marks in connection with the offer or sale of any services or products, which we have not authorized for use in connection with the System. You may not use any of the Proprietary Marks as part of your corporate or other legal name. We must approve your corporate name and all fictitious names under which you propose to do business in writing before use. You must use your corporate or limited liability company name either alone or followed by the initials “D/B/A” and the business name “The Seals” You must promptly register at the office of the county in which your Franchised Business is located, or such other public office as provided for by the laws of the state in which your Franchised Business is located, as doing business under your assumed business name.

All your advertising must prominently display the designated Proprietary Mark and must comply with our standards for using the Proprietary Mark. You may use the designated Proprietary Mark including, without limitation, trade dress, color combinations, designs, symbols, and slogans, only in the manner and to the extent specifically permitted by the Franchise Agreement or by our prior written consent. You must submit to us and we must approve all advertising, publicity, signs, stationary, business cards, forms, decorations, furnishings, equipment, or other materials employing the Proprietary Mark, or related marks, before first publication or use. We will not unreasonably withhold our approval. You must identify yourself as the owner of the Franchised Business (in the manner we prescribe) in conjunction with any use of the Proprietary Mark including, without limitation, on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations as we may designate in writing in.

We reserve the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating thereunder. You must discontinue using all Proprietary Marks which we have notified you, in writing, have been modified or discontinued within ten (10) days of receiving written notice and must promptly begin using such additional, modified or substituted Proprietary Mark at your expense.

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

We do not own any registered patents or copyrights that are material to the franchise, however, we claim common law copyright and trade secret protection for several aspects of the System including our Operations Manual, advertising, and business materials.

There are no current determinations, proceedings or litigation involving any of our copyrighted materials. Should you become aware that any unauthorized third party is using any of our copyrighted materials, we request that you notify us of this unauthorized use. We may revise any of our copyrighted materials in our discretion and may require that you cease using any outdated copyrighted material. You will be responsible for printing any revised or new advertising, marketing, or other business materials.

During the term of the Franchise Agreement, you will receive information which we consider to be our trade secrets and confidential information, including but not limited to methods of commercial refrigeration gasket installation and repair; information regarding the setup of an Franchised Business; information about proprietary merchandise; any proprietary software we may now or in the future create; our Operations Manual; trade secrets; price marketing mixes related to the sale of goods or services offered or authorized for sale by System franchisees; standards and specifications for equipment, equipment layout, and lighting; systems and training manuals; training systems;

compensation systems; marketing strategies; online marketing systems; merchandise sales systems; sales training; location identification and acquisition; general operations; our copyrighted materials; and methods and other techniques and know-how concerning the operation of the Franchised Business which may be communicated to you or of which you may be apprised by virtue of your operation of a Franchised Business (collectively, the "Confidential Information"). You shall not, during the term of the Franchise Agreement or after, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information except to your employees that must have access to it to operate the Franchised Business. Certain additional information, including all data collected from former, existing, and/or potential customers including customer names and addresses, discounts and credit extensions to customers, rates charged to customers and customer contracts and status information (collectively "Customer Information"), as well as sources of suppliers and purchasing arrangements with suppliers, also constitute our trade secrets and Confidential Information. All information, knowledge, know-how, techniques, and other data, which we designate as confidential will be deemed Confidential Information for purposes of the Franchise Agreement. We have expended considerable time, effort, and money to develop the System, and the Confidential Information is not well known outside of the System. The Confidential Information is of great value to us, and we are implementing this non-disclosure policy to protect our trade secrets and Confidential Information. You are prohibited from disclosing Customer Information and our other proprietary information, trade secrets, and Confidential Information to third parties, including entering such information into public/open AI models or any other AI model that uses such information to train the AI unless specifically authorized by us, and you must adhere to any privacy policies we may now, or in the future, establish with respect to Customer Information.

If you, your employees, or principals develop any new concept, process or improvement in the operation or promotion of the Franchised Business, you must promptly notify us and provide us with all necessary related information, without compensation. Any such concept, process or improvement will become our sole property and we will be the sole owner of all patents, patent applications, trademarks, copyrights, and other related intellectual property rights. You and your principals will assign to us any rights you may have or acquire, including the right to modify the concept, process, or improvement, and otherwise must waive and/or release all rights of restraint and moral rights. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, process, or improvement in all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing these rights. You and your principals will irrevocably designate and appoint us as your agent and attorney-in-fact to execute and file any documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any concept, process, or improvement. If these provisions are found to be invalid or otherwise unenforceable, you and your principals will grant to us a worldwide, perpetual, non-exclusive, fully paid license to use and sublicense the use of the concept, process, or improvement if this use or sublicense would otherwise directly or indirectly infringe your rights.

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

During the term of the Franchise Agreement, you (if franchisee is a sole proprietor) or the Principal Operator (if franchisee is an entity) must devote full time and best efforts to the management of the Business. You must provide direct supervision to the Business. If we grant you express, written permission, you can hire a Designated Manager to perform your management obligations, including supervising your personnel. You, your Designated Manager, and any other individuals we designate must complete our training course. The Designated Manager need not have any equity interest in the franchise and/or franchisee entity (if applicable). The use of a Designated Manager in no way relieves you of your obligations to comply with the Franchise Agreement and to ensure that the Business is properly operated. If you fail to adhere to the above obligations, such failure will be deemed a default under the Franchise Agreement.

You (or at least one of your principals if you are a corporation or partnership) must personally supervise the day-to-day operations of the Franchised Business. You must devote your personal full-time attention and best efforts to the management and operation of the Franchised Business. You may, however, delegate the day-to-day management of your Franchised Business to a manager (the "Designated Manager"). We must approve your

Designated Manager and your Designated Manager must successfully complete our Initial Training Program before assuming any managerial responsibility. At all times, your Franchised Business must be staffed by you (or one of your principals, who must have completed our Initial Training Program,) and/or your Designated Manager. If you operate in more than one physical location, you must have one (1) or more properly trained Designated Manager(s) who has been approved by us at each location. If you have more than one The Seals franchise with contiguous Marketing Territories, you may not be required to maintain a separate product and equipment storage space for each The Seals franchise.

You shall keep us informed at all times of the identity of any employee acting as a Designated Manager of a Franchised Business. Designated Manager shall devote their full time and best efforts to the day-to-day operation and management of the Franchised Business and shall not engage in any other business activity without our prior written consent. The franchisee, and if applicable, its owners, partners, and any spouses of the foregoing must execute the form of Personal Guaranty attached to the Franchise Agreement as Attachment C.

All shareholders, officers, directors, partners, members and all managers and other employees having access to our proprietary information must execute non-disclosure, non-solicitation, and non-competition agreements in a form we accept.

Any person or entity that is an owner of 5% or more of the franchisee, or any time becomes an owner of a minority interest of the franchisee, must execute the form of personal guaranty attached to the Franchise Agreement, whereby each guarantor personally guarantees the obligations of the franchisee (Franchise Agreement, Attachment C).

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

You may offer and sell only those products and services that are approved by the Company or that meet with the reasonable specifications and standards established by the Company. You must offer and sell all of the Services that we have approved for your franchise. You must purchase all proprietary products and proprietary equipment from the Company or its designated affiliate. You may purchase equipment and supply items only from sources approved by the Company. The Company may, at any time, require the substitution of newly developed proprietary products for non-proprietary items. The Company has the right to add additional authorized products and services that you must then offer. There are no limits on the Company's right to do so. You may not become a wholesaler or distributor of proprietary products or proprietary equipment, and you may not re-sell proprietary products or proprietary equipment, except in connection with the provision of Services by you. You may not become a wholesaler or distributor of non-proprietary equipment and supplies related to the Services to other franchisees or to customers of The Seals System.

You will at all times maintain sufficient levels of inventory to adequately satisfy consumer demand. You must stop offering disapproved products or services immediately upon notice that such services or products have been discontinued. If the law prohibits the use or sale of any product or service, use must cease immediately.

You may not perform commercial kitchen exhaust system cleaning, inspection, maintenance, and restoration services; and must refer any such work to our affiliate or whomever else we may designate. (See Items 1 and 8).

You do not have the right to solicit customers outside of the Territory. The franchise rights we grant you do not include: (i) any right to offer any product or service via e-commerce without our prior approval; (ii) any right to establish an independent website or to establish a URL incorporating the Proprietary Marks or any variation; or (iii) any right to distribute, market, or implement our products and services in any channel of distribution not specifically identified in the Franchise Agreement.

You may provide the Services only to commercial, industrial, and office customers. You may provide Services for any non-residential customer in the Territory who is not disapproved in writing by the Company.

You are an independent contractor with control and direction of the Franchised Business and operations, subject to the conditions specified in the Franchise Agreement and Operations Manual. The Franchised Business you operate

is separate and apart from any that we may operate. Neither you nor we may bind each other or make any representations tending to create apparent agency, employment, or partnership.

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

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

Provision	Section in Franchise or other Agreement	Summary
a. Length of the franchise term	§ II (A)	10 years
b. Renewal or extension of the term	§ II (B, C, D)	You may renew the franchise for two successive ten-year periods on the Company's then current terms if you have not defaulted and meet the requirements for renewal. If you renew the franchise, you must sign the then-current form of franchise agreement, which may have materially different terms and conditions from your original contract, including a higher royalty fee and promotional fee.
c. Requirements for franchisee to renew or extend	§ II (C)	Sign new franchise agreement, which may contain materially different terms and conditions than your initial franchise agreement, comply with current Franchise Agreement, exercise diligent efforts to develop your franchise during the term in a manner acceptable to us, meet our then current subjective and objective standards for new franchisees, provide us with requested documentation, give notice of desire to renew no earlier than 180 days and no later than 120 days prior to the end of the term, execute a general release, complete required training and consulting programs, and attend all required meetings and events.
d. Termination by franchisee	Not Applicable	Not Applicable (subject to applicable law)
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	§ XIV	The Company can terminate your franchise if you default.
g. "Cause" defined – curable defaults	§ XIV	You have 5 to 30 days to cure: a non- payment of fees or other amounts due, non-compliance with applicable laws or regulations, failure to perform any obligation under the Franchise Agreement or another agreement between us.
h. "Cause" defined – non-curable defaults	§ XIV	Defaults which cannot be cured: bankruptcy, foreclosure, inability to pay debts, abandonment,

Provision	Section in Franchise or other Agreement	Summary
		material misrepresentations, charge or arrest for certain criminal conduct, repeated defaults even if cured, incurable breach, failure to maintain minimum performance, unauthorized transfer, breach of covenant not to compete, use of Marks in a business other than the Franchised Business.
i. Franchisee's obligations on termination/non-renewal	§ XV	Obligations include payment of all amounts due including applicable damages, ceasing to use Marks and Proprietary Information, return Operations Manual and other documents, and other obligations.
j. Assignment of contract by franchisor	§ XVII	The Company cannot assign the franchise unless the assignee assumes the Company's obligations.
k. "Transfer" by franchisee – defined	§ XVII (B)	Includes transfer of assets and change in ownership.
l. Franchisor's approval of transfer by franchisee	§ XVII (B)	The Company is not required to approve transfer requests but may approve transfers if certain conditions are satisfied and will not unreasonably withhold such approval.
m. Conditions for franchisor's approval of transfer	§ XVII (B)	The Company has the right to require conditions of transfer to be satisfied, including but not limited to payment of transfer fee; if applicable, payment of resale assistance fee; transferee must qualify, complete training, sign Franchise Agreement, repair premises; you must sign release; transferee, or those controlling, or under common control with, the transferee, cannot, as a result of the transfer or otherwise, control franchises with combined annual revenues of 15% or more of the annual revenues of all The Seals franchises in the network.
n. Franchisor's right of first refusal to acquire franchisee's business	§ XVII (C)	The Company or its designee can match any offer that you receive.
o. Franchisor's option to purchase franchisee's business	§ XV (A)	The Company upon termination has the option but not requirement to purchase all products and supplies which bear the Marks, at your cost.
p. Death or disability of franchisee	§ XVII (D) and XVIII	Franchise must be transferred to a qualified successor within 6 months.
q. Non-competition covenants during the term of the franchise	§ XVI (C)	Limits interest in, and employment by, a competing business. Subject to State law
r. Non-competition covenants after the franchise is terminated or expires	§ XVI	Limits interest in, and employment by, a competing business for 2 years from termination within the defined territory description as well as 50 miles from territory boundary or the territory of any other

Provision	Section in Franchise or other Agreement	Summary
		franchisee. Subject to State law.
s. Modification of the agreement	§ XII	Requires consent of you and the Company. The Operations Manual and System may be changed by the Company.
t. Integration/ merger clause	§ XXI (M)	Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable
u. Disputes resolution by arbitration or mediation	§ XXI	You must first submit all disputes and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally. At our option, all claims or disputes must be submitted to non-binding mediation in the state and city of our then-current National Headquarters (presently Orlando, Florida). If not resolved, most disputes must be resolved by binding arbitration in Florida. The fees and expenses of arbitration, not including attorneys' fees, generally will be shared equally by the parties. Subject to State law.
v. Choice of forum	§ XXI (B)	Litigation must be in the applicable federal or state court where our headquarters are located (currently, Orlando, Florida) (subject to state law).
w. Choice of law	§ XXI (G)	Except for claims under federal trademark law, and the parties' rights under the Federal Arbitration Act, the laws of the state of our then current National Headquarters (presently Florida) will govern (subject to state law).

#### ITEM 18: PUBLIC FIGURES

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

\*\*\* THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK \*\*\*

## **ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of Company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations, either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting David Wells at The Seals Franchising, LLC, 6700 Forum Drive, Suite 150, Orlando, Florida 32821, the Federal Trade Commission, and 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	1	2	+1
	2023	2	3	+1
	2024	3	5	+2
Company-Owned or Affiliated Company Owned	2022	1	1	0
	2023	1	1	0
	2024	1	1	0
Total Outlets	2022	2	3	+1
	2023	3	4	+1
	2024	4	6	+2

**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
Total	2022	0
	2023	0
	2024	0

**Table No. 3**  
**Status of Franchised Outlets**  
**for Years 2022 to 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Cease Operations ---Other Reasons	Outlets at End of the Year
Connecticut	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Georgia	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
South Carolina	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
Total	2022	0	2	0	0	0	0	2
	2023	2	1	0	0	0	0	3
	2024	3	2	0	0	0	0	5

**Table No. 4**  
**Status of Company-Owned or Affiliate-Owned Outlets**  
**for Years 2022 to 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Re-acquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
North Carolina	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Total	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1

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

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
California	0	1	0
Illinois	0	1	0

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
Maryland	0	1	0
Washington	0	1	0
Total	0	4	0

Exhibit E lists the names of all current franchise owners and the addresses and telephone numbers of their Offices as of the date of this Disclosure Document.

There are no franchise owners who have an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document.

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

No franchisees have signed confidentiality clauses during the past 3 years. In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experience with The Seals. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

There are no trademark-specific franchisee organizations associated with the franchise network being offered that we have created, sponsored or endorsed; or that has asked to be included in this disclosure document.

No independent franchisee organization has asked to be included in this disclosure document.

### **ITEM 21: FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit “B-1” are the audited consolidated financial statements of EverSmith Brands Holding Company, our parent, for the years ended December 31, 2024, December 31, 2023, and December 2022, respectively. Our parent, EverSmith Brands Holding Company, has guaranteed our performance to you. A copy of the Guarantee of Performance is included as Exhibit “B-2.” Our fiscal year end is December 31 of each year.

### **ITEM 22: CONTRACTS**

Attached are copies of the following agreements relating to the offer of the franchise:

Exhibit C. Franchise Agreement

Attachment A to the Franchise Agreement: Data Sheet

Attachment B to the Franchise Agreement: Territory

Attachment C to the Franchise Agreement: Continuation of Other Non-Competing Businesses

Attachment D to the Franchise Agreement: Personal Guarantee

Attachment E to the Franchise Agreement: Assignment of Telephone Numbers

Attachment F to the Franchise Agreement: Assignment of Domain Name, E-Mail Address, Online Listings and Social Media Accounts

Attachment G to the Franchise Agreement: Franchisee Authorization Form For Electronic Funds Transfer

Exhibit D. Confidentiality/Nondisclosure Agreement

Exhibit G. Franchisee Compliance Certification

Exhibit H. State Addenda

Exhibit I. Form of General Release

### **ITEM 23: RECEIPTS**

Attached as the last two pages of this disclosure document (after the exhibits) are two copies of the Receipt for this disclosure document. Keep one signed and dated copy for your records and return the other signed copy to The Seals, 6700 Forum Dr. Ste 150, Orlando, Florida 32821-8013, Attn: David Wells, or you may email directly to David.Wells@eversmithbrands.com.

**EXHIBIT A: LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

**LIST OF STATE ADMINISTRATORS,  
AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b><u>CALIFORNIA</u></b>	Department of Financial Protection and Innovation 2101 Arena Blvd Sacramento, CA 95834 (866) 275-2677	Department of Financial Protection and Innovation 2101 Arena Blvd Sacramento, CA 95834
<b><u>HAWAII</u></b>	State of Hawaii Business Registration Division Department of Commerce and Consumer Affairs King Kalakaua Building 335 Merchant Street Room 205 Honolulu, HI 96813 (808) 586-2744	Commissioner of Securities King Kalakaua Building 335 Merchant Street Room 205 Honolulu, HI 96810
<b><u>ILLINOIS</u></b>	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-1090	Illinois Attorney General 500 South Second Street Springfield, IL 62706
<b><u>INDIANA</u></b>	Securities Commissioner Indiana Securities Division Room E 111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 W. Washington Street, Rm 201 Indianapolis, IN 46204
<b><u>MARYLAND</u></b>	Office of the Attorney General Securities Division 20th Floor 200 St. Paul Place Baltimore, MD 21202 (410) 576-7044	Maryland Securities Commissioner 200 St. Paul Place, 20th Floor Baltimore, Maryland 21202-2020
<b><u>MICHIGAN</u></b>	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit G. Mennen Williams Building, 7 <sup>th</sup> Floor 525 W. Ottawa St. Lansing, MI 48909 (517) 373-1110	Michigan Department of Commerce Corporations and Securities Bureau G. Mennen Williams Building, 7 <sup>th</sup> Floor 525 W. Ottawa St. Lansing, MI 48909

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b><u>MINNESOTA</u></b>	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101
<b><u>NEW YORK</u></b>	NYS Department of Law Investor Protection Bureau 28 Liberty St 21 <sup>st</sup> Fl New York, NY 10005 (212) 416-8222	New York Department of State One Commerce Plaza 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, NY 12231-0001 (518) 473-2492
<b><u>NORTH DAKOTA</u></b>	North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 5 <sup>th</sup> Floor Bismarck, ND 58505-0510 (701) 328-2910	North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 5 <sup>th</sup> Floor Bismarck, ND 58505-0510
<b><u>RHODE ISLAND</u></b>	Division of Securities 1511 Pontiac Division John O. Pastore Center Building 69-1 Cranston, RI 02920 (401) 277-3048	Director of Department of Business Regulation 1511 Pontiac Division John O. Pastore Center Building 69-1 Cranston, RI 02920
<b><u>SOUTH DAKOTA</u></b>	Division of Insurance Securities Regulation 124 S Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Division of Insurance Securities Regulation 124 S Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563
<b><u>VIRGINIA</u></b>	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, Ninth Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 E. Main Street, First Floor Richmond, VA 23219
<b><u>WASHINGTON</u></b>	Department of Financial Institutions Securities Division P. O. Box 41200 Olympia, WA 98504 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501
<b><u>WISCONSIN</u></b>	Commission of Securities 201 West Washington Ave. Madison, WI 53703 (608) 266-1365	Wisconsin Commissioner of Securities 345 West Washington Ave. Madison, WI 53703

**EXHIBIT B-1: FINANCIAL STATEMENTS**

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**EverSmith Brands Holding Company and  
Subsidiaries**

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**Consolidated Financial Report  
December 31, 2024**

**EverSmith Brands Holding Company and Subsidiaries**

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### Independent Auditor's Report

To the Board of Directors  
EverSmith Brands Holding Company and Subsidiaries

#### *Opinion*

We have audited the consolidated financial statements of EverSmith Brands Holding Company and Subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2024 and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit 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 Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Report on Prior Year Consolidated Financial Statements*

The consolidated financial statements of EverSmith Brands Holding Company and Subsidiaries as of December 31, 2023 were audited by other auditors, who expressed an unmodified opinion on those statements on March 28, 2024.

#### *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.



To the Board of Directors  
EverSmith Brands Holding Company and Subsidiaries

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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in black ink that reads "Plante & Moran, PLLC". The signature is cursive and fluid, with "Plante & Moran" on the top line and "PLLC" on the bottom line.

March 25, 2025

**EverSmith Brands Holding Company and Subsidiaries**

**Consolidated Balance Sheet**

	December 31, 2024 and 2023	
	2024	2023
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 3,515,558	\$ 2,711,279
Advertising fund restricted cash and restricted assets	100,458	328,234
Accounts receivable - Net	7,114,904	3,615,646
Unbilled revenue	349,380	610,886
Notes receivable	425,473	-
Prepaid expenses and other current assets	<u>1,573,314</u>	<u>477,175</u>
Total current assets	13,079,087	7,743,220
Property and Equipment - Net	780,862	796,019
Operating Lease Right-of-use Assets - Net	1,240,113	1,130,780
Goodwill - Net	50,821,465	14,725,847
Intangible Assets - Net	34,088,854	4,261,233
Other Assets		
Deferred commission costs - Net of current portion	2,262,584	593,583
Notes receivable - Net of current portion	286,916	-
Other	<u>50,609</u>	<u>-</u>
Total other assets	<u>2,600,109</u>	<u>593,583</u>
Total assets	<u><u>\$ 102,610,490</u></u>	<u><u>\$ 29,250,682</u></u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 4,966,278	\$ 2,158,915
Current portion of long-term debt	360,000	-
Current portion of operating lease liabilities	507,060	422,328
Deferred franchise fees	692,354	139,360
Accrued and other current liabilities:		
Taxes payable	1,295,818	-
Accrued compensation	2,802,812	529,572
Other accrued liabilities	<u>1,395,399</u>	<u>1,282,175</u>
Total current liabilities	12,019,721	4,532,350
Long-term Debt - Net of current portion	34,497,135	-
Operating Lease Liabilities - Net of current portion	733,773	723,255
Other Long-term Liabilities		
Deferred franchise fees - Net of current portion	4,101,540	926,109
Deferred tax liabilities	<u>1,037,222</u>	<u>1,073,807</u>
Total liabilities	<u>52,389,391</u>	<u>7,255,521</u>
Stockholders' Equity		
Total liabilities and stockholders' equity	<u><u>\$ 102,610,490</u></u>	<u><u>\$ 29,250,682</u></u>

See notes to consolidated financial statements.

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**EverSmith Brands Holding Company and Subsidiaries**

**Consolidated Statement of Operations**

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Net Revenue</b>		
Royalty fees	\$ 13,835,697	\$ 5,676,883
Professional service fees	15,893,981	15,647,169
Product revenue	2,874,230	119,685
Initial franchise fee revenue	780,004	94,011
Promotional fund revenue	416,122	315,957
Other	1,234,883	315,452
	<u>35,034,917</u>	<u>22,169,157</u>
<b>Cost of Professional Service Fees Revenue</b>	<u>14,085,134</u>	<u>11,634,041</u>
<b>Gross Profit</b>	<u>20,949,783</u>	<u>10,535,116</u>
<b>Operating Expenses</b>	<u>34,186,155</u>	<u>16,573,859</u>
<b>Operating Loss</b>	<u>(13,236,372)</u>	<u>(6,038,743)</u>
<b>Nonoperating Income (Expense)</b>		
Interest income	82,328	-
Other (expense) income	(45,331)	16,794
Interest expense	(2,181,596)	-
	<u>(2,144,599)</u>	<u>16,794</u>
<b>Loss - Before income taxes</b>	<u>(15,380,971)</u>	<u>(6,021,949)</u>
<b>Income Tax Expense</b>	<u>1,928,222</u>	<u>421,961</u>
<b>Consolidated Net Loss</b>	<u>(17,309,193)</u>	<u>(6,443,910)</u>
<b>Other Comprehensive (Loss) Income - Foreign currency translation adjustment</b>	<u>(697,817)</u>	<u>284,764</u>
<b>Comprehensive Loss</b>	<u><b>\$ (18,007,010)</b></u>	<u><b>\$ (6,159,146)</b></u>

See notes to consolidated financial statements.

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**EverSmith Brands Holding Company and Subsidiaries**

**Consolidated Statement of Stockholders' Equity**

**Years Ended December 31, 2024 and 2023**

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
<b>Balance - January 1, 2023</b>	\$ 214	\$ 23,852,537	\$ (8,098,798)	\$ (892,760)	\$ 14,861,193
Consolidated net loss	-	-	(6,443,910)	-	(6,443,910)
Issuance of common stock	74	13,220,486	-	-	13,220,560
Stock-based compensation	-	72,554	-	-	72,554
Foreign currency translation adjustment	-	-	-	284,764	284,764
<b>Balance - December 31, 2023</b>	<b>288</b>	<b>37,145,577</b>	<b>(14,542,708)</b>	<b>(607,996)</b>	<b>21,995,161</b>
Consolidated net loss	-	-	(17,309,193)	-	(17,309,193)
Issuance of common stock	269	46,135,855	-	-	46,136,124
Stock-based compensation	-	100,595	-	-	100,595
Foreign currency translation adjustment	-	-	-	(697,817)	(697,817)
Dividends	-	-	(3,771)	-	(3,771)
<b>Balance - December 31, 2024</b>	<b>\$ 557</b>	<b>\$ 83,382,027</b>	<b>\$ (31,855,672)</b>	<b>\$ (1,305,813)</b>	<b>\$ 50,221,099</b>

See notes to consolidated financial statements.

## **EverSmith Brands Holding Company and Subsidiaries**

### **Consolidated Statement of Cash Flows**

**Years Ended December 31, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Cash Flows from Operating Activities</b>		
Consolidated net loss	\$ (17,309,193)	\$ (6,443,910)
Reconciliation of consolidated net loss to net cash and restricted cash from operating activities - Net of assets acquired and liabilities assumed in business acquisitions:		
Depreciation and amortization expense	7,346,640	2,047,036
Noncash lease expense	(14,083)	12,811
Stock compensation expense	100,595	72,554
Deferred income taxes	390,415	421,961
Bad debt expense	574,457	258,348
Debt issuance cost amortization	79,635	-
Changes in operating assets and liabilities - Net of assets acquired and liabilities assumed:		
Accounts receivable and unbilled revenue	(2,299,521)	(610,559)
Advertising fund restricted assets and liabilities	-	(209,286)
Deferred commission costs	(1,669,001)	(372,636)
Prepaid expenses and other current assets	(260,403)	(162,781)
Accounts payable	2,394,416	(224,092)
Taxes payable	1,295,818	-
Deferred revenue	2,141,878	540,915
Accrued compensation and other accrued liabilities	1,819,841	18,771
Net cash and restricted cash used in operating activities	<u>(5,408,506)</u>	<u>(4,650,868)</u>
<b>Cash Flows from Investing Activities</b>		
Business acquisitions - Net of cash acquired	(71,148,692)	(9,234,628)
Purchase of property and equipment	(94,285)	(190,387)
Proceeds from sale of property and equipment	-	25,737
Issuance of notes receivable	<u>(712,389)</u>	<u>-</u>
Net cash and restricted cash used in investing activities	<u>(71,955,366)</u>	<u>(9,399,278)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of common stock	44,136,124	12,170,560
Proceeds from debt	36,000,000	-
Payments on debt	(180,000)	-
Debt issuance costs	(1,042,500)	-
Distribution of equity interests	<u>(3,771)</u>	<u>-</u>
Net cash and restricted cash provided by financing activities	<u>78,909,853</u>	<u>12,170,560</u>
<b>Net Effect of Exchange Rate Changes on Cash and Restricted Cash</b>	<u>(697,817)</u>	<u>(391,110)</u>
<b>Net Increase (Decrease) in Cash and Restricted Cash</b>	<u>848,164</u>	<u>(2,270,696)</u>
<b>Cash and Restricted Cash - Beginning of year</b>	<u>2,767,852</u>	<u>5,038,548</u>
<b>Cash and Restricted Cash - End of year</b>	<u><b>\$ 3,616,016</b></u>	<u><b>\$ 2,767,852</b></u>
<b>Classification of Cash and Restricted Cash</b>		
Cash	<u>\$ 3,515,558</u>	<u>\$ 2,711,279</u>
Restricted cash	<u>100,458</u>	<u>56,573</u>
Total cash and restricted cash	<u><b>\$ 3,616,016</b></u>	<u><b>\$ 2,767,852</b></u>
<b>Supplemental Cash Flow Information - Cash paid for interest</b>	<u>\$ 2,181,596</u>	<u>\$ -</u>
<b>Significant Noncash Transactions - Fair value of rollover equity issued for business acquisitions</b>	<u>\$ 2,000,000</u>	<u>\$ 1,050,000</u>

See notes to consolidated financial statements.

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## **EverSmith Brands Holding Company and Subsidiaries**

## **Notes to Consolidated Financial Statements**

**December 31, 2024 and 2023**

### **Note 1 - Nature of Business**

EverSmith Brands Holding Company and Subsidiaries (the "Company") includes its wholly owned subsidiaries, EverSmith Brands Intermediate Holding Company; 2792705 Ontario Inc.; TruServe Groundscare Inc.; Clintar, Inc.; Clintar Franchising, Inc.; milliCare, Inc.; milliCare Franchising, LLC; Kitchen Guard Franchising, Inc.; Green Guard Services, LLC; U.S. Lawns, Inc.; and Restoration Specialties Franchise Group, LLC.

The Company's subsidiaries are principally engaged as franchisors of brands, which provide various services such as landscaping, snow removal, operating floor and textile care, commercial kitchen exhaust cleaning, and specialty restoration. In addition, certain landscaping and snow removal services are provided directly to customers where franchising territories do not exist.

### **Note 2 - Significant Accounting Policies**

#### *Basis of Accounting*

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Company has elected to adopt certain accounting alternatives for private companies developed by the Private Company Council, including the alternative for accounting for goodwill and intangibles.

#### *Principles of Consolidation*

The consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

#### *Cash*

The Company maintains cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. Additionally, the Company maintains cash in various foreign institutions amounting to \$2,918,789 and \$1,429,696 as of December 31, 2024 and 2023, respectively, converted at year-end exchange rates.

#### *Restricted Cash*

In accordance with certain brands' franchise agreements, certain cash accounts established for promotional or advertising contributions and spending are restricted in their use for cash collected by the promotional fund, usage of which is restricted for advertising activities and is included in advertising fund restricted cash on the accompanying consolidated balance sheet.

#### *Accounts Receivable*

Trade accounts receivable are stated at invoice amounts. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. At December 31, 2024 and 2023, the Company recorded an allowance for credit losses in the amount of \$1,214,135 and \$612,069, respectively. The Company evaluates the collectibility of its accounts receivable and determines the appropriate allowance for expected credit losses based on a combination of factors, including the aging of the receivables, historical collection trends, and charge-offs, and includes adjustments for current economic conditions and reasonable and supportable forecasts. The Company calculates the allowance using an expected loss model that considers the Company's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. When the Company is aware of a franchisee or customer's inability to meet its financial obligation, the Company may individually evaluate the related receivable to determine the allowance for expected credit losses. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received. Accounts receivable, net of allowance, as of January 1, 2023 equaled \$2,568,780.

## **EverSmith Brands Holding Company and Subsidiaries**

## **Notes to Consolidated Financial Statements**

December 31, 2024 and 2023

### **Note 2 - Significant Accounting Policies (Continued)**

#### *Unbilled Revenue*

The Company records royalty revenue that has been recognized but not invoiced to its franchisees in unbilled revenue until the respective amount is invoiced, which is then included within accounts receivable. Unbilled revenue is included within current assets, as the amounts are similar to accounts receivable and are short term in nature.

#### *Property and Equipment*

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method. Assets are depreciated over their estimated useful lives. The cost of leasehold improvements is depreciated (amortized) over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

#### *Leases*

The Company has operating leases primarily for various office spaces that have lease terms that range from 3 to 5 years, some of which include renewal and termination options that can be elected by the Company. The Company recognizes expense for operating leases on a straight-line basis over the lease term. The Company made a policy election not to separate lease and nonlease components for all operating leases. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

The Company elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for all operating leases.

#### *Intangible Assets*

Acquired intangible assets subject to amortization are stated at cost and are amortized using the straight-line method over the estimated useful lives of the assets, which range from 6 to 20 years. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually.

The Company has elected to apply the private company accounting alternative for intangible assets acquired in a business combination developed by the Private Company Council. Under the accounting alternative, certain acquired customer-related intangible assets and noncompetition agreements are not separately recognized apart from goodwill.

#### *Goodwill*

The recorded amounts of goodwill from prior business combinations are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition. The Company has adopted the provisions of ASU No. 2021-08, *Business Combinations: Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (Topic 805)*, which requires companies to record contracts with customers based on the guidance under ASC 606 rather than at fair value.

The Company has elected to apply the private company accounting alternative for goodwill developed by the Private Company Council. Under the accounting alternative, goodwill is amortized on a straight-line basis over a 10-year period. Additionally, goodwill is assessed for potential impairment if events occur or circumstances change that indicate the fair value of the Company may be less than its carrying value. The Company has elected to test goodwill for impairment at the entitywide level.

No impairment charge was recognized during the years ended December 31, 2024 and 2023.

## **EverSmith Brands Holding Company and Subsidiaries**

### **Notes to Consolidated Financial Statements**

**December 31, 2024 and 2023**

#### **Note 2 - Significant Accounting Policies (Continued)**

##### *Revenue Recognition*

The terms of the franchise agreements for the Company are typically 10 years. As part of each agreement, the Company identified one performance obligation that requires the Company to provide a combination of the following in exchange for the defined transaction price:

- **Intellectual Property (IP)** - Licenses grant an exclusive right to establish and operate a business under the trademarks.
- **Continuing Consulting Services** - These services include the review of plans; equipment and merchandise selection; and establishment and implementation of administrative, bookkeeping, accounting, inventory control, and general operating procedures.
- **Operations Manual and Brand-specific Training Services** - These provide training programs, operating manuals, development of standards, and pricing policies specific to the various brands.
- **Preopening Services** - These provide primarily site selection, training programs, and setting up the franchisee records.

The Company determined that the services noted above represent a set of integrated or highly interrelated tasks/services and are, therefore, accounted for as a single performance obligation of providing the franchise license. This type of license is satisfied over time since the customer simultaneously receives and consumes the benefit as the entity performs its obligation to provide access and, therefore, meets the criterion of recognizing revenue over time. Revenue earned from providing these services is identified as royalty fees, initial franchise fee revenue, and promotional fund revenue on the accompanying consolidated statement of operations.

The Company's professional service fees include snow removal, landscaping, professional kitchen hood cleaning, and professional floor cleaning where there is no franchise territory. Revenue is recognized over time as the services are rendered. Long-term contracts do not exist for these services, and all work is typically completed within a 24-hour period.

The Company's product revenue primarily includes sales of chemicals and soak tanks to franchisees. Revenue is recognized at the time the product is shipped.

##### *Payment Terms*

Initial franchise fees are due and typically paid when a franchise agreement is executed and are nonrefundable. These fees are collected prior to the satisfaction of the Company's performance obligations, resulting in the Company recognizing deferred revenue contract liabilities. The portion of contract liabilities that is expected to be recognized as revenue within one year is classified as current on the consolidated balance sheet. Deferred initial franchise fees as of January 1, 2023 equaled \$522,603. Royalties and promotional fund fees are paid on a monthly basis based upon a percentage of franchisee gross sales. Technology fees are paid on a monthly basis based upon a fixed amount. Professional service fees and product revenue fees are due 30 days from when the service is performed or when the product is shipped.

##### *Allocating the Transaction Price*

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for providing franchisees with the franchise rights to service customers. To determine the transaction price, the Company considers its customary business practices and the terms of the underlying agreement. For the purpose of determining transaction prices, the Company assumes performance obligations will be satisfied as promised in accordance with franchise agreements and that the agreements will not be canceled, renewed, or modified.

## **EverSmith Brands Holding Company and Subsidiaries**

## **Notes to Consolidated Financial Statements**

**December 31, 2024 and 2023**

### **Note 2 - Significant Accounting Policies (Continued)**

The Company's franchise agreements with franchisees have transaction prices that contain a fixed and variable component. Variable consideration includes revenue related to royalties and advertising fees, as the transaction price is based on the franchisees' sales. The variable consideration is recognized based on the actual amounts incurred each month.

#### *Costs to Obtain a Franchise Agreement*

The Company incurs commission costs to obtain franchise agreements with franchisees. The commissions are related to franchise fee revenue, which is recognized over time. As a result, the commission costs are capitalized as deferred commission costs and are expensed over the term of the respective franchise agreement, which is typically 10 years.

#### *Advertising Expense*

In accordance with the Company's franchise agreements, franchisees pay a percentage of monthly sales to the brand's promotional fund to be used for advertising, marketing, and other promotional purposes. Advertising expense is charged to income during the year in which it is incurred. Advertising expense for 2024 and 2023 was \$895,604 and \$843,644, respectively.

#### *Income Taxes*

A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the year. Deferred tax liabilities or assets are recognized for the estimated future tax effects of temporary differences between financial reporting and tax accounting.

#### *Fair Value Measurements*

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

#### *Debt Issuance Costs*

Debt issuance costs were incurred by the Company in connection with obtaining the debt to finance one of the business combinations disclosed in Note 3. These costs are recorded as a reduction in the recorded balance of the outstanding debt. The costs are amortized over the term of the related debt and reported as a component of interest expense.

## **EverSmith Brands Holding Company and Subsidiaries**

## **Notes to Consolidated Financial Statements**

December 31, 2024 and 2023

### **Note 2 - Significant Accounting Policies (Continued)**

#### *Foreign Currency Translation*

The reporting currency of the Company is the U.S. dollar (USD). The Company's functional currency for its operations in Canada is the Canadian dollar (CAD). Assets and liabilities are translated using the exchange rates as of year end, and revenue and expenses are translated using average exchange rates. Equity is translated at historical rates, with resulting translation gains and losses included in the Company's consolidated statement of stockholders' equity as a component of accumulated other comprehensive loss.

Gains and losses arising from foreign currency transactions are included in the consolidated statement of operations in operating expenses. Intercompany balances denominated in a currency other than the functional currency of the parties to the transaction create foreign currency gains and losses that survive consolidation, even though the intercompany balances do not.

#### *Use of Estimates*

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates made by management in the preparation of the consolidated financial statements include, among other estimates, the determination of the purchase price allocations and the related valuation of intangible assets and other assets and liabilities acquired, depreciation and amortization, useful lives, stock-based compensation, and the allowance for credit loss accounts.

#### *Subsequent Events*

The consolidated financial statements and related disclosures include evaluation of events up through and including March 25, 2025, which is the date the financial statements were available to be issued.

### **Note 3 - Business Combinations**

#### *GG Services Holdings, Inc.*

On April 10, 2023, Clintar, Inc. acquired the membership interests of GG Services Holdings, Inc. (Green Guard Services). As a result of this transaction, the purchase price was allocated to Green Guard Services' balance sheet, resulting in a new basis of accounting. This included a step-up of certain assets to fair value and the recognition of certain identifiable intangible assets, as provided for under the purchase method of accounting. The following table summarizes the fair value of the consideration transferred as part of the acquisition of Green Guard Services:

Capital contributions	\$ 10,941,894
Rollover equity	1,050,000
Net working capital adjustment	(199,243)
Fair value of total consideration transferred	<u>\$ 11,792,651</u>

## **EverSmith Brands Holding Company and Subsidiaries**

## **Notes to Consolidated Financial Statements**

December 31, 2024 and 2023

### **Note 3 - Business Combinations (Continued)**

The following table summarizes the acquisition-date fair values of the assets acquired and liabilities assumed:

Cash	\$ 1,508,023
Accounts receivable	667,211
Other assets	69,896
Property and equipment	495,695
Separately identifiable intangible assets	583,000
Operating right-of-use assets	1,072,909
Accounts payable	(94,630)
Accrued expenses	(79,243)
Accrued compensation	(80,307)
Operating lease obligations	(1,072,909)
 Total identifiable net assets	 3,069,645
Goodwill	8,723,006
 Total	 <u>\$ 11,792,651</u>

Intangible assets acquired consist of trade names of \$583,000. The Company did not separately value the customer relationships or noncompete intangible assets from goodwill in accordance with the private company alternative available under FASB ASC 805, *Business Combinations*. The fair value of the intangible assets is based on significant inputs that are not observable in the market and, therefore, represent Level 3 measurements under ASC 820-10. The fair value of the trade names was determined under the income approach, specifically the relief from royalty method.

In addition, goodwill of \$8,723,006 was recorded to reflect the excess of the purchase price over the estimated fair value of the net identifiable assets acquired, which is deductible for tax purposes.

The Company incurred \$1,163,894 of acquisition costs, which is included in operating expenses within the accompanying consolidated statement of operations for the year ended December 31, 2023.

#### ***U.S. Lawns, Inc.***

On January 12, 2024, Clintar, Inc. acquired 100 percent of the outstanding common stock of U.S. Lawns, Inc. The primary reason for the acquisition was to expand the Company's portfolio of franchised brands within the landscaping and snow removal industry.

The following table summarizes the fair value of the consideration transferred as part of the acquisition:

Fair value of total consideration transferred - Cash	\$ 51,135,157
--	---------------

## **EverSmith Brands Holding Company and Subsidiaries**

## **Notes to Consolidated Financial Statements**

December 31, 2024 and 2023

### **Note 3 - Business Combinations (Continued)**

The following table summarizes the acquisition-date fair values of the assets acquired and liabilities assumed:

Cash	\$ 400
Accounts receivable	1,342,787
Prepays and other assets	570,015
Property and equipment	174,981
Right-of-use assets	645,805
Intangible assets	18,874,000
Deferred tax assets	224,000
Accounts payable	(351,966)
Deferred franchise fees	(887,695)
Lease liabilities	(645,805)
Accrued expenses	(181,336)
 Total identifiable net assets	 19,765,186
Goodwill	31,369,971
 Total	 <u>\$ 51,135,157</u>

The fair value of financial assets includes accounts receivable with a gross contractual value of \$1,806,559, of which \$463,772 is expected to be uncollectible.

Identifiable intangible assets acquired and subject to amortization include the trade name and franchise agreements with estimated useful lives of 15 years. The fair value of the trade name was determined using a relief from royalty method, and the fair value of the franchise agreements was determined using a multiperiod excess earnings method.

Goodwill was recognized for the excess of the purchase price over the fair value of the net assets acquired. Goodwill relates to the growth potential of the Company, the value of customer-related intangibles, and management and operational expertise. The weighted-average amortization period for the goodwill recognized is 10 years.

Acquisition-related costs, which include legal, accounting, and transaction fees, were approximately \$1,571,000 and have been included in operating expenses on the accompanying consolidated statement of operations.

#### ***Restoration Specialties Holdings, LLC***

On June 17, 2024, Clintar, Inc. acquired 100 percent of the outstanding membership interests of Restoration Specialties Holdings, LLC. The primary reason for the acquisition was to expand the Company's portfolio of franchised brands within the specialty restoration industry.

The following table summarizes the fair value of the consideration transferred as part of the acquisition:

Cash	\$ 20,272,444
Noncash rollover equity - Common stock	2,000,000
 Fair value of total consideration transferred	 <u>\$ 22,272,444</u>

## **EverSmith Brands Holding Company and Subsidiaries**

### **Notes to Consolidated Financial Statements**

December 31, 2024 and 2023

#### **Note 3 - Business Combinations (Continued)**

The fair value of the 1,019 shares of common stock issued as noncash rollover equity was based on a valuation of the Company's stock using an option-pricing model. See Note 11 for further details.

The following table summarizes the acquisition-date fair values of the assets acquired and liabilities assumed:

Cash	\$ 258,509
Accounts receivable	169,901
Prepays and other assets	44,669
Property and equipment	15,441
Right-of-use assets	70,508
Intangible assets	12,740,000
Deferred tax assets	203,000
Accounts payable	(60,981)
Deferred franchise fees	(698,852)
Lease liabilities	(70,508)
Accrued expenses	(385,287)
 Total identifiable net assets	 12,286,400
Goodwill	9,986,044
 Total	 <u>\$ 22,272,444</u>

The fair value of financial assets includes accounts receivable with a gross contractual value of \$169,901.

Identifiable intangible assets acquired and subject to amortization include the trade name and franchise agreements with estimated useful lives of 15 years. The fair value of the trade name was determined using a relief from royalty method, and the fair value of the franchise agreements was determined using a multiperiod excess earnings method.

Goodwill was recognized for the excess of the purchase price over the fair value of the net assets acquired. Goodwill relates to the growth potential of the Company, the value of customer-related intangibles, and management and operational expertise. The weighted-average amortization period for the goodwill recognized is 10 years.

Acquisition-related costs, which include legal, accounting, and transaction fees, were approximately \$2,559,364 and have been included in operating expenses on the accompanying consolidated statement of operations.

#### **Note 4 - Accounts Receivable Credit Losses Allowance**

The activity in the allowance for credit losses is as follows:

	2024	2023
Balance - January 1	\$ 612,069	\$ 263,852
Additions charged to expense	574,457	258,348
Deductions/Write-offs	27,609	89,869
 Balance - December 31	 <u>\$ 1,214,135</u>	 <u>\$ 612,069</u>

## **EverSmith Brands Holding Company and Subsidiaries**

## **Notes to Consolidated Financial Statements**

**December 31, 2024 and 2023**

### **Note 5 - Property and Equipment**

Property and equipment are summarized as follows:

	<b>2024</b>	<b>2023</b>	<b>Depreciable Life - Years</b>
Machinery and equipment	\$ 107,831	\$ 149,754	5
Transportation equipment	436,727	379,790	5
Furniture and fixtures	85,764	47,071	5
Computer equipment and software	504,489	284,365	5
Leasehold improvements	211,493	205,276	5-15
 Total cost	 1,346,304	 1,066,256	
Accumulated depreciation	565,442	270,237	
 Net property and equipment	 \$ 780,862	 \$ 796,019	

Depreciation expense for 2024 and 2023 was \$299,864 and \$95,833, respectively.

### **Note 6 - Intangible Assets and Goodwill**

Intangible assets and goodwill of the Company at December 31, 2024 and 2023 are summarized as follows:

	<b>2024</b>		<b>2023</b>	
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>
<b>Amortized intangible assets and goodwill:</b>				
Trade names	\$ 9,318,987	\$ 990,971	\$ 3,161,987	\$ 435,032
Franchise agreements	27,684,513	1,923,675	2,227,513	693,235
Goodwill	59,465,661	8,644,196	18,109,646	3,383,799
 Total amortized intangible assets	 \$ 96,469,161	 \$ 11,558,842	 \$ 23,499,146	 \$ 4,512,066

Amortization expense for intangible assets and goodwill totaled \$7,046,776 and \$1,951,203 for the years ended December 31, 2024 and 2023, respectively.

Goodwill totaling approximately \$41,356,000 and \$8,723,000 was added during 2024 and 2023, respectively, as a result of the acquisitions disclosed in Note 3.

Net goodwill of approximately \$4,755,000 is held by an entity in a foreign jurisdiction.

Estimated amortization expense for the years ending December 31 is as follows:

<b>Years Ending</b>	<b>Amount</b>
2025	\$ 8,413,466
2026	8,413,466
2027	8,413,466
2028	8,413,466
2029	8,413,466
Thereafter	42,842,989
 Total	 \$ 84,910,319

## **EverSmith Brands Holding Company and Subsidiaries**

## **Notes to Consolidated Financial Statements**

December 31, 2024 and 2023

### **Note 7 - Long-term Debt**

Long-term debt at December 31, 2024 is as follows:

Term loan with a bank requiring quarterly principal payments equal to 0.25 percent of the original loan balance of \$36,000,000 (or \$90,000), including interest at the adjusted term SOFR or ABR, plus the applicable margin (an effective rate of 9.36 percent at December 31, 2024). The note is collateralized by all assets of the Company and matures on June 17, 2030, at which time a balloon payment for the remainder of the balance is due. The Company is subject to a quarterly total net leverage ratio covenant

\$ 35,820,000
(962,865)
34,857,135
360,000
<u>\$ 34,497,135</u>

The balance of the above debt matures as follows:

Years Ending	Amount
2025	\$ 360,000
2026	360,000
2027	360,000
2028	360,000
2029	360,000
Unamortized debt discount	(962,865)
Thereafter	<u>34,020,000</u>
Total	<u>\$ 34,857,135</u>

In addition to the long-term debt disclosed above, the Company has a revolver commitment of \$7,000,000 and a delayed draw term loan commitment of \$25,000,000. The revolver commitment terminates on June 17, 2030, and the delayed draw term loan commitment terminates on June 17, 2026. There were no amounts outstanding for either commitment as of December 31, 2024.

### **Note 8 - Leases**

The right-of-use assets and related lease liabilities have been calculated using discount rates ranging from 3.76 percent to 4.75 percent. The leases require the Company to pay taxes, insurance, utilities, and maintenance costs.

## **EverSmith Brands Holding Company and Subsidiaries**

## **Notes to Consolidated Financial Statements**

December 31, 2024 and 2023

### **Note 8 - Leases (Continued)**

Future minimum annual commitments under these operating leases are as follows:

	Years Ending December 31	Amount
2025	\$ 554,067	
2026	403,063	
2027	183,382	
2028	112,022	
Total	1,252,534	
Less amount representing interest	11,701	
Present value of net minimum lease payments	1,240,833	
Less current obligations	507,060	
Long-term obligations under leases	\$ 733,773	

Expenses recognized under these leases for the years ended December 31, 2024 and 2023 consist of the following:

	2024	2023
Lease cost:		
Operating lease cost	\$ 604,548	\$ 387,752
Short-term lease cost	-	15,294
Total lease cost	\$ 604,548	\$ 403,046
Other information:		
Cash paid for amounts included in the measurement of lease liabilities - Operating cash flows from operating leases	\$ 487,973	\$ 387,752
Weighted-average remaining lease term (years) - Operating leases	3.42	2.82
Weighted-average discount rate - Operating leases	4.2 %	3.2 %

### **Note 9 - Income Taxes**

The components of the income tax provision included in the consolidated statement of operations are all attributable to continuing operations and are detailed as follows for the years ended December 31, 2024 and 2023:

	2024	2023
Foreign - Current tax expense	\$ 1,537,807	\$ 429,044
Foreign - Deferred tax expense (recovery)	390,415	(7,083)
Total income tax expense	\$ 1,928,222	\$ 421,961

## **EverSmith Brands Holding Company and Subsidiaries**

## **Notes to Consolidated Financial Statements**

December 31, 2024 and 2023

### **Note 9 - Income Taxes (Continued)**

The details of the net deferred tax liability at December 31 are as follows:

	2024	2023
Total deferred tax liabilities	\$ (1,204,963)	\$ (1,183,957)
Total deferred tax assets	6,240,677	3,251,569
Valuation allowance recognized for deferred tax assets	(6,072,936)	(3,141,419)
<b>Total</b>	<b>\$ (1,037,222)</b>	<b>\$ (1,073,807)</b>

Estimated taxes payable as of December 31, 2024 equaled \$1,295,818, all of which relate to 2792705 Ontario Inc. and TruServe Groundscare Inc. and are owed to the Canada Revenue Agency.

### **Note 10 - Related Party Transactions**

The Company signed consulting services agreements with affiliates of the majority equity holder of the Company to provide for certain consulting and advisory services. The agreements also require periodic reimbursement of out-of-pocket expenses associated with such services. There was \$593,551 and \$610,010 expensed under these agreements for the years ended December 31, 2024 and 2023, respectively, which was included in operating expenses in the consolidated statements of operations.

### **Note 11 - Stockholders' Equity**

#### *Common Stock*

The Company has 300,000 shares of common stock authorized and 55,680 and 28,818 shares issued and outstanding as of December 31, 2024 and 2023, respectively, with a par value of \$0.01.

#### *Stock Options*

The Company's 2020 Equity Incentive Plan (the "Plan") permits the grant of stock options to the Company's employees and members of the board of directors. The Company believes that such awards better align the interests of its employees with those of its stockholders. Stock options are granted with an exercise price equal to the estimated fair value of the Company's common stock at the grant date. The plan administrator may determine the time or times at which a stock option granted will vest or become exercisable and the terms that require exercisability of a stock option. Generally, the stock options issued vest over a period of seven years. However, upon the occurrence of a change in control event, all options granted will become immediately exercisable.

The fair value of each time-based vesting stock option is estimated on the date of grant using a Black-Scholes-based valuation model that uses various assumptions regarding the: (1) expected volatility in the fair value of the Company's common stock, (2) expected term of the award, (3) expected dividend yield on the underlying common stock, (4) risk-free interest rate based on the U.S. Treasury yield curve, and (5) current price of the underlying common stock. The Company based its expected volatility calculation upon similar, publicly traded companies tracked over a five-year period. The Company has assumed the vesting term as the expected life of the stock options based on when a change of control is expected to occur. The Company did not contemplate any expected dividends. A U.S. Treasury bond rate was utilized as of the respective grant date in line with the expected life of the options.

The specific assumptions used to determine the fair value of the stock options granted were as follows:

	2024	2023
Expected volatility	30.00 %	25.00 %
Expected life (years)	4	7
Risk-free interest rate	4.04 %	4.23 %

## **EverSmith Brands Holding Company and Subsidiaries**

## **Notes to Consolidated Financial Statements**

**December 31, 2024 and 2023**

### **Note 11 - Stockholders' Equity (Continued)**

A summary of option activity under the Plan for the years ended December 31, 2024 and 2023 is presented below:

Options	Number of Shares	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term (in Years)
Outstanding at January 1, 2023	1,278	\$ 1,110.00	10.8
Granted	445	1,664.00	9.3
Forfeited or expired	(508)	1,133.00	9.2
Outstanding at December 31, 2023	1,215	1,301.00	9.9
Granted	2,007	1,847.00	6.5
Forfeited or expired	(1,530)	1,443.00	5.7
Outstanding at December 31, 2024	<u>1,692</u>	<u>1,857.00</u>	<u>6.3</u>
Exercisable at December 31, 2023	251	1,093.00	9.9
Exercisable at December 31, 2024	345	1,693.00	5.9

A summary of nonvested shares under the Plan for the years ended December 31, 2024 and 2023 is presented below:

Nonvested Shares	Number of Shares	Weighted-average Grant-date Fair Value
Nonvested at January 1, 2023	1,028	\$ 393.00
Granted	445	630.00
Vested	(166)	364.00
Forfeited or expired	(342)	333.00
Nonvested at December 31, 2023	965	534.00
Granted	2,007	634.00
Vested	(111)	614.00
Forfeited or expired	(1,530)	484.00
Nonvested at December 31, 2024	<u>1,331</u>	<u>682.00</u>

As of December 31, 2024 and 2023, there was \$997,108 and \$478,469, respectively, of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 6.3 years.

### **Note 12 - Subsequent Events**

On February 3, 2025, the Company entered into a membership interest purchase agreement to acquire the outstanding equity interests of The Seals Franchising, LLC in a business acquisition accounted for as a business combination. The purchase price at the date of closing was approximately \$1,400,000, which was funded with a \$2,000,000 draw on the Company's credit facility subsequent to December 31, 2024. As of the date the consolidated financial statements were available to be issued, the purchase price allocation has not been completed.

**EverSmith Brands Holding Company  
(f/k/a Clintar Holding Company)  
and Subsidiaries**

**Consolidated Financial Statements  
Years Ended December 31, 2023 and 2022**

The report accompanying these financial statements was issued by  
BDO USA, P.C., a Virginia professional corporation, and the U.S. member  
of BDO International Limited, a UK company limited by guarantee.



**EverSmith Brands Holding Company  
(f/k/a Clintar Holding Company)  
and Subsidiaries**

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Consolidated Financial Statements  
Years Ended December 31, 2023 and 2022

**EverSmith Brands Holding Company  
(f/k/a Clintar Holding Company)  
and Subsidiaries**

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## Independent Auditor's Report

The Board of Directors  
EverSmith Brands Holding Company  
(f/k/a Clintar Holding Company)  
Charlotte, North Carolina

### *Opinion*

We have audited the consolidated financial statements of EverSmith Brands Holding Company (f/k/a Clintar Holding Company) and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the 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.

### *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 Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated 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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

***BDO USA, P.C.***

March 28, 2024

## **Consolidated Financial Statements**

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**EverSmith Brands Holding Company**  
(f/k/a Clintar Holding Company)  
and Subsidiaries

**Consolidated Balance Sheets**

<i>December 31,</i>	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 2,711,279	\$ 4,733,869
Advertising fund restricted assets	328,234	489,807
Accounts receivable, net of allowance for credit losses	3,615,646	2,568,780
Unbilled revenue	610,886	593,276
Inventory	-	35,256
Prepaid expenses and other current assets	405,895	142,332
Deferred contract acquisition costs, short-term	71,280	29,975
<b>Total Current Assets</b>	<b>7,743,220</b>	<b>8,593,295</b>
<b>Property and Equipment, Net</b>	<b>796,019</b>	<b>217,041</b>
<b>Other Assets</b>		
Income tax receivable	-	35,457
Deferred contract acquisition costs, long-term	593,583	262,079
Intangibles, net	4,261,233	4,036,649
Goodwill, net	14,725,847	7,416,106
Operating right-of-use assets	1,130,780	410,947
<b>Total Other Assets</b>	<b>20,711,443</b>	<b>12,161,238</b>
<b>Total Assets</b>	<b>\$ 29,250,682</b>	<b>\$ 20,971,574</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,795,159	\$ 1,908,612
Income tax payable	421,961	-
Advertising fund restricted liabilities	363,756	486,509
Accrued expenses	860,214	677,961
Accrued compensation	529,572	981,195
Short-term deferred revenue	139,360	62,758
Current portion of operating lease obligations	422,328	144,553
<b>Total Current Liabilities</b>	<b>4,532,350</b>	<b>4,261,588</b>
<b>Long-Term Liabilities</b>		
Long-term deferred revenue	926,109	459,845
Operating lease obligations, less current portion	723,255	268,324
Deferred income taxes	1,073,807	1,120,624
<b>Total Long-Term Liabilities</b>	<b>2,723,171</b>	<b>1,848,793</b>
<b>Total Liabilities</b>	<b>7,255,521</b>	<b>6,110,381</b>
<b>Stockholders' Equity</b>		
Common stock, \$0.01 par value, 300,000 shares authorized at December 31, 2023 and 2022, and 28,818 and 21,380 shares issued and outstanding at December 31, 2023 and 2022, respectively	288	214
Additional paid-in capital	37,145,577	23,852,537
Accumulated deficit	(14,542,708)	(8,098,798)
Accumulated other comprehensive loss	(607,996)	(892,760)
<b>Total Stockholders' Equity</b>	<b>21,995,161</b>	<b>14,861,193</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 29,250,682</b>	<b>\$ 20,971,574</b>

*See accompanying notes to consolidated financial statements.*

**EverSmith Brands Holding Company**  
 (f/k/a Clintar Holding Company)  
 and Subsidiaries

**Consolidated Statements of Operations**

<i>Year ended December 31,</i>	<b>2023</b>	<b>2022</b>
<b>Revenue</b>		
Royalty fees	\$ 5,676,883	\$ 5,644,549
Professional service fees	15,647,169	10,874,796
Promotional fund revenue	315,957	322,017
Initial franchise fees	94,011	17,621
Chemical product revenue	119,685	248,347
Other revenue	315,452	103,106
<b>Total Revenue</b>	<b>22,169,157</b>	<b>17,210,436</b>
<b>Operating Costs and Expenses</b>		
Cost of professional service revenue	11,634,041	9,360,432
Selling, general, and administrative	13,362,929	9,770,701
Depreciation and amortization	2,047,036	1,510,787
Transaction expenses	1,163,894	-
<b>Total Operating Costs and Expenses</b>	<b>28,207,900</b>	<b>20,641,920</b>
<b>Loss from Operations</b>	<b>(6,038,743)</b>	<b>(3,431,484)</b>
<b>Other (Income) Expense, Net</b>	<b>(16,794)</b>	<b>26,410</b>
<b>Loss from Operations, before income taxes</b>	<b>(6,021,949)</b>	<b>(3,457,894)</b>
<b>Income Tax Expense</b>	<b>421,961</b>	<b>347,696</b>
<b>Net Loss</b>	<b>(6,443,910)</b>	<b>(3,805,590)</b>
<b>Foreign Currency Translation Adjustment</b>	<b>284,764</b>	<b>(880,147)</b>
<b>Comprehensive Loss</b>	<b>\$ (6,159,146)</b>	<b>\$ (4,685,737)</b>

*See accompanying notes to consolidated financial statements.*

**EverSmith Brands Holding Company  
(f/k/a Clintar Holding Company)  
and Subsidiaries**

**Consolidated Statements of Stockholders' Equity**

	Common Stock		Accumulated Other Comprehensive Loss			Accumulated Deficit	Total Stockholders' Equity
	Shares	\$0.01 Par Value	Additional Paid-in Capital	Other Comprehensive Loss	Accumulated Deficit		
<b>Balance, January 1, 2022</b>	18,823	\$ 188	\$ 19,782,866	\$ (12,613)	\$ (4,293,208)	\$ 15,477,233	
Issuance of common stock	2,557	26	3,999,974				4,000,000
Stock-based compensation	-	-	69,697				69,697
Net loss	-	-	-		(3,805,590)		(3,805,590)
<b>Foreign currency translation adjustment</b>	-	-	-	(880,147)	-		(880,147)
<b>Balance, December 31, 2022</b>	21,380	214	23,852,537	(892,760)	(8,098,798)		14,861,193
Issuance of common stock	7,438	74	13,220,486				13,220,560
Stock-based compensation	-	-	72,554				72,554
Net loss	-	-	-		(6,443,910)		(6,443,910)
<b>Foreign currency translation adjustment</b>	-	-	-	284,764	-		284,764
<b>Balance, December 31, 2023</b>	28,818	\$ 288	\$ 37,145,577	\$ (607,996)	\$ (14,542,708)	\$	21,995,161

*See accompanying notes to consolidated financial statements.*

**EverSmith Brands Holding Company**  
(f/k/a Clintar Holding Company)  
and Subsidiaries

**Consolidated Statements of Cash Flows**

<i>Year ended December 31,</i>	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (6,443,910)	\$ (3,805,590)
Reconciliation of net loss to net cash used in operating activities, net of assets acquired and liabilities assumed in business acquisitions:		
Depreciation and amortization expense	2,047,036	1,510,787
Amortization of right-of-use assets	358,968	163,136
Stock compensation expense	72,554	69,697
Deferred income taxes	421,961	347,696
Bad debt expense	258,348	128,577
Change in operating assets and liabilities, net of assets acquired and liabilities assumed:		
Accounts receivable	(592,949)	(391,903)
Unbilled revenue	(17,610)	105,358
Inventory	35,256	95,603
Advertising fund restricted assets and liabilities	(209,286)	(125,595)
Deferred contract acquisition costs	(372,636)	(292,054)
Income tax receivable	(35,457)	(174,537)
Prepaid expenses and other current assets	(162,580)	135,786
Accounts payable	(224,092)	(219,503)
Income tax payable	421,961	-
Deferred revenue	540,915	523,745
Right-of-use lease liability	(346,157)	(161,129)
Accrued expenses	(403,190)	615,859
<b>Net Cash Used in Operating Activities</b>	<b>(4,650,868)</b>	<b>(1,474,067)</b>
<b>Cash Flows from Investing Activities</b>		
Business acquisition, net of cash acquired	(9,234,628)	-
Capital expenditures	(190,387)	(52,917)
Proceeds from sale of property and equipment	25,737	-
<b>Net Cash Used in Investing Activities</b>	<b>(9,399,278)</b>	<b>(52,917)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of common stock	12,170,560	4,000,000
<b>Net Cash Provided by Financing Activities</b>	<b>12,170,560</b>	<b>4,000,000</b>
<b>Net Effect of Exchange Rate Changes on Cash</b>	<b>(391,110)</b>	<b>(118,501)</b>
<b>Net (Decrease) Increase in Cash and Restricted Cash</b>	<b>(2,270,696)</b>	<b>2,354,515</b>
<b>Cash and Restricted Cash, beginning of year</b>	<b>5,038,548</b>	<b>2,684,033</b>
<b>Cash and Restricted Cash, end of year</b>	<b>\$ 2,767,852</b>	<b>\$ 5,038,548</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Taxes paid in cash	\$ 187,543	\$ 192,280
<b>Supplemental Disclosures of Non-Cash Investing and Financing Activities</b>		
Liabilities assumed in connection with business acquisition	\$ 1,327,089	\$ -
Equity issued in connection with business acquisition	1,050,000	-
Operating lease right-of-use assets obtained in exchange for operating lease liabilities upon ASC 842 adoption	-	567,758

*See accompanying notes to consolidated financial statements.*

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**1. Organization and Description of Business**

The accompanying consolidated financial statements include the accounts of EverSmith Brands Holding Company, formerly known as Clintar Holding Company (Holdings), a Delaware corporation, and its wholly owned subsidiaries, EverSmith Brands Intermediate Holding Company, formerly known as Clintar Intermediate Holding Company; 2792705 Ontario Inc.; TruServe Groundscare Inc.; Clintar, Inc.; Clintar Franchising, Inc.; milliCare, Inc.; milliCare Franchising, LLC; Kitchen Guard Franchising, Inc.; and Green Guard Services, LLC (collectively, Clintar or the Company). Effective March 14, 2023, the name of Holdings was rebranded to EverSmith Brands Holding Company (Holdings).

On December 14, 2020, Riverside Micro-Cap Fund V, L.P. and Riverside Micro-Cap Fund V-A, L.P. (collectively, RMCF or Riverside) acquired a majority ownership in the Company through RMCF's investment in Holdings and a stock purchase agreement with 2792705 Ontario Inc.

Holdings, headquartered in Charlotte, North Carolina, is a holding company owning subsidiaries principally engaged as franchisors of businesses, which provide landscaping and snow removal services throughout Canada, as well as providing landscaping and snow removal services directly to customers where franchising territories do not exist.

On November 12, 2021, the Company acquired the assets of milliCare, Inc., a complementary franchisor of businesses, which provides operating floor and textile care services throughout the Eastern United States, as well as providing professional floor cleaning directly to customers where franchising territories do not exist.

On April 10, 2023, the Company acquired the membership interests of Green Guard Services Inc., a complementary service business that provides commercial kitchen exhaust cleaning and ancillary services throughout California. After the acquisition, Green Guard Services Inc. was restructured to Green Guard Services, LLC. The Company created the legal entity, Kitchen Guard Franchising, Inc. to franchise the Green Guard Services, LLC brand. There were no franchise sales in 2023.

**2. Summary of Significant Accounting Policies**

*Basis of Presentation and Consolidation*

The accompanying consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) and include the results of EverSmith Brands Holding Company (f/k/a Clintar Holding Company) and its subsidiaries for the years ended December 31, 2023 and 2022. The results of Green Guard Services Inc. are included from the date of acquisition, April 10, 2023, through December 31, 2023. All significant intercompany accounts and transactions have been eliminated in consolidation.

*Use of Estimates*

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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Significant estimates made by management in the preparation of the consolidated financial statements include, among other estimates, the determination of the purchase price allocations and the related valuation of intangible assets and other assets and liabilities acquired, depreciation and amortization, useful lives, stock-based compensation, and the allowance for credit loss accounts.

***Reclassifications***

Unbilled revenue previously included in accounts receivable, net of allowance for credit losses as of December 31, 2022 were reclassified to unbilled revenue on the consolidated balance sheet and the consolidated statements of cash flows to conform to the current year presentation. This reclassification does not result in any changes to previously reported total assets, stockholder's equity, and net income.

***Foreign Currency Translation***

The reporting currency of the Company is the U.S. dollar (USD). The Company's functional currency for its operations in Canada is the Canadian dollar (CAD). Assets and liabilities are translated using the exchange rates as of year-end and revenues and expenses are translated using average exchange rates. Equity is translated at historical rates with resulting translation gains and losses included in the Company's consolidated statements of stockholders' equity as a component of accumulated other comprehensive loss.

Gains and losses arising from foreign currency transactions are included in the consolidated statements of operations in operating expenses. Intercompany balances denominated in a currency other than the functional currency of the parties to the transaction create foreign currency gains and losses that survive consolidation, even though the intercompany balances do not.

***Concentrations of Risk***

One customer group made up approximately 17% and 31% of the Company's net sales for the years ended December 31, 2023 and 2022, respectively. The same customer group made up approximately 14% and 16% of the Company's outstanding accounts receivable at December 31, 2023 and 2022, respectively. No other customer groups exceeded 10% of the Company's revenue for the years ended December 31, 2023 and 2022 or outstanding accounts receivable at December 31, 2023 and 2022.

***Cash***

Cash includes cash on deposit and highly liquid investments with original maturities of three months or less. The Company places its cash and cash equivalents with institutions with high-credit quality. However, at certain times, such cash and cash equivalents may be in excess of Federal Deposit Insurance Corporation limits of \$250,000. Additionally, the Company maintains cash in various foreign institutions amounting to \$1,429,696 and \$1,351,550 as of December 31, 2023 and 2022, respectively, converted at year-end exchange rates. The Company has not experienced any losses on such amounts.

***Restricted Cash***

In accordance with the milliCare's franchise agreements, certain cash accounts established for promotional or advertising contributions and spending are restricted in their use for cash collected

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by the promotional fund, usage of which is restricted for advertising activities and is included in advertising fund restricted assets on the consolidated balance sheets. Refer to Note 8 for further information.

Reconciliation of cash and restricted cash is as follows:

<i>Year ended December 31,</i>	<b>2023</b>	<b>2022</b>
Cash	\$ 2,711,279	\$ 4,733,869
Restricted cash, included in advertising fund restricted assets	56,573	304,679
<b>Total Cash and Restricted Cash</b>	<b>\$ 2,767,852</b>	<b>\$ 5,038,548</b>

***Property and Equipment, Net***

Property and equipment are recorded at the estimated fair market value at the date of the respective business acquisitions. Additions subsequent to the business acquisitions are recorded at cost, less accumulated depreciation and amortization. The Company has adopted the straight-line method of depreciation and amortization over the estimated useful lives of the assets, as follows:

<b>Asset Category</b>	<b>Years</b>
Office and computer equipment	5
Furniture and fixtures	5
Vehicles	5
Leasehold improvements	Shorter of the lease term or estimated life of the asset

For the years ended December 31, 2023 and 2022, depreciation expense for property and equipment of \$95,833 and \$62,839, respectively, is included in depreciation and amortization within the accompanying consolidated statements of operations.

***Business Combinations***

When the Company acquires businesses in a business combination, the total consideration paid is allocated to the fair value of the tangible assets, liabilities, and identifiable intangible assets acquired. Any residual purchase consideration is recorded as goodwill. The allocation of the purchase price requires management to make significant estimates in determining the fair values of assets acquired and liabilities assumed. These estimates are inherently uncertain and unpredictable. In addition, unanticipated events and circumstances may occur that may affect the accuracy or validity of these estimates. Acquisition-related costs are expensed as incurred. Refer to Note 3 for further information.

***Goodwill***

Goodwill represents the purchase price in excess of the fair value of net assets acquired in a business combination. As discussed below, on December 14, 2020, the Company elected to adopt Accounting Standards Update (ASU) 2014-02, *Intangibles - Goodwill and Other (Topic 350)*, which allows private companies to amortize goodwill, an alternative to the previously issued standard ASU 2011-08. Upon adoption on December 14, 2020, the Company began to amortize goodwill over ten years. Under ASU 2014-02, the Company has elected to test goodwill for impairment at the entity level. Goodwill

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will be tested for impairment when a triggering event occurs that indicates the fair value of the entity may be below the carrying amount, including goodwill. There were no impairment charges for the years ended December 31, 2023 and 2022.

In December 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-08, *Business Combinations (Topic 805)*, to allow private companies an accounting alternative that no longer requires recognition of customer-related intangibles assets, unless they are capable of being sold or licensed independently from the other assets of the business, and noncompetition agreements separately from goodwill in a business combination if the company has adopted ASU 2014-02. The Company adopted ASU 2014-08 on December 14, 2020 and, accordingly, did not separately value any customer-related intangible assets or noncompetition agreements for the acquisitions described in Note 3.

In March 2021, the FASB issued ASU 2021-03, *Intangibles - Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*, which provides private companies and not-for-profit entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as of the end of the reporting period. Under current guidance in Accounting Standards Codification (ASC) 350-20, an entity is required to identify and evaluate goodwill impairment triggering events when they occur to determine whether it is more likely than not that the fair value of an entity is less than its carrying amount. If an entity determines that it is more likely than not that goodwill is impaired, it must test goodwill for impairment using the triggering event date as the measurement date. Under ASU 2021-03, an entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but, instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired. The amendments in this update are effective on a prospective basis for fiscal years beginning after December 15, 2019. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance as of March 30, 2021. The Company adopted ASU 2021-03 on December 14, 2020.

***Definite-Lived Intangible Assets***

Intangible assets consist of trade names and franchise agreements and were recorded at their estimated fair value at the date of acquisitions. These assets are amortized on a straight-line basis that approximates the estimated pattern benefit to be realized from each asset over their estimated useful lives ranging from six to 20 years. The Company evaluates definite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset might not be recoverable. An impairment loss is recognized when estimated undiscounted future cash flows expected to result from the use of the asset are less than its carrying amount. There were no impairment charges recorded related to definite-lived intangible assets for the years ended December 31, 2023 and 2022.

***Advertising***

Advertising costs are expensed as incurred. For the years ended December 31, 2023 and 2022, the Company incurred advertising expense of \$843,644 and \$526,098, respectively, which is included in selling, general, and administrative expenses on the consolidated statements of operations.

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***Revenue Recognition***

In accordance with ASC 606, *Revenue from Contracts with Customers (Topic 606)*, revenue is recognized when (or as) a customer obtains control of promised goods or services. The amount of revenue is measured as the transaction price that reflects the consideration that the Company expects to be entitled to receive in exchange for these services. The Company generates all revenue from contracts with customers.

To achieve the core principle of this new standard, the Company applies the following steps:

***1. Identification of the Contract, or Contracts, with the Customer***

The Company considers the terms and conditions of the contract and customary business practices in identifying contracts under ASC 606. The Company determines it has a contract with a customer when the contract is approved, the Company can identify each party's rights regarding the services to be transferred, the Company can identify the payment terms for the services, the Company has determined that the customer has the ability and intent to pay, and the contract has commercial substance. The Company applies judgment in determining the customer's ability and intent to pay, which is based on a variety of factors, including the customer's historical payment experience or, in the case of a new customer, credit, and financial information pertaining to the customer. At contract inception, the Company evaluates whether two or more contracts should be combined and accounted together as a single contract.

***2. Identification of the Performance Obligations in the Contract***

Performance obligations promised in a contract are identified based on the services and the products that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the services and the products is separately identifiable from other promises in the contract. The Company considers the following distinct goods and services to represent separate performance obligations for the purpose of revenue recognition: initial franchise fees, royalty fees, promotional fund fees, monthly technology fees, monthly bookkeeping fees, renewal fees, professional kitchen hood cleaning services landscaping services, and snow removal services.

***3. Determination of the Transaction Price***

The transaction price is determined based on the consideration to which the Company expects to be entitled in exchange for transferring services to the customer. Variable consideration is included in the transaction price if, in the Company's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur.

***4. Allocation of the Transaction Price to the Performance Obligation in the Contract***

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price (SSP).

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**5. Recognition of the Revenue When, or as, the Company Satisfies a Performance Obligation**

Revenue is recognized at the time (or as) the related performance obligation is satisfied by transferring control of the promised good or service to the customer in an amount that reflects the consideration that the Company expects to receive in exchange for those goods and services.

The Company derives its revenue from the following sources:

*Franchise Revenue*

The terms of the franchise agreements for the Company are typically ten years. As part of each agreement, the Company identified one performance obligation that requires the Company to provide a combination of the following relating to upfront franchisee fees:

- *Intellectual Property (IP)* - Licenses grant an exclusive right to establish and operate a landscaping, snow removal, and commercial floor cleaning business under the trademarks and systems established as part of the Clintar, milliCare, or Kitchen Guard license during the term of the agreement.
- *Continuing Consulting Services* - These services include the review of plans, equipment and merchandise selection, establishment and implementation of administrative, bookkeeping, accounting, inventory control, and general operating procedures.
- *Operations Manual and Brand-Specific Training Services* - These provide training programs, operating manuals, development of standards, and pricing policies, specific to the Clintar, milliCare, and Kitchen Guard brands.
- *Pre-Opening Services* - These provide primarily site selection, training programs, and setting up the franchisee records.

The Company determined that the services noted above represent a set of integrated or highly interrelated tasks/services and are, therefore, accounted for as a single performance obligation of providing the franchise license. The standard specifically identifies franchise rights as an example of a symbolic license. This type of license is satisfied over time since the customer simultaneously receives and consumes the benefit as the entity performs its obligation to provide access and, therefore, meets the criterion of recognizing revenue over time. Royalty fees represent the majority of consideration the Company receives under franchise agreements and are recognized over time each month. Revenue related to upfront fees allocated to this single performance obligation is recognized over time using a straight-line measure of progress as the control of various services is provided to the customer ratably over the term of the contract for the initial upfront fee. The renewal option provides continued access for the franchise rights (symbolic license) for an extended period of time and, therefore, would also be recognized over time (over the course of the renewal term) as it meets the above-mentioned criterion. The contracts the Company enters contain several types of payments, including:

- *Clintar Initial Franchise Fees* - Franchise agreements require an initial fee of \$40,000 CAD for each territory. The initial franchise fees are due and payable when a contract is signed and is not refundable.
- *milliCare Initial Franchise Fees* - Franchise agreements require an initial franchise fee of \$45,000 USD. Effective in 2023, the Company increased the initial franchise fee amount to

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\$49,000. For existing franchise owners who may be approved for a second franchise license, the Company offers a discount of \$9,000. The Company offers a \$5,000 discount for veterans who present satisfactory evidence of honorable discharge. Franchisees are eligible for discounts within the first 12 months of operations if revenue levels exceed \$200,000.

- *Kitchen Guard Initial Franchise Fees* - Franchise agreements require an initial franchise fee of \$49,000 USD. For existing franchise owners who may be approved for a second franchise license, the Company offers a discount of \$9,000. The Company offers a \$5,000 discount for veterans who present satisfactory evidence of honorable discharge. There were no Kitchen Guard Franchising, Inc. initial franchise sales in 2023.
- *Royalty Fees* - The Company receives monthly royalty payments based on a percentage of each franchisee's gross billings throughout the initial term. The franchisee is required to meet a certain minimum revenue level for the payment of these royalty fees in any given month, payable monthly on or before the 15<sup>th</sup> of each month and based upon gross sales for the immediately preceding month.
- *Bookkeeping Services* - The Company receives monthly fees for performing bookkeeping services to franchisees.
- *Monthly Technology Fees* - The Company receives monthly fees for the use of its technology.
- *Renewal Fees* - Franchise agreements include renewal options for an additional ten-year term. The Company has not historically charged a renewal fee.
- *Promotional Fund Revenue* - milliCare and Kitchen Guard maintains a national advertising fund established to collect and administer funds contributed for use in advertising and promotional programs for franchisees in the United States. Franchisees make contributions to the national advertising fund based on a percentage of sales of the franchisees. As of December 31, 2023 and 2022, the Company recorded a promotional fund liability of \$363,756 and \$486,509, respectively, for funds received and reserved for future advertising spend. Refer to Note 8 for further information. There were no Kitchen Guard Franchising, Inc. promotional fund sales in 2023.

The Company recognizes revenue for each performance obligation identified within the customer franchise agreement when, or as, the performance obligation is satisfied by transferring the promised goods or services. All revenue is recognized over time.

***Landscaping, Snow Removal, Professional Hood Cleaning Services, and Professional Floor Cleaning Services***

The Company's professional services include snow removal, landscaping, professional kitchen hood cleaning services, and professional floor cleaning services to where a franchisee territory is not located. Revenue is recognized over time as the services are rendered.

***Accounts Receivable and Allowance for Credit Losses***

Accounts receivable represent trade receivables from customers for which the Company has not yet received payment. Accounts receivable are presented net of an allowance for credit losses. The Company maintains an allowance for credit losses for estimated credit losses resulting from the inability of customers to make required payments, or the customer canceling prior to the service being rendered. In evaluating the sufficiency of the allowance for credit losses, the Company considers the specific details of the customer account, the age of the outstanding balance, the

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current economic environment, and historical credit trends. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. Receivable balances are charged off when all collection efforts have failed, and management determines the balance is uncollectable. In the case of balances relating to services not yet rendered, the balance is charged off when the customer cancels the service or when the Company determines that the invoiced service will no longer be provided, whichever occurs first. The allowance for credit losses was \$612,069 and \$263,852 at December 31, 2023 and 2022, respectively.

*Unbilled Revenue*

Contract assets consist of unbilled revenue. The Company records royalty revenue that has been recognized but not invoiced to its customers in unbilled revenue until the respective amount is invoiced, which is then included within accounts receivable. Unbilled revenue is included within current assets, as the amounts are similar to accounts receivable and are short-term in nature.

*Deferred Revenue*

The Company records amounts that have been invoiced to its clients in either deferred revenue or revenue depending on whether the revenue recognition criteria described above have been met. Deferred revenue that will be recognized during the succeeding 12-month period from the respective consolidated balance sheet date is recorded as short-term deferred revenue and the remaining portion is recorded as long-term.

Contract liabilities consist of deferred revenue and include payments received in advance of performance under the contract and non-cancellable amounts billed in advance relating to initial franchise fee invoiced. Such amounts typically relate to the initial franchise fee paid and are recognized as revenue over the contract period, which is generally ten years.

*Transaction Price Allocated to Remaining Performance Obligations*

As of December 31, 2023, \$1,065,469 of deferred revenue is expected to be recognized from remaining performance obligations. This is comprised of initial franchise fees.

The estimated revenues from the remaining performance obligations do not include uncommitted contract amounts, such as (i) amounts that are cancelable by the client without any significant penalty, (ii) future billings for time and material contracts, and (iii) amounts associated with optional services and renewal periods.

*Deferred Contract Acquisition Costs*

The Company capitalizes sales commissions and certain parts of bonuses paid to internal sales personnel and third-party broker fees that are incremental to the acquisition of customer contracts. These costs are recorded as deferred contract acquisition costs on the consolidated balance sheets. The Company determines whether costs should be deferred based on sales compensation plans. If the commissions or third-party broker fees are, in fact, incremental and would not have occurred absent the customer contract, such commissions or broker fees are capitalized and deferred, as further described below.

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Sales commissions for renewal of a franchise agreement or other services are not considered commensurate with the commissions paid for the acquisition of the initial franchisee agreement given the substantive difference in commission rates between new and renewal contracts. Commissions and bonuses paid upon the initial acquisition of a contract are amortized on a straight-line basis over an estimated period of benefit of ten years. Commissions on professional services are typically recognized when incurred because professional services are performed in less than one year. The Company determined the period of benefit for commissions paid for the acquisition of the initial franchise agreements by taking into consideration the initial estimated customer life. The Company determined the period of benefit for renewal of franchisee agreements by considering the average contractual term for renewal contracts. Amortization of deferred contract acquisition costs is included in general, selling, and administrative expenses on the consolidated statements of operations.

The Company periodically reviews these deferred costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit of these deferred contract acquisition costs. There were no material impairment losses recorded during the periods presented.

The following table represents a roll-forward of deferred contract acquisition costs:

<b>Ending Balance, December 31, 2022</b>	\$ 292,054
Additions to deferred contract acquisition costs	406,230
Amortization of deferred contract acquisition costs	(33,421)
<b>Ending Balance, December 31, 2023</b>	<b>\$ 664,863</b>

Future estimated amortization of capitalized commission costs is as follows at December 31, 2023:

<u>Year ending December 31,</u>	
2024	\$ 71,280
2025	71,280
2026	71,280
2027	71,280
2028	71,280
<u>Thereafter</u>	<u>308,463</u>
<b>Total</b>	<b>\$ 664,863</b>

*Taxes Collected from Customers and Remitted to Governmental Authorities*

When required, the Company collects sales tax from its customers on sales and remits these funds to various governmental authorities when due. The Company made an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by any governmental authorities that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the Company from a customer. The Company records sales tax collected from customers as a component of accrued expenses within the consolidated balance sheets.

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***Leases***

On January 1, 2022, the date of initial application, the Company adopted ASC 842, *Leases*, using the modified retrospective transition method whereby prior comparative periods have not been restated and continue to be reported under the accounting standards in effect for the prior period. The Company elected the package of practical expedients permitted under the transition guidance for all leases, which allowed the Company to adopt ASC 842 without reassessing whether arrangements contain leases, the lease classification, and the determination of initial direct costs.

The Company determines if an arrangement contains a lease in whole or in part at the inception of the contract. Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term while lease liabilities represent the obligation to make lease payments arising from the lease. All leases with an expected term greater than 12 months result in the recognition of an ROU asset and a liability at the lease commencement date based on the present value of the lease payments over the lease term. Lease liabilities are measured at the present value of remaining lease payments, while ROU assets are initially set equal to the lease liability, as adjusted for any payments made prior to lease commencement, lease incentives, and any initial direct costs incurred by the Company. The Company elected the practical expedient for private companies that allows companies to use the risk-free discount rate at the lease commencement date to determine the present value of the lease payments instead of calculating their incremental borrowing rate.

The lease term includes all non-cancellable periods and may include options to extend (or to not terminate) the lease when it is reasonably certain that the Company will exercise the option. Leases that have a term of 12 months or less at the commencement date are expensed on a straight-line basis over the lease term and do not result in the recognition of an ROU asset or lease liability.

For operating leases, rent expense is recognized on a straight-line basis over the term of the lease, and ROU assets are subsequently re-measured to reflect the effect of uneven lease payments. For finance leases, ROU assets are amortized on a straight-line basis over the lease term. Expenses for finance leases include the amortization of ROU assets, which is recorded as depreciation and amortization expense, and interest expense, which reflects interest accrued on the lease liability. The Company has elected to combine lease and non-lease components, such as fixed maintenance costs, as a single lease component in calculating ROU assets and lease liabilities for all classes of leased assets.

***Income Taxes***

The Company is a C-corporation for U.S. tax purposes and a corporation for Canadian tax purposes and accounts for income taxes using the asset and liability method. Deferred income taxes are provided for temporary differences in recognizing certain income, expense, and credit items for financial reporting purposes and tax reporting purposes. Such deferred income taxes primarily relate to differences between the tax basis of assets and liabilities and their financial reporting amounts. Deferred income tax assets and liabilities are measured by applying enacted statutory tax rates applicable to the future years in which the deferred income tax assets or liabilities are expected to be settled or realized. In assessing the ability to realize deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers historic earnings, scheduled reversals of deferred income tax liabilities, and projected future taxable income in making this assessment.

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The Company follows the provisions of the FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*, which seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. Under FASB ASC 740-10-25, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The Company recognizes any corresponding interest and penalties associated with its income tax positions in income tax expense. The Company does not believe there are any material uncertain tax positions that should be recorded as of December 31, 2023 and 2022.

***Fair Value of Financial Instruments***

The carrying values of financial instruments, such as accounts receivable, accounts payable, and accrued expenses are reasonable estimates of their fair value because of the short maturity of these items.

***Fair Value Measurements***

The Company follows ASC 820-10, *Fair Value Measurement*, which defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements.

ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the most advantageous market for the asset or liability in an orderly transaction. Fair value measurement is based on a hierarchy of observable or unobservable inputs. The standard describes three levels of inputs that may be used to measure fair value.

*Level 1* - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

*Level 2* - Inputs to the valuation methodology other than quoted prices in active markets are either directly or indirectly observable as of the reporting date, and the fair value can be determined using models or other valuation methodologies.

*Level 3* - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity of the asset and liability and the reporting entity makes estimate assumptions relating to the pricing of the asset or liability, including assumptions regarding risk.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

***Recently Issued Accounting Standards***

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which applies primarily to the Company's accounts receivable impairment loss allowances. The guidance provides a revised model whereby the current expected credit losses are used to compute impairment of financial instruments. The

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new model requires evaluation of historical experience and various current and expected factors, which may affect the estimated amount of losses and requires determination of whether the affected financial instruments should be grouped in units of account. This standard was effective for private entities for annual periods beginning after December 15, 2022. The Company adopted ASU 2016-13 on January 1, 2023. There was not a material impact of this standard on the Company's financial position, results of operations, and cash flows. Refer to the accounts receivable policy in Note 1.

### **3. Business Combination**

#### ***GG Services Holdings, Inc.***

On April 10, 2023, Clintar, Inc. (d/b/a EverSmith Brands), a wholly owned subsidiary of Holdings, acquired the membership interests of GG Services Holdings, Inc. (Green Guard Services). As a result of this transaction, the purchase price was allocated to Green Guard Services' balance sheet, resulting in a new basis of accounting. This included a step-up of certain assets to fair value and the recognition of certain identifiable intangible assets, as provided for under the purchase method of accounting.

The investment to fund the acquisition consisted of the following:

Capital contributions	\$ 12,105,788
Rollover equity	1,050,000
Net working capital adjustment	(199,243)
<b>Total Initial Investment</b>	<b>\$ 12,956,545</b>

The total consideration has been allocated using the purchase method of accounting to the assets acquired and liabilities assumed based upon a determination of estimated fair values, as follows:

Cash	\$ 1,508,023
Accounts receivable	667,211
Other assets	69,896
Property and equipment	495,695
Separately identifiable intangible assets	583,000
Goodwill	8,723,006
Operating right-of-use assets	1,072,909
<b>Total Assets</b>	<b>13,119,740</b>
Accounts payable	94,630
Accrued expenses	79,243
Accrued compensation	80,307
Operating lease obligations	1,072,909
<b>Total Liabilities</b>	<b>1,327,089</b>
<b>Net Assets Acquired</b>	<b>\$ 11,792,651</b>

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The excess of the initial investment over the net assets acquired was used to cover acquisition costs, and to fund additional working capital for operations.

Intangible assets acquired consist of trade names of \$583,000. The Company did not separately value the customer relationships or non-compete intangible assets from goodwill, in accordance with the private-company alternative available under FASB ASC 805, *Business Combinations*. The fair value of the intangible assets is based on significant inputs that are not observable in the market and, therefore, represent Level 3 measurements under ASC 820-10. The fair value of the trade names was determined under the income approach, specifically the relief-from-royalty method.

In addition, goodwill of \$8,723,006 was recorded to reflect the excess of the purchase price over the estimated fair value of the net identifiable assets acquired, which is deductible for tax purposes.

The Company incurred \$1,163,894 of acquisition costs, which is included in operating expenses within the accompanying consolidated statement of operations for the year ended December 31, 2023.

**4. Intangible Assets, Net**

Acquired intangible assets (other than goodwill) consist of the following:

**December 31, 2023**

	Cost	Accumulated Amortization	Net Book Value
Trade names	\$ 3,161,987	\$ (435,032)	\$ 2,726,955
Franchise agreements	2,227,513	(693,235)	1,534,278
<b>Total</b>	<b>\$ 5,389,500</b>	<b>\$ (1,128,267)</b>	<b>\$ 4,261,233</b>

**December 31, 2022**

	Cost	Accumulated Amortization	Net Book Value
Trade names	\$ 2,532,880	\$ (243,139)	\$ 2,289,741
Franchise agreements	2,188,492	(441,584)	1,746,908
<b>Total</b>	<b>\$ 4,721,372</b>	<b>\$ (684,723)</b>	<b>\$ 4,036,649</b>

For the years ended December 31, 2023 and 2022, amortization expense of \$413,289 and \$377,697, respectively, for trade names and franchise agreements is included in depreciation and amortization expense within the accompanying consolidated statements of operations. Foreign currency translation impact on intangible assets, net, was an increase of \$54,873 and a decrease of \$(219,564) for the years ended December 31, 2023 and 2022, respectively.

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Estimated amortization expense on intangible assets is as follows:

<i>Year ending December 31,</i>	
2024	\$ 455,163
2025	455,163
2026	455,163
2027	448,620
2028	402,829
Thereafter	2,044,295
<b>Total</b>	<b>\$ 4,261,233</b>

**5. Goodwill, Net**

The Company's goodwill balance is a result of the acquisitions. The Company elected to test goodwill for impairment at the entity level and amortize the balance on a straight-line basis over a ten-year period. Amortization expense of \$1,537,914 and \$1,070,251 for the years ended December 31, 2023 and 2022, respectively, is recorded in operating expenses in the consolidated statements of operations.

The carrying value of the Company's goodwill is as follows:

<i>December 31,</i>	<b>2023</b>	<b>2022</b>
<b>Gross Carrying Amount of Goodwill, beginning of year</b>	<b>\$ 9,261,991</b>	<b>\$ 9,692,227</b>
Additions from business acquisition	8,723,006	-
Accumulated amortization	(3,383,799)	(1,845,885)
Foreign currency translation	124,649	(430,236)
<b>Net Carrying Amount of Goodwill, end of year</b>	<b>\$ 14,725,847</b>	<b>\$ 7,416,106</b>

Estimated amortization expense of goodwill is as follows:

<i>Year ending December 31,</i>	
2024	\$ 1,807,711
2025	1,807,711
2026	1,807,711
2027	1,807,711
2028	1,807,711
Thereafter	5,687,292
<b>Total</b>	<b>\$ 14,725,847</b>

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**6. Income Taxes**

The provision for income tax expense (benefit) is as follows:

<i>Year ended December 31,</i>	<b>2023</b>	<b>2022</b>
Foreign - current	\$ 429,044	\$ 337,167
Foreign - deferred	(7,083)	10,529
<b>Income Tax Expense</b>	<b>\$ 421,961</b>	<b>\$ 347,696</b>

The income tax expense differs from the statutory rate due primarily to the impact of foreign income tax expense, meals and entertainment, nondeductible goodwill amortization, and valuation allowance.

The components of deferred income tax assets and liabilities are as follows:

<i>December 31,</i>	<b>2023</b>	<b>2022</b>
<b>Deferred Income Tax Assets (Liabilities)</b>		
Property and equipment	\$ (184,332)	\$ (78,910)
Intangible assets	(920,517)	(1,027,945)
Gain on sale of property and equipment	-	(8,704)
Prepaid expenses	(79,108)	(112)
Net operating losses	2,526,054	1,200,176
Acquisition costs	506,669	229,352
Bad debt expense	50,679	25,000
ASC 842 Lease Accounting	2,891	-
Accrued expense	163,055	-
Unrealized loss (gain)	2,221	(514)
<b>Total Deferred Income Tax Assets (Liabilities)</b>	<b>2,067,612</b>	<b>338,343</b>
<b>Valuation Allowance</b>	<b>(3,141,419)</b>	<b>(1,458,967)</b>
<b>Deferred Income Tax Liability</b>	<b>\$ (1,073,807)</b>	<b>\$ (1,120,624)</b>

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment. Based on current and projected future taxable income, management believes it is more likely than not that the U.S. deferred tax assets will not be realized. Therefore, a valuation allowance was placed on the Company as of December 31, 2023 and 2022. Management believes it is more likely than not that the foreign deferred tax assets will be realized.

The Company evaluates uncertain tax positions as prescribed under ASC 740, which requires significant judgments and estimates regarding the recoverability of deferred tax assets, the likelihood of the outcome of examinations of tax positions that may or may not be currently under review, and potential scenarios involving settlements of such matters. The Company assessed its uncertain tax positions and has determined that no liability should be recorded as of December 31, 2023 and 2022. The Company's policy is to recognize interest and penalties as a

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component of the provision for income taxes. For the years ended December 31, 2023 and 2022, there were no penalties or interest recorded.

The Company has available at December 31, 2023 a net operating loss carryforward of \$2,100,000 for federal tax purposes, carrying forward indefinitely, and \$400,000 for state tax purposes with various expiration dates.

## **7. Stockholders' Equity**

### ***Common Stock***

The Company has 300,000 shares of common stock authorized and 28,818 and 21,380 shares issued and outstanding as of December 31, 2023 and 2022, respectively, with a par value of \$0.01.

### ***Stock Options***

The Company's 2020 Equity Incentive Plan (Incentive Plan) is administered through Holdings. The Incentive Plan, which is shareholder-approved, permits the grant of stock options to the Company's employees and members of the Board of Directors. The Company believes that such awards better align the interests of its employees with those of its shareholders. Stock options are granted with an exercise price equal to the estimated fair value per Holdings' common stock value at the grant date. The plan administrator may determine the time or times at which a stock option granted will vest or become exercisable and the terms that require exercisability of a stock option. Generally, the stock options issued vest over a period of seven years. For the years ended December 31, 2023 and 2022, the Company issued 445 and six stock options, respectively. As of December 31, 2023 and 2022, there were 2,145 stock options authorized under the Incentive Plan.

The fair value of each time-based vesting stock option is estimated on the date of grant using a Black-Scholes-based valuation model that uses various assumptions regarding the: (1) expected volatility in the fair value of the Company's common stock, (2) expected term of the award, (3) expected dividend yield on the underlying common stock, (4) risk-free interest rate based on the U.S. Treasury yield curve, and (5) current price of the underlying common stock. The Company based its expected volatility calculation upon similar, publicly traded companies tracked over a five-year period. The Company has assumed the vesting term as the expected life of the stock options based on when a change of control is expected to occur. The Company did not contemplate any expected dividends based upon the Company's credit facilities, which prohibits the payment of dividends. A U.S. Treasury bond rate was utilized as of the respective grant date in line with the expected life of the options.

The specific assumptions used to determine the fair value of the stock options granted were as follows:

<i>December 31,</i>	<b>2023</b>	<b>2022</b>
Expected volatility (%)	<b>25</b>	<b>25</b>
Expected dividend yield	-	-
Expected life (years)	<b>7</b>	<b>7</b>
Risk-free interest rate (%)	<b>4.23</b>	<b>1.47</b>

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A summary of rights to stock option activity under the plan is presented below:

	Options	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (Years)
<b>Outstanding, January 1, 2022</b>	1,312	\$ 1,268	11.7
Granted	6	1,000	11.3
Forfeited or canceled	(40)	1,000	10.7
<b>Outstanding, December 31, 2022</b>	1,278	1,110	10.8
Granted	445	1,664	9.3
Forfeited or canceled	(508)	1,133	9.2
<b>Outstanding, December 31, 2023</b>	1,215	\$ 1,301	9.9
<b>Exercisable, December 31, 2023</b>	251	\$ 1,093	9.9

Stock-based compensation expense related to stock options granted to employees charged to operations was \$72,554 and \$69,697 for the years ended December 31, 2023 and 2022, respectively. Stock-based compensation expense is included in selling, general, and administrative expenses on the accompanying consolidated statements of operations.

The following is a summary of non-vested options:

	Shares	Weighted-Average Grant-Date Fair Value per Share
<b>Non-Vested, January 1, 2022</b>	1,245	\$ 390
Granted	6	425
Vested	(183)	357
Forfeited or exercised	(40)	289
<b>Non-Vested, December 31, 2022</b>	1,028	393
Granted	445	630
Vested	(166)	364
Forfeited or exercised	(342)	333
<b>Non-Vested, December 31, 2023</b>	965	\$ 534

As of December 31, 2023 and 2022, there was \$478,469 and \$388,911, respectively, of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Company's Incentive Plan. The cost for the Company's time-vested option is expected to be recognized over a weighted-average period of 5.8 years.

## 8. Advertising Costs and Fund

milliCare Franchising, LLC maintains a United States national advertising fund established to collect and administer funds contributed for use in advertising and promotional programs. Contributions to the promotional fund are required from franchisees and are based on a percentage of franchisee sales.

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Restricted assets and liabilities of the promotional fund are as follows:

<i>Year ended December 31,</i>	<b>2023</b>	<b>2022</b>
Restricted cash	\$ 56,573	\$ 304,679
Accounts receivable	271,661	185,128
<b>Advertising Fund Restricted Assets</b>	<b>\$ 328,234</b>	<b>\$ 489,807</b>
Accounts payable	\$ 18,632	\$ 75,802
Accrued expenses and other current liabilities	345,124	410,707
<b>Advertising Fund Restricted Liabilities</b>	<b>\$ 363,756</b>	<b>\$ 486,509</b>

Advertising promotional fund expense is included in selling, general, and administrative expenses on the accompanying consolidated statements of operations and totaled \$375,458 and \$485,018 for the years ended December 31, 2023 and 2022, respectively. The 2022 advertising fund restricted liabilities were funded by Holdings during 2023.

## 9. Lease Obligations

The Company has operating lease arrangements for its various office spaces, office equipment, and vehicle that have lease terms that range from three to five years, some of which include renewal and termination options that can be elected by the Company. For the majority of leases entered into during the current period, the Company concluded it is not reasonably certain that the Company would exercise the options to extend the lease or not terminate the lease. Therefore, as of the lease commencement date, the Company's lease terms generally do not include these options. The Company includes options to extend the lease when it is reasonably certain that the Company will exercise that option.

The Company's leases typically include a combination of fixed and variable payments. Fixed payments are generally included when measuring the ROU asset and lease liability. Variable payments, which primarily represent payments based on usage of the underlying asset, are generally excluded from such measurement and expensed as incurred. In addition, certain of the Company's lease arrangements may contain a lease coupled with an arrangement to provide other services, such as maintenance, or may require the Company to make other payments on behalf of the lessor related to the leased asset, such as payments for taxes or insurance. As mentioned in Note 2, the Company accounts for these non-lease components together with the associated lease component for each asset class.

The Company's lease arrangements generally do not contain significant restrictions or covenants; however, certain of the Company's vehicle and equipment leases include residual value guarantees, whereby the Company provides a guarantee to the lessor that the value of the underlying asset will be at least a specified amount at the end of the lease. Amounts probable of being owed under these guarantees are included within the measurement of the ROU asset and lease liability.

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***Lease Position***

The following table presents the Company's lease-related assets and liabilities at the end of the year:

Lease Type	Classification on the Consolidated Balance Sheets	2023		2022	
		\$	1,130,780	\$	410,947
Operating lease assets	Operating lease ROU assets, net				
<b>Total Lease Assets</b>		<b>\$</b>	<b>1,130,780</b>	<b>\$</b>	<b>410,947</b>
<b>Current</b>					
Operating	Current portion of operating lease obligations				
		\$	422,328	\$	144,553
<b>Non-Current</b>					
Operating	Long-term portion of operating lease obligations				
			<b>723,255</b>		<b>268,324</b>
<b>Total Lease Liabilities</b>		<b>\$</b>	<b>1,145,583</b>	<b>\$</b>	<b>412,877</b>

***Lease Costs***

The following table presents information related to the Company's lease expense:

<i>Year ended December 31,</i>	2023		2022	
Operating lease expense	\$	387,752	\$	163,136
Short-term lease expense		15,294		9,092
<b>Total Lease Costs</b>	<b>\$</b>	<b>403,046</b>	<b>\$</b>	<b>172,228</b>

***Lease Term and Discount Rate***

The following table presents certain information related to the lease terms and discount rate:

<i>Year ended December 31,</i>	2023		2022	
Weighted-average remaining lease term - operating leases (years)		2.82		2.87
Weighted-average discount rate - operating leases (%)		3.19		1.22

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***Maturity of Lease Liabilities***

The following table reconciles the Company's future minimum lease payments on an undiscounted cash-flow basis to its lease liabilities reported in the consolidated balance sheet as of December 31, 2023:

<i>Year ending December 31,</i>	<i>Operating Leases</i>
2024	\$ 451,604
2025	398,274
2026	279,932
2027	70,633
<b>Total Minimum Lease Payments</b>	<b>1,200,443</b>
<b>Less: imputed interest</b>	<b>(54,860)</b>
<b>Present Value of Future Minimum Lease Payments</b>	<b>\$ 1,145,583</b>
Current portion of lease liabilities	\$ 422,328
Non-current portion of lease liabilities	723,255
<b>Present Value of Future Minimum Lease Payments</b>	<b>\$ 1,145,583</b>

**10. Related Party Transactions**

The Company signed consulting services agreements with affiliates of the majority equity holder of Holdings to provide for certain consulting and advisory services. The agreements also require periodic reimbursement of out-of-pocket expenses associated with such services. There was \$610,010 and \$593,364 expensed under these agreements for the years ended December 31, 2023 and 2022, respectively, which was included in selling, general, and administrative expenses in the consolidated statements of operations.

**11. Commitments and Contingencies**

During the ordinary course of business, the Company is, from time-to-time, threatened with, or may become a party to, legal actions and other proceedings. Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including management's assessment of the merits of any particular claim, the Company does not expect that these legal proceedings or claims will have any material adverse impact on its future financial position or results of operations.

The Company is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and cyber security breaches for which the Company carries commercial insurance. There have been no significant reductions in coverage from prior year, and settlements, if any, have not exceeded coverage.

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**12. Foreign Operations**

Total assets and liabilities (after intercompany eliminations) of subsidiaries in foreign countries are as follows:

<i>December 31,</i>	<b>2023</b>	<b>2022</b>
Current assets	\$ 3,668,043	\$ 3,532,025
Long-term assets, net	9,640,997	10,803,846
<b>Total Assets</b>	<b>13,309,040</b>	14,335,871
<b>Total Liabilities</b>	<b>(3,201,340)</b>	(3,135,958)
<b>Net Assets</b>	<b>\$ 10,107,700</b>	\$ 11,199,913

Net revenue and net loss of the Company's foreign subsidiaries totaled \$9,640,746 and \$839,388, respectively, for the year ended December 31, 2023. Net revenue and net loss of the Company's foreign subsidiaries totaled \$11,496,011 and \$584,386, respectively, for the year ended December 31, 2022.

**13. Subsequent Events**

The Company has evaluated subsequent events through March 28, 2024, the date the consolidated financial statements were available to be issued. Based on the evaluation performed, there were no material subsequent events that required recognition or additional disclosure in the consolidated financial statements, other than the events noted below.

On January 12, 2024, the Company entered into a share purchase agreement to acquire shares of U.S. Lawns, Inc. for an initial base purchase price of \$52,000,000, subject to purchase-price adjustments based on principles defined in the share purchase agreement. The acquisition was funded with capital contributions from RMCF.

**EXHIBIT B-2: GUARANTY OF PERFORMANCE**

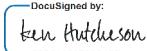
## GUARANTEE OF PERFORMANCE

For value received, EverSmith Brands Holding Company, a Delaware corporation (the “Guarantor”), located at 6700 Forum Drive, Suite 150, Orlando, FL 32821, absolutely and unconditionally guarantees to assume the duties and obligations of The Seals Franchising, LLC, located at 6700 Forum Drive, Suite 150, Orlando, FL 32821 (the “Franchisor”), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2025 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Orlando, FL on the 1 day of April, 2025.

Guarantor:

EverSmith Brands Holding Company

DocuSigned by:  
By:   
Ken Hutcheson  
C6D21A23F6C84C5

## EXHIBIT C. FRANCHISE AGREEMENT

### FRANCHISE AGREEMENT FOR THE SEALS FRANCHISING, LLC

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**THE SEALS FRANCHISING, LLC**  
**FRANCHISE AGREEMENT**

**THIS FRANCHISE AGREEMENT** (the "Agreement") made and entered into as of the date set forth below, by and between The Seals Franchising, LLC (hereinafter referred to as "The Seals Franchising, LLC," the "Franchisor" or the "Company"), a North Carolina limited liability company, with its principal place of business located at 6700 Forum Drive, Suite 150, Orlando, Florida 32821 and \_\_\_\_\_ (the "Franchisee").

The Effective Date of this Agreement is: \_\_\_\_\_.

WHEREAS, Franchisor is engaged in the business of licensing the operation by others of a business known as "The Seals" (the "Office," the "Franchised Business," the "Franchised Facility" or the "Franchised Location"); and

WHEREAS, Franchisor has originated, developed and perfected a unique and successful system for the establishment and operation of the Office, which system includes, but is not limited to, site selection, a unique and readily recognizable design, color scheme, decor, layout and signage for the Office premises, equipment selection and installation, accounting and bookkeeping methods, merchandising, advertising and promotional techniques, personnel training, a confidential manual (the "Manual") of operating procedures containing specially conceived and designed methods for the Office operations (the "System"); and

WHEREAS, all the Offices are operated in connection with and through the use of various trade names, trademarks and service marks consisting of or containing the words "The Seals" and through the use of certain related logos, symbols, words and insignias (the "Proprietary Marks"); and

WHEREAS, Franchisor has made a substantial investment in developing and perfecting the System, and in advertising, promoting and publicizing the Proprietary Marks, of which are recognized as representing the highest standards of quality, cleanliness, appearance and service; and

WHEREAS, Franchisee desires to establish and operate a business at the location hereinafter designated, to use in connection therewith the Franchisor's System and the Proprietary Marks and to derive the benefits of Franchisor's information, experience, advice and customer goodwill; and

WHEREAS, Franchisee recognizes the importance to Franchisor, to its other franchise owners and to the public of maintaining the integrity, standards, qualities and attributes of products and services associated with the Proprietary Marks and is willing to adhere to certain uniform standards, procedures and policies to maintain such integrity, standards, qualities and attributes;

NOW, THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**I. GRANT OF FRANCHISE**

**A. Grant.** Franchisor grants to Franchisee, and Franchisee accepts, the right to use the Marks and The Seals System in the operation of a business (the "**Franchised Business**") on the terms and conditions set forth in this Agreement. Franchisee may not use the Marks in any other business or offer any products or services which are not included within the Franchised Business without the prior written consent of the Franchisor. Franchisee must use The Seals System in the sale, replacement, and repair of gaskets for refrigeration door units, freezer doors, oven doors and cutting boards (collectively, the "**Services**"). Franchisor reserves the right to introduce new Services or eliminate any current or other Services during the term of this Agreement as part of The Seals System. Franchisee shall be required to provide all Services during the term of this Agreement as part of The Seals System. Franchisee may provide Services to residential customers only with Franchisor's prior written consent which can be withheld in its sole discretion.

**B. Territory.** Franchisee is hereby granted Territory defined by geographic boundaries as determined by Franchisor in its sole discretion, but such Territory will contain between 1,000 and 2,500 retail food service customers, will be set forth on Exhibit B attached to this Agreement and which will be deemed a part of this Agreement. Franchisor will not operate or grant a franchise for others to operate a The Seals franchised business under the Marks within the Territory except as set forth below.

Franchisee may not conduct any advertising that is circulated outside the Territory or otherwise solicit customer accounts that are located outside the Territory without the prior written consent of Franchisor. Franchisee may not hold itself out to the public as being able to provide the Services outside the Territory.

Franchisor expressly reserves the right to solicit a customer or prospective customer who has more than one business location, which location(s) may or may not be located in the Territory (each, a “**Regional Account**”). In order to enable Franchisor to negotiate special arrangements involving Regional Accounts, including responding to requests for proposals (“**RFP**”) involving locations which may or may not be located in the Territory, upon Franchisor’s request, Franchisee must promptly evaluate the applicable Regional Account location(s) located within the Territory and prepare a bid package for each such location in accordance with such formats, procedures and specifications as Franchisor may establish, including any supplemental or modified bid package which Franchisor may require in order to satisfy the requirements of the Regional Account (each a “**Bid Package**”). If the Franchisor accepts the Bid Package, the Franchisee must honor the proposal and execute such agreements and other documents and instruments as the Franchisor and the Regional Account may require to fulfill the agreed upon contract terms (“**Regional Account Agreement**”). Franchisor will afford Franchisee the first opportunity to submit a Bid Package on each proposed Regional Account location which is within the Territory and to perform Services to Regional Account locations located in the Territory; provided, however, that Franchisor may, as applicable, submit Bid Packages and perform such Services directly or cause other franchisees or contractors to do so, if: (a) Franchisee fails to timely submit a Bid Package in accordance with Franchisor’s request; (b) Franchisor rejects the Bid Package or if the Regional Account notifies Franchisee or Franchisor that it does not wish to be served by Franchisee; (c) Franchisee, for any reason, fails or refuses to perform in accordance with the Bid Package and Regional Account Agreement; (d) Franchisee is, at the time of the issuance of the RFP or submission of the Bid Package, in default of its obligations under this Agreement or under any other agreement with us, or under any other Regional Account Agreement to which Franchisee is a party; or (e) Franchisee is, in Franchisor’s judgment, exercised in good faith, not qualified, equipped or otherwise capable to satisfy the RFP or Regional Account Agreement requirements or to perform the services as required. Franchisee acknowledges and agrees that Franchisor or its affiliate(s) may charge a management fee to offset the sales and administrative expenses of processing and managing Regional Accounts. The amount of the management fee varies from customer to customer based upon a number of factors including: (i) the direct cost of administrative and management oversight provided; (ii) the associated overhead cost such as payment terms (financing) and risk management (insurance); and (iii) the profit margin.

Franchisor may, but is under no obligation to, compensate Franchisee for Services performed by Franchisor, its affiliate(s) or another franchisee or contractor for Regional Account locations which are located within the Territory in such amounts (if any) as Franchisor determines.

In addition to the Regional Accounts program, as it may be modified from time to time, Franchisor’s affiliate(s) may offer Franchisee the right to subcontract work in accordance with its then-current procedures for servicing Centrally Managed Accounts. For purposes of this Agreement, the term “**Centrally Managed Accounts**” refers to customer accounts for multi-site, geographically dispersed real estate portfolios utilizing a network of subcontractors to perform the services. Franchisor’s affiliates are not obligated to provide Franchisee with any subcontract work and may offer such work to Franchisee’s competitors.

including the Internet, direct mail, telemarketing, or other direct marketing, to make sales within any the Territory using the Marks. Franchisee may not solicit or accept orders from customers outside of the Territory, and Franchisee may not solicit or accept orders from customers within the Territory if services to that customer will be provided, in whole or in part, outside of the Territory. Franchisee also may not make sales within or outside of the Territory using other channels of distribution, including the Internet, direct mail, telemarketing, or other direct marketing without Franchisor's consent.

Franchisor may purchase, merge, acquire or be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business' facilities, and Franchisor may then operate, franchise or license those other businesses and/or facilities under any names or marks other than the Marks regardless of the location of these businesses and/or facilities, which may be within the Territory or immediately near it. Franchisee will receive no compensation for these activities.

Franchisor retains the right to solicit and sell to accounts within the Territory that also have locations outside of the Territory, including, but not limited to, solicitation and sales via direct marketing campaigns, telemarketing, and by use of the Internet and other online computer networks, without compensating Franchisee.

You may not perform commercial kitchen exhaust system cleaning, inspection, maintenance, and restoration services; and must refer any such work to our affiliate or whomever else we may designate.

## **II.**

### **TERM AND RENEWAL**

**A. Term.** This Agreement is effective and binding for an initial term of 10 years commencing on the date of its execution by Franchisor, unless sooner terminated as provided herein.

**B. Renewal.** Subject to Section II.C, Franchisee may renew its right to operate as a franchisee of Franchisor for two successive 10-year terms on the same terms and conditions on which Franchisor is then customarily granting new franchises; or, if Franchisor is not then granting any new franchises, then on the same terms and conditions on which Franchisor is then customarily granting renewal franchises by executing Then-current form of such agreement. If renewal is granted, Franchisee will be required to pay Then-current renewal fee, presently \$5,000, and capped at 20% of Then-current Initial Franchise Fee. The Franchisee must give Franchisor written notice of intent to renew not more than 180 calendar days nor less than 120 calendar days prior to the expiration of the preceding term.

**C. Renewal Conditions.** Notwithstanding the foregoing provisions, Franchisor will not be obligated to renew Franchisee's right to operate as a franchisee of Franchisor if Franchisee has failed to satisfy certain renewal conditions, has failed to perform fully Franchisee's duties, obligations and covenants during the preceding term, or is then in default of any provision of this Agreement or any policy or standard of The Seals System. Among the renewal conditions that Franchisee must satisfy are the following:

1. Franchisee must have fully complied with all the terms and conditions of this Agreement throughout the term;

2. Franchisee must have exercised diligent efforts to develop the Franchise to its full potential during the term, in a manner acceptable to Franchisor;

3. Franchisee must have met Franchisor's then current subjective and objective standards for new franchisees, including those relating to relevant experience, education and licensing, background and past record of compliance with laws, financial capacity, skills, integrity and other qualities of character, and shall have provided Franchisor with all such documentation that Franchisor may have requested to make such a determination, including but not limited to federal income tax returns and/or financial statements for The Seals Franchise, and for any other business

operated at the same location as that of the Franchise;

4. Franchisee must have given Franchisor written notice of its election to renew the franchise relationship not less than 120 days nor more than 180 days prior to the end of the term;

5. Franchisee and its employees must have completed, or must have agreed to complete, at its own expense (including the cost of the course, and all travel, meal, and lodging expenses), all training programs and business consulting programs required by Franchisor;

6. If required by Franchisor, Franchisee, Franchisee's principal owners, or their designee involved in the Franchised Business must have attended all required meetings, seminars, conferences, and other events, and this shall include the requirement that they attend The Seals Annual Conference at least 6 of the past 10 years;

7. Franchisee must execute a general release releasing Franchisor from any claims arising during the Initial Term and during any Renewal Term; and

8. Franchisee and its owners must have executed the form of franchise agreement (including any additional supplemental agreements then being used by Franchisor) that Franchisor is then customarily using in connection with the granting of The Seals franchises, which agreement shall supersede this Agreement and may have terms materially different from those appearing in this Agreement, including, without limitation, requirements to upgrade equipment and facilities, use new systems and procedures, and pay higher fees and Promotional Fund contributions.

**D. Month-to-Month Operation.** If, with our consent, Franchisee continues to operate the Franchised Business after the end of the term without proper renewal, Franchisee will be deemed to be operating on a month-to-month basis under the terms and conditions of the franchise agreement and other agreements being used by Franchisor at the time of expiration of this Agreement, and from time-to-time thereafter, in connection with the granting of The Seals franchises; provided, however, that Franchisee's rights to operate the Franchised Business under these circumstances may be terminated by Franchisor at any time and without cause, in Franchisor's sole discretion, upon 10 days prior written notice to Franchisee.

### **III. COMMENCEMENT OF OPERATIONS**

Franchisee agrees to open and commence operation of the Office as soon as practicable after construction and/or remodeling of the Office. At Franchisor's option, this Agreement may be terminated for voluntary abandonment of the Franchise in the event Franchisee fails, within sixty (60) days after the date of this Agreement, to completely construct and/or remodel, equip, furnish and open to the public the Office that is approved by Franchisor in accordance with this Agreement. In the event Franchisee does not commence operating the Office within the time period set forth herein, such failure shall be deemed a breach of this Agreement pursuant to which Franchisor shall have the right to terminate this Agreement and retain the Initial Franchise Fee as liquidated damages, not as a penalty. Where Franchisee has exhibited due diligence in complying with this Section III, Franchisor may, at its option and in its sole discretion, consent in writing to an extension of the period of time specified herein.

### **IV. EQUIPMENT, FIXTURES AND FURNITURE**

**A. Use of Proper Equipment, Fixtures and Furniture.** The Franchisor may provide Franchisee with specifications for brands and types of any equipment, fixtures, displays, exterior and interior signs and decorating accessories required for the Office, at Franchisee's expense. Specifications may include minimum standards for design, appearance and local zoning, sign and other restrictions. Franchisee may purchase or lease original and replacement equipment, fixtures, furniture, sign and decorating materials and services meeting such specifications from any source, as approved by the Franchisor. If Franchisee proposes to purchase or lease any item of equipment or any fixture, sign or decorating materials not theretofore approved by the Franchisor as meeting its specifications, as set forth in the Manual, Franchisee shall first notify the

Franchisor in writing. The Franchisor may require submission of sufficient specifications, photographs, drawings and/or other information and samples to determine whether such item of equipment, fixture, sign or decorating material meets its specifications. The Franchisor shall advise Franchisee within a reasonable period of time whether such item of equipment, fixture, furniture, sign or decorating material meets its specifications.

**B. Specification Standards For Equipment.** Franchisee shall comply with all specifications for types of equipment used in the Office as provided in this Agreement or in the Manual.

**C. Computer System.** Within 15 days from the date hereof, Franchisee must obtain a computer system (including hardware and software) meeting Franchisor's specifications and thereafter will be required to update such computer system at such times as Franchisor may reasonably require. Franchisee must establish Internet access and two e-mail addresses for the Franchised Business within fourteen days of obtaining the specified computer system (which we will either provide or you may obtain through our designated supplier). Franchisor shall have the right to specify all or part of Franchisee's e-mail address. When this Agreement expires or is terminated, Franchisee must promptly transfer such e-mail address to Franchisor. Franchisor owns all Customer Information, as that term is defined in this Agreement. If Franchisor requests, Franchisee must provide an up-to-date customer list in the form prescribed by Franchisor. Franchisee acknowledge that Franchisor may require this information to be submitted through our Internet system or other online communications. Franchisor has the right to contact customers to ascertain Franchisee's quality of service and the level of customer satisfaction. Franchisee may not use the customer lists or Customer Information for any purpose whatsoever other than in the normal conduct of the Business. Upon expiration, nonrenewal, transfer, or termination of this Agreement, Franchisee must promptly deliver to Franchisor all customer lists, data, and information for all past and current customers of the Business. Franchisee agrees to strictly adhere to Franchisor's privacy policies they may now, or in the future, establish with respect to Customer Information.

Franchisor requires Franchisee to use a computer in the operation of the Business. Franchisee must use any computer system that Franchisor develops or selects for the Business, including all future updates, supplements, and modifications (the "Computer System"). The computer software package developed for use in the Business may include proprietary software. Franchisee may be required to license other forms of proprietary software from us, an affiliate or a third party and Franchisee also may be required to pay a software licensing fee in connection with Franchisee's use of the proprietary software. All right, title and interest in the software will remain with the licensor of the software. The computer hardware component of the Computer System must conform to specifications Franchisor develops, which may be modified from time to time. In the event unauthorized software is used or downloaded, Franchisee shall be liable for all damages and problems caused by the unauthorized software in addition to the other remedies provided under this Agreement. Franchisee acknowledges and agrees that Franchisor will have full and complete access to the information and data entered and produced by the Computer System. Franchisee acknowledges and agrees that Franchisor will have full and complete access to information and data produced by the Computer System. Franchisee will be required to use and pay for all future updates, supplements, and modifications to the Computer System. Franchisee must install and maintain anti-virus software on all devices and is responsible for any and all cost associated with such installation and maintenance. Franchisee agrees to pay for any reasonable telephone computer support that Franchisor may choose to provide at its then-current charges, as set forth in the Operations Manual and updated from time to time.

It is Franchisee's responsibility to ensure compliance with all laws that are applicable to the Computer System or other technology used in the operation of the Business, including but not limited to all data protection or security laws as well, such as PCI and CCPA compliance. Franchisee agrees that Franchisor has the right to require updating or upgrading of computer hardware components, Software, and/or cloud-based subscriptions as deemed necessary from time to time, with no limitations as to the number or cost of such updates or upgrades.

Franchisee must take all steps, including but not limited to those related to visibility and management of the Business network, that are necessary to ensure that the Business is compliant with all data privacy and security laws and Payment Card Industry Data Security Standards (PCI DSS) requirements, as such standards may be revised and modified by the PCI Security Standards Council (see [pcisecuritystandards.org](http://pcisecuritystandards.org)), or such successor organization or standards that may be reasonably specified. Franchisee agrees to use any computer network, intranet system, extranet system, email, and handheld devices required or authorized for use in connection with the Business in strict compliance with the standards, protocols, and restrictions that Franchisor includes in the Operations Manual or other written policies, which include but are not limited to Brand's privacy policies, encryption requirements, data and IT security policies, including the implementation of phishing and other security awareness programs and training, cyber incident notification requirements, and Artificial Intelligence policies. Franchisee further agrees not to violate Franchisor's privacy policies or user terms on the Website.

You may not use or download any software on your computer unless it has been authorized by us in writing. If you use or download any unauthorized software, you will be liable for all damages and problems caused by the unauthorized software in addition to the other remedies provided under this Agreement.

You and any of your employees who interact with customers must maintain branded electronic methods of communication (currently email) accounts, which may be provided to you, and you must give us electronic access to information on your company computer and hosted by software providers, including viewing access to branded email accounts. We may discontinue or alter the current system of electronic communication, at any time on notice to you, and you may then be required to maintain an account we designate or approve with a provider we approve or designate and pay the required fees. We are not obligated to monitor, create, or maintain any backup of email, information, file storage, or any data related to the email address provided to you. There are no contractual limits on our right to access information and data on the electronic communication and electronic mail systems. You agree that you have no right of privacy in or to these electronic communications and/or electronic mail systems, and we or our designee may access these email communications and data at any time without notice. Any access to, monitoring or copies of data related to electronic communications and emails will be solely for our benefit. We may require you to upgrade, update or otherwise modify your computer hardware, software, and other office equipment. No contractual limitation exists on the frequency or cost of this obligation. We have the unrestricted right to independently access any data stored or collected electronically.

**D. Privacy and Data Protection.** Franchisee must comply with Privacy Laws and must comply with any privacy policies or data protection and breach response policies that Franchisor may periodically establish. Franchisee is solely responsible for protecting itself from disruptions, internet access failures, internet content failures, and attacks by hackers and other unauthorized intruders. Franchisee must notify Franchisor immediately of any suspected data breach at or in connection with the state.

## **V. TRAINING AND ASSISTANCE BY FRANCHISOR**

**A. Initial Training.** Franchisor will conduct a comprehensive initial training program in the management and operation of the Franchised Business ("Initial Training Program"). The Initial Training Program must be successfully completed by Franchisee or its Designated Manager. The Initial Training Program will consist of online training modules and up to 5 calendar days of in-person instruction at Franchisor's business offices, an affiliate's location, at another location in the United States, and/or via a computerized training module. Franchisee will be responsible for all travel, food, lodging, and other expenses incurred by Franchisee and any of its employees in connection with attendance at the Initial Training Program. If Franchisee, Franchisee's principal owner, or Franchisee's Designated Manager fails to successfully complete the Initial Training Program, to the satisfaction of Franchisor, then Franchisor will have the right to terminate this Franchise Agreement.

**B. Opening Assistance.** A representative of Franchisor will advise and assist Franchisee in

the opening of the Franchised Business and in establishing and standardizing procedures and techniques essential to the operation of a The Seals System business. A representative of Franchisor shall visit Franchisee's location within 60 days after the opening of the Franchised Business to assist Franchisee in the operation of the Franchised Business.

**C. Non-Completion of Training by Franchisee.** If Franchisor determines in its sole discretion that Franchisee is unable to satisfactorily complete the training program described above, Franchisor shall have the right to terminate this Agreement in the manner herein provided. If this Agreement is terminated pursuant to this paragraph, then Franchisor may keep the Initial Franchise Fee paid by Franchisee to Franchisor as liquidated damages, not as a penalty.

**D. Additional Training Requirements.** If required by Franchisor, Franchisee and its employees must attend ongoing training programs and training that is part of Franchisor's education ladder. Franchisee will be responsible for all travel, food, lodging, and other expenses incurred by Franchisee and its employees in connection with attendance at the training set forth below, including any registration fees that may be charged by the Franchisor.

1. ***Specific Training.*** Franchisor will provide training on specific, job-related issues for technicians, administrative staff, operations managers, and sales and marketing personnel on an ongoing basis as Franchisor deems appropriate and may be provided during The Seals Annual Conference or through The Seals Academy. Attendance requirements will be determined by Franchisor in its sole discretion. Specific training may include job costing and scheduling, training, job site behavior, equipment usage, storage and maintenance, and marketing and sales techniques for the Services.

2. ***General Training.*** Franchisor will provide ongoing general training on an annual basis to introduce new products, services, and equipment, to review sales and marketing practices, and to discuss other topics that are relevant to the Services provided by Franchisee. Ongoing general training classes will be held on a regional, national, or international basis, as determined by the Franchisor. Franchisor will hold ongoing general training at The Seals Annual Conference, and through The Seals Academy; and Franchisee, Franchisee's principal owners, or their designee involved in the Franchised Business for every Territory are required to attend such general training classes as specified by Franchisor; and provided further that in all events, Franchisee, Franchisee's principal owners, or their designee involved in the Franchised Business shall attend general training through The Seals Academy as may be required from time-to-time. Attendance requirements at other ongoing general training sessions will be determined by Franchisor in its sole discretion.

**E. Advisory Services.** Franchisor will provide, as and to the extent required in Franchisor's judgment, project management services or continuing advisory services, which may include consultation on promotional, marketing, and advertising techniques and customer relations. Field representatives will be available at Franchisee's request for extraordinary training, consultation and assistance on a fee basis by appointment only.

**F. Your Employees.** Franchisee must hire and train all employees who are necessary for the operation of the Franchised Business. Franchisee will be solely responsible for the terms of employment of its personnel, including compensation, training, supervision, and payroll tax withholding. With respect to all Services, only Franchisee and its employees may provide such services, and subcontractors are specifically prohibited from providing such services. Franchisee shall take such steps as are necessary to ensure that its employees do not violate Franchisor's policies relating to the use of Networking Media Websites (as defined in Section VII), including, but not limited to, prohibiting employees from posting any information relating to Franchisor or its affiliates, the System, the Marks, or the Franchised Business on any Networking Media Website without Franchisor's prior written approval.

You acknowledge that you are an independent business and are solely responsible for control and management of the Business. No employee of yours will be deemed to be an employee of us or our Affiliates for any purpose whatsoever, and nothing in any aspect of the System or the Trademark in any way shifts any employee or employment related responsibilities from you to us. You alone are responsible for the day-to-day operation of the Franchised Business and the terms and conditions and employment of Franchisee's personnel, including the soliciting, hiring, firing, discipline, paying, training, scheduling, managing, and supervising of Franchisee's employees. As between us and you, you are solely responsible for the safety and well-being of your employees and the customers of the franchise business.

Any training provided by us to any of your employees will be limited to training or guiding the employees regarding the delivery of approved services to customers in a manner that reflects the customer and client service standards of The Seals system. You are and will remain the sole employer of your employees during all training programs, and you are solely responsible for all employment decisions and actions related to your employees. You must ensure that your employees receive adequate training.

If Franchisee hires a new Designated Manager, such employee shall be required to complete The Seals Initial Training Program at the time it is next offered, but no later than 60 days following the date they were hired by Franchisee. Franchisee will be responsible for all of the new hires' expenses incurred in connection with attending The Seals Initial Training Program, including training fees, flight, room, board, wages, and insurance.

## **VI. FEES AND PAYMENTS BY FRANCHISE OWNER**

**A. Initial Franchise Fee.** In consideration of the license granted herein, Franchisee shall pay to Franchisor, on the date this Agreement is executed by Franchisee, an Initial Franchise Fee in the amount designated on the Data Sheet attached as Attachment A to this Agreement. The Initial Franchise Fee is deemed fully earned by us upon receipt and is non-refundable.

**B. Payment of Royalty Fees.** In consideration for the continuing use of the Marks and The Seals System, Franchisee will pay to Franchisor each calendar month continuing royalty and license fees ("Royalties") equal to a percentage of the "Gross Billings" (as defined below) of the Franchised Business for the previous calendar month. Franchisee will pay 10% of your annual Gross Billings up to \$1,499,999, 9% of your annual Gross Billings between \$1,500,000 and \$2,999,999, and 8% of your annual Gross Billings above \$3,000,000. Royalties will commence beginning on the first of the month following completion of The Seals Academy Initial Training Program.

The aforementioned monthly royalty fees shall be collectively referred to in this Agreement as "Royalty Fees." Franchisee shall submit to Franchisor a report which provides a summary of the Gross Billings generated by the Office for each month commencing upon the opening of the Office and ending at the close of business on the last day of the month (each such report shall be referred to herein as a "Monthly Report"). Franchisee shall submit each Monthly Report electronically in the format required by Franchisor. Franchisee shall submit each Monthly Report by the 15<sup>th</sup> of the following month to which each Monthly Report pertains.

**C. Interest for Late Payments.** Any payment not received by us when due will bear interest at eighteen percent (18%) per year or at the highest rate allowed by applicable law on the date when payment is due, whichever is less. The fact that such charges are imposed shall not be construed as a waiver of our right to timely payment. In addition, Franchisor may place Franchisee on a "credit hold" whenever Franchisee's account is more than 30 days past due.

**D. Definition of Gross Billings.** The term "Gross Billings" means the gross amount billed by Franchisee during any calendar month, whether or not payment is received therefore, on account of the Services performed by or on behalf of Franchisee, directly or indirectly, and on account of any and all other related goods and services sold or rendered under or in connection with Franchisee's use of the Marks

(including the sale of unauthorized goods and services), and including work performed for or on behalf of persons or business entities which are customers of Franchisee as of the Effective Date. Gross Billings exclude sales taxes collected and paid to the proper authorities.

**E. Payment** Each payment of royalty and license fees must include a Monthly Report issued by Franchisee for the month for which payment is being made. All such payments and Monthly Reports shall be made in such form as Franchisor may direct. All items which are claimed as deductions in determining Gross Billings must be supported by proper documentation. Royalties are due and payable in full on the 15th calendar day of each calendar month based on Gross Billings for the preceding calendar month. Payments of Royalties are not refundable and must be made via bank wire or such other electronic funds transfer procedure as Franchisor may require.

**F. Electronic Transfer of Funds and Bank Account** You must sign an electronic transfer of funds authorization, attached as Appendix E, to authorize and direct your bank or financial institution to transfer electronically, on a weekly basis, directly to our account or our affiliates' and to charge to your account all amounts due to us or our affiliates. You must maintain a balance in your account sufficient to allow us and our affiliates to collect the amounts owed when due. You are responsible for any penalties, fines or other similar expenses associated with the transfer of funds described in this subparagraph.

Franchisee shall maintain a single bank account for its operating expenses, into which all its revenues are deposited, and all information regarding such accounts shall be made available to Franchisor during all times the account is active.

**G. Minimum Royalty** Franchisee must pay a Minimum Monthly Royalty beginning on one year anniversary of Office operations and shall be in the following amounts:

- (i) Months 13 to 18: \$750 per month;
- (ii) Months 19 to 30: \$1,000 per month; and
- (iii) Months 31 and thereafter: \$2,000 per month.

If Franchisee owns multiple Territories, the minimum monthly Royalty for the first Territory will commence on the one year anniversary of Franchisee's completion of Initial Training, with the minimum monthly Royalty for the second Territory commencing 12 months after minimums commence for the first Territory, and minimums for any additional Territories will commence 12 months after minimums commence for the prior Territory.

**H. Technology Fee** Franchisee will pay to Franchisor its then-current technology Fee (the "Technology Fee") for: (a) use of the website furnished by the Franchisor and any website pages featuring the Franchisee; and (b) for the software that will be used for scheduling, tracking, etc. and that is intended to help the Franchisee efficiently run its business. Franchisor may increase this fee periodically up to the greater of the fee (or aggregate fees) any vendor charges us or an affiliate for your technology services, which may include a fee based on percentage of sales. The Technology Fee is due and payable in full on the same day, in the same method and manner as the Royalty. Payments of the Technology Fee are not refundable. The first payment is due the month accompanying the first payment of Royalties. If the Franchisee owns multiple Territories, the Franchisor reserves the right to reduce the fee in the additional Territories to reflect only the services utilized.

**I. Transfer Fee** Upon any transfer or assignment of this Agreement or any interest in this Agreement, Franchisee (or the transferee) will pay to Franchisor Then-current transfer fee, presently \$15,000 for the first franchise (and presently reduced to \$5,000 if the transfer is to a person or entity that already owns or controls a majority interest in an existing The Seals franchise) on or before the date of transfer or assignment of this Agreement. If additional Franchise Agreements are transferred or assigned at the same time, Franchisee

will pay an additional transfer fee of \$2,500 for each additional Franchise Agreement. Franchisor reserves the right to modify the transfer fee from time to time, except that it will not be increased by more than 5% in any given calendar year.

**J. Mandatory Conference Fee.** We may require you (or your Designated Manager) to attend our mandatory conference, which generally will be held annually, as well as The Seals Academy. You will attend all such conferences and pay us or our designee a mandatory conference fee in the amount we designate. You will also be responsible for all of your travel and living expenses related to your attendance at the conference. If Franchisee has been granted a franchise for more than one Territory, each non-adjacent Territory must have a separate General Manager (or other attendee that has been approved by Franchisor) in attendance at each required program or conference and the mandatory conference fee will be payable for each such person. Franchisor may change the amount of the registration fee and the Non-Attendance Fee at any time, in its sole discretion.

## **VII. ADVERTISING AND MARKETING**

Recognizing the value of marketing and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and the public image of the Office, Franchisee agrees as follows:

**A. Local Marketing.** Franchisee, at its own expense, must conduct local advertising and promotional activities as reasonably required to enhance public awareness, goodwill, and image of the Franchised Business. Franchisee may not use any advertising, sales, or promotional materials of any kind, or conduct any broadcast advertising or promotion, without first obtaining the written approval of Franchisor, which approval will not be withheld unreasonably. To obtain approval, Franchisee must submit a copy of the proposed advertising to Franchisor for review. If Franchisor does not give Franchisee written notice of disapproval within 15 business days after receipt of the proposed advertising, then such advertising will be deemed to be approved. Notwithstanding the foregoing, Franchisor may from time to time, in its reasonable discretion, provide Franchisee with such marketing programs and brochures developed by Franchisor as Franchisor deems appropriate for use in the Territory. Franchisee may use such of Franchisor's marketing materials in connection with Franchisee's local advertising in accordance with Franchisor's advertising standards and without Franchisor's prior approval unless Franchisor sends written notice to Franchisee that the use of such marketing material is thereafter prohibited. Franchisee must purchase a start-up package of marketing items at the time Franchisee signs this Agreement. Franchisee must comply with all of Franchisor's policies regarding the advertising, promotion, and positioning of The Seals brand and image.

Franchisee specifically acknowledges and agrees that any Website shall be deemed "advertising" under this Agreement and will be subject to (among other things) Franchisor's approval under this Section. As used in this Agreement, the term "**Website**" means an interactive electronic document contained in a network of computers linked by communications software that refers to the Franchised Business, Marks, Franchisor, and/or the System. The term Website includes, but is not limited to, Internet and World Wide Web home pages, as well as social and business networking media such as Facebook, Twitter, LinkedIn, and online blogs and forums ("**Networking Media Websites**").

You must participate in our Website and no other Website related to the Business unless we direct. If we do, we may require you to sign a license agreement with Franchisor's designated supplier for a branded Website for the Franchised Business (the "**Franchisee Website**"). We also may require you, at your expense, to participate in our intranet system. We have the right to determine the content and use of any Website and our intranet system and will establish the rules under which franchisees may participate. You may not separately register any domain name or operate any Website containing any of the Trademarks without our written approval. You may not conduct any business or advertise any products or services on the Internet (including through social media), except as authorized by us in writing. You may not link or frame our website. We will retain all rights relating to our Website and our intranet system and may alter or terminate

our Website or our intranet system without prior notice to you. Your general conduct on our Website, our intranet system or on other online communications (including all current and future forms of social media networks and platforms) and, specifically, your use of the Trademarks or any advertising on any Website or other such online communications is subject to the provisions of this Agreement and the policies outlined in the Operations Manual. For example, you must comply with our policies regarding the use and placement of keywords, meta tags and titles, social media platforms, blogs, websites, domain names, URL's and linking. You further agree to claim, pay for, and update all online listings we designate.

You acknowledge that certain information obtained through your participation in our Web site and our intranet system may be considered Confidential Information, including access codes and identification codes. Your right to participate in our Website and our intranet system or otherwise use the Trademarks or System on the Internet or other online communications will terminate when this Agreement expires or terminates.

Franchisee shall not post any information relating to Franchisor or its affiliates, the System, the Marks, or the Franchised Business on a Networking Media Website without Franchisor's prior written approval; and Franchisee shall not make any posting or other contribution to a Networking Media Website that, in the opinion of Franchisor, (a) is derogatory, disparaging, or critical of Franchisor, (b) is offensive, inflammatory, or indecent, or (c) harms the goodwill and public image of the System and/or the Marks.

#### **B. Promotional Marketing Fund**

Franchisee will pay to Franchisor each month as a contribution to The Seals System promotional fund (the "**Promotional Fund**") an amount equal to 2% of Franchisee's Gross Billings. Promotional Fund contributions are due and payable in full at the same time, and in the same manner, as Royalties.

Franchisor will not commingle Promotional Fund contributions with its general funds but will hold all Promotional Fund contributions from all its franchisees in one or more designated accounts. The Promotional Fund may be used as determined solely by Franchisor:

1. to develop and purchase national, regional, and local advertising in broadcast, print, and electronic media wherever Franchisor deems fit, and without respect to Franchisee's geographical location, including design and maintenance of The Seals website in which franchisees are permitted or required to participate; social media such as Facebook, X., etc., as well as search engine optimization costs;
2. to prepare, purchase, and distribute camera-ready advertising copy for use in local advertising, script or text for broadcast advertising, signs, posters, brochures, banners, free standing inserts, and other point-of-sale advertising and promotional materials;
3. to acquire the services of in-house and outside advertising and public relations professionals;
4. to defray the expense of training programs and conferences intended to develop the marketing and promotional skills of franchisees and their employees;
5. research and development, tests or target marketing, the conducting of surveys, including secret shoppers; brand development and promotion; sponsorships; celebrity endorsements; trade shows; association dues
6. to carry on, wherever Franchisor deems fit, and without respect to Franchisee's geographical location, other advertising and promotional activities as Franchisor may reasonably deem advisable to increase demand for Services offered by the franchise network, including utilizing Networking Media Websites and other emerging media or promotional tactics; and

7. to pay the reasonable expenses of administering the Promotional Fund, including the reasonable compensation of Franchisor's employees working on behalf of the Promotional Fund, or accounting costs associated with maintaining the fund.

The Promotional Fund will be administered by the Franchisor or by an advertising agency selected by the Franchisor. Franchisor, in its sole discretion, may establish a franchisee advisory council from time to time to provide input and suggestions regarding use of the Promotional Fund and the effectiveness of programs funded by the Promotional Fund. If the franchisee advisory council is established, it will consist of representatives of Franchisor and representatives of the franchisees, with the representatives of franchisees constituting a majority of the members thereof. Franchisor shall retain sole discretion over the use of the Promotional Fund.

Franchisor will account to Franchisee annually for all Promotional Fund contributions received and spent. The accounting will be made by written report within 120 days of the end of each year setting forth the total contributions received from all The Seals System franchisees as a group and all expenditures made by Franchisor, together with the balance on account in the Promotional Fund as of the date of the report. Franchisor is not required to have the Promotional Fund audited.

Franchisor and Franchisee agree that the rights and obligations of the parties arising from the Promotional Fund and all related matters are governed solely by this Agreement, and that this Agreement and the Promotional Fund are not in the nature of a "trust," "fiduciary relationship," or similar special relationship. Franchisor and Franchisee agree that the Promotional Fund and this Agreement are based on an ordinary commercial relationship between independent businesspersons.

**C. Grand Opening Advertising.** Franchisee must engage in a Grand Opening Advertising campaign and spend, as we may direct, a minimum of \$1,000 monthly on local marketing, advertising, public relations, and promotions. The required Grand Opening Advertising Spend will begin one month prior to opening and end no earlier than twelve months after opening. Franchisor has the right to determine how to spend the Grand Opening Advertising budget and the methods of marketing, advertising, media, and content of the Grand Opening Advertising campaign and promotional program. We reserve the right to collect your Grand Opening Advertising Spend and expend it on your behalf, for your benefit. You may spend additional amounts on other pre-opening advertising that is arranged or approved by us

**D. Regional Accounts.** To the extent that Franchisor enters into an agreement to provide the Services to any Regional Account which has a location within the Territory, Franchisor may offer Franchisee the right to service such account at such location at the terms upon which Franchisor and the Regional Account have agreed. If, for any reason, Franchisee elects not to service a Regional Account that is offered to Franchisee, Franchisor may, in its sole discretion, service such account or appoint any other party to service such account.

**E. Customer Leads.** From time to time during the term of this Agreement, Franchisor and its affiliates may provide Franchisee with the identity of potential customers for the Services within the Territory.

Franchisor may from time to time provide Franchisee with leads for potential customers for Services in locations that are not part of any franchisee's Territory. Franchisee acknowledges and agrees that neither its ability to service, nor the grant of Franchisor's permission to service, customers located outside the Territory affords it any right, title, or interest in or to such area (including any right to service additional customers located outside the Territory, or to acquire such area or any right of first refusal as to such area).

**F. Contracts with Customers.** Franchisee may enter into contracts having such term as Franchisee wishes to negotiate; provided, however, that any contract for the performance of any of the Services shall provide that, upon the expiration of this Agreement or any termination of this Agreement by

Franchisor in accordance with Section XIV or otherwise, either (i) the customer contract must terminate simultaneously with the expiration or termination of this Agreement; or (ii) the customer will receive alternate services not involving the methods or products of Franchisor upon the expiration or termination of this Agreement. In no event will Franchisor be liable for any damages to Franchisee or any customer of Franchisee due to either the violation of this Section or Franchisee's failure or inability to perform Services due to such expiration or termination.

**G. Promotion and Development of Business.** Franchisee shall use best efforts to promote and develop The Seals System and the Services of the Franchised Business, thereby supporting and enhancing The Seals System for the benefit of the Franchisor and all of its franchisees and offering the best possible service to customers. Franchisee shall fully develop and conduct the Franchised Business in strict compliance with the terms and conditions of this Agreement and the Operations Manual.

**H. Salesperson.** The Franchised Business must have at all times, commencing on the day you open for business, at least one dedicated, full-time, fully trained to our satisfaction, salesperson.

## **VIII. ACCOUNTING AND BOOKKEEPING RECORDS**

**A. Bookkeeping, Accounting and Records.** Franchisee must maintain full and complete records of the Franchised Business in accordance with generally accepted accounting principles and the standards and Operations Manual provided by Franchisor.

**B. Submission of Financial Statements.** Franchisee will submit to Franchisor, via any means specified by Franchisor (including electronic means), such information and accounting data as Franchisor may request, including but not limited to profit & loss statements in such format as Franchisor directs for each calendar month ("Monthly Reports") and calendar year ("Annual Reports") within 15 calendar days of the end of each calendar month and calendar year, as appropriate. In addition, within 90 calendar days of the end of each calendar year, Franchisee will furnish Franchisor with unaudited financial statements for the Franchised Business signed by the Franchisee, if the Franchisee is an individual, or the majority partner, shareholder, or member of the Franchisee if the Franchisee is a partnership, corporation, or limited liability company, which shall include an income statement and balance sheet. If Franchisee is a division of a corporation, then the financial statements need only relate to the operations of such division. Within 10 days of filing each year, Franchisee must submit to Franchisor a copy of Franchisee's income tax returns for the prior year. Additionally, Franchisee must submit reports to Franchisor in the form, content, and frequency specified by Franchisor containing information related to Franchisee's customers. Franchisor reserves the right to require Franchisee to obtain, at Franchisee's sole expense, booking and accounting software which Franchisor may, from time to time, require.

**C. Franchisor's Right to Audit.** Franchisor has the right, at all times, during business hours, to inspect and audit Franchisee's books, records, ledgers, journals, bank statements, sales tax reports, income tax returns, cash control systems, and other accounting records pertaining to the Franchised Business. If any audit shows that the Franchisee has underpaid any royalties, Promotional Fund contributions (as such term is defined in Section VI and VII), or other amounts due to Franchisor, Franchisee must immediately make payment to Franchisor to correct the underpayment. If the underpayment exceeds 2% of the total royalties, Promotional Fund contributions or other amounts due in any 12-month period, which includes the date when the underpayment occurred, Franchisee must also pay or reimburse Franchisor for the costs of conducting the audit, in addition to any Late Payment and/or interest owed to Franchisor.

**D. Entity Franchisee.** If the Franchisee is or becomes an entity, such as a corporation, partnership, limited liability company or other legal entity, either prior to executing this Agreement, or at any time during the term of this Agreement, the following requirements shall apply:

1. Franchisee shall promptly furnish to Franchisor upon request certified copies of the following: (a) Franchisee's articles of incorporation or charter, bylaws and other governing documents, and any and all amendments thereto, and resolutions of the board of directors authorizing entry into this Agreement, if Franchisee is a corporation; or (b) Franchisee's partnership agreement and other governing documents, and any and all amendments thereto, and resolutions of the general partners, and limited partners, if necessary, authorizing entry into this Agreement, if Franchisee is a partnership; or (c) Franchisee's articles of organization, operating agreement and other governing documents, and any and all amendments thereto, and resolutions of the members and/or managers authorizing entry into this Agreement, if Franchisee is a limited liability company; and (iv) any and all such other documents as Franchisor may require.

2. Franchisee shall maintain a current list of all owners of an Equity Interest in the Franchisee and its subsidiaries and affiliates and the percentage ownership interest of each such person and a list of all officers, directors, managers or others in such form as Franchisor may require, and Franchisee shall furnish same to Franchisor promptly upon request.

3. Each owner of an Equity Interest in Franchisee (and if any such owner is not a natural person, then the natural person(s) owning, directly or indirectly, an Equity Interest in such owner) shall jointly and severally guarantee Franchisee's payment and performance hereunder and shall bind themselves to the terms of this Agreement by executing a Guaranty in substantially the form of Attachment C to this Agreement; provided, however, that the requirements of this subsection shall not apply to any corporation registered under the Securities Exchange Act of 1934 (hereinafter known as a "Publicly-Held Corporation").

4. Anything in this Agreement to the contrary notwithstanding, if Franchisee is a legal entity, the Operating Partner (as such term is defined in Section VI (A) (1) of this Agreement) must have authority to bind the Franchisee to obligations related to this Agreement and shall be required to satisfactorily complete Franchisor's training program. The Operating Partners shall be required to work at the Office as required by Section XI (L) of this Agreement. The execution of this Agreement evidences Franchisor's approval of the following Operating Partner designated by Franchisee and identified below, subject to the satisfactory completion by the Operating Partner of Franchisor's training program: \_\_\_\_\_

[PRINT OR TYPE NAME OF OPERATING PARTNER]

The Franchisee shall not designate a new Operating Partner without the prior written approval of Franchisor, in its sole discretion.

5. All issued and outstanding share certificates or other certificates evidencing the ownership of any Equity Interest in the corporation, partnership, corporation or other legal entity shall bear a legend in substantially the following form:

THE SHARES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN TERMS, CONDITIONS AND RESTRICTIONS CONTAINED IN A FRANCHISE AGREEMENT BETWEEN \_\_\_\_\_ AND THE SEALS FRANCHISING, LLC, DATED \_\_\_\_\_.

## **IX. STANDARDS OF QUALITY AND PERFORMANCE**

Franchisee shall comply with the entire System developed by the Franchisor including, without limitation, the following:

**A. Secure Site and Open The Office in 90 Days.** The Franchised Business may be operated at such location (the "Location") within the Territory as may be approved in advance by Franchisor in writing.

Final site selection will be subject to the approval of Franchisor, which approval will not be unreasonably withheld. To obtain approval, Franchisee must give Franchisor written notice of the proposed Location, as well as photographs of inside and outside the premises of the proposed Location. If Franchisor does not give Franchisee written notice of disapproval within 20 business days after receipt of the written notice of the proposed Location, then the proposed Location will be deemed to be approved by Franchisor. Franchisee specifically acknowledges that site approval by Franchisor is not to be interpreted as a guarantee of success or profitability of the Franchised Business which is to be operated at the Location.

Franchisee must complete training, obtain a location, and commence operations no later than 90-days from the date of this Agreement. Franchisee must continually operate the Franchised Business as a full-time business enterprise. If Franchisee is delayed in commencing business operations for causes reasonably beyond the control of Franchisee, then the time for performance by Franchisee will be extended for a period equivalent to the time of the delay.

**B. Lease.** If Franchisee does not already own/lease operating space in the Territory, Franchisee must execute a lease for the premises in the Territory within 60 calendar days after execution of this Agreement by Franchisor.

**C. Tenant Improvements.** If required, upon execution of the lease(s) for the Location, Franchisee must commence construction and installation of all tenant improvements, trade fixtures, displays, and interior decor necessary or appropriate to commence business. The leased premises must be maintained in a safe and orderly manner, present a neat and businesslike appearance, and be adequately staffed. A generalized space plan and layout will be suggested in the Operations Manual, but Franchisee is not required to conform to the same. If requested by Franchisee, Franchisor will make itself reasonably available to assist Franchisee in the design or layout of such premises and in the types of improvements appropriate.

**D. Maintenance and Repair.** Franchisee must maintain the condition and appearance of the Franchised Business in a manner consistent with The Seals Systems image. Franchisee will perform all maintenance that is reasonably required from time to time to maintain the condition, appearance, and efficient operation of the Franchised Business, including replacement of worn-out or obsolete fixtures, equipment, signs, supplies and inventory, repair of the interior and exterior of the premises, and periodic cleaning and decorating. If at any time in the Franchisor's reasonable judgment the general state of repair, appearance, or cleanliness of the Franchised Business does not meet Franchisor's standards, then Franchisor will give Franchisee written notice specifying the action to be taken by Franchisee to correct the deficiency, and Franchisee will initiate the required action immediately upon receipt of the notice.

**E. Authorized Products and Services.** "Proprietary Products and Proprietary Equipment" ("Proprietary Products") are those products and equipment that serve to establish the superior quality or branding of The Seals System. Franchisor or a person designated by Franchisor (which may be an affiliate of Franchisor) will sell to the Franchisee such The Seals Proprietary Products as are set forth in the Operations Manual, and such other Proprietary Products which Franchisor may hereafter develop or obtain. The sale or lease by Franchisor or such other person of such Proprietary Products or equipment to Franchisee will include a commercially reasonable markup. If Franchisor designates a third-party as a supplier of, or to private-label, Proprietary Products to The Seals System, Franchisor may receive and retain service fees and/or license fees from such provider.

Franchisee agrees to offer for sale and sell at the Office all types of merchandise, products and/or services that the Franchisor from time-to-time authorizes, and Franchisee shall not offer for sale or sell at the Office any other category of merchandise, products or services, or use such premises for any purpose other than the operation of the Office in full compliance with this Agreement.

**F. Sale of Trademarked or Copyrighted Product Lines.** In order to maintain the high standards of quality associated with The Seals System, Franchisee must purchase such Proprietary Products

or equipment from Franchisor, or a person designated by Franchisor as are referred to in Section IX (E) and as may be set forth in the Operations Manual. Franchisee must not alter, amend, or modify any of such Proprietary Products or equipment, or use any other products instead of the Proprietary Products or equipment.

Franchisee agrees, as part of the consideration for this Agreement, that Franchisee will carry an adequate supply and maintain a representative inventory of items and merchandise packaged under the Franchisor's trademarks and/or copyrights, if any, and Franchisee shall maintain, carry and promote such items and merchandise for sale or lease to the general public in order to meet customer demands as designated by the Franchisor. Franchisee may not become a wholesaler or distributor of Proprietary Products and may not resell Proprietary Products, except in connection with the provision of Services by Franchisee.

**G. Approved Manufacturers, Suppliers and Distributors.** A list of approved suppliers and approved products will be included in the Operations Manual and may be revised by Franchisor from time to time in its sole discretion. Franchisor reserves the right to designate a single supplier for any equipment and supply items and to require Franchisee to use such a designated supplier exclusively, which exclusive designated supplier may be Franchisor or its affiliates. Franchisor and its affiliates may receive payments from suppliers on account of such supplier's sales to Franchisee and other franchisees, and Franchisor may use all amounts so received without restriction and for any purpose Franchisor and its affiliates deem appropriate.

Franchisee will have the right to purchase equipment and supply items that Franchisor pre-approves, other than the Proprietary Products, for use in providing Services, only from suppliers approved in writing by Franchisor or, if there is no approved supplier for a particular equipment or supply item, from such other suppliers who meet all of Franchisor's specifications and standards as to quality, composition, and functionality and adequately demonstrate their capacity and facilities to supply Franchisee's needs in the quantities, at the times, and with the reliability necessary for an efficient operation. A list of approved suppliers and approved products will be included in the Operations Manual and may be revised by Franchisor from time to time in its sole discretion. Franchisor reserves the right to designate a single supplier for any equipment and supply items and to require Franchisee to use such a designated supplier exclusively, which exclusive designated supplier may be Franchisor or its affiliates. Franchisor and its affiliates may receive payments from suppliers on account of such supplier's sales to Franchisee and other franchisees, and Franchisor may use all amounts so received without restriction and for any purpose Franchisor and its affiliates deem appropriate.

If Franchisee wishes to purchase any equipment or supplies that have not been approved by Franchisor or from a supplier who has not been approved by Franchisor, Franchisee must submit a written request to change products or suppliers to Franchisor. In order to obtain approval of any such proposed alternative equipment, supply item, or supplier, Franchisee must provide Franchisor with documentation from a source independent of Franchisee or the proposed supplier which demonstrates, to the satisfaction of Franchisor, that the proposed alternate equipment, supply item, or supplier, performs as well as the item or supplier to be replaced. Notwithstanding such documentation, Franchisor will have the right to further test any such proposed equipment or supply item, and to further evaluate any such proposed alternate supplier. In addition, Franchisor reserves the right at any time to require substitution of newly developed Proprietary Products for non- proprietary items, which would then be sold to Franchisee in accordance with Section IX (E). The sale by Franchisor of non-proprietary equipment and supplies to Franchisee shall include a commercially reasonable markup. Notwithstanding anything stated above, Franchisor may, in its sole discretion, disapprove proposed and existing suppliers, equipment, and supply items for any reason, including the number of suppliers, equipment, and supply items that has already been approved. In addition, Franchisee may not become a wholesaler or distributor of non-proprietary equipment and supplies related to the Services to other franchisees or to customers of The Seals franchise system.

**H. Authorized Equipment, Fixtures, and Supplies.** Franchisee will display, sell, and use only such equipment and supply items of independent suppliers which have been approved by Franchisor in

accordance with Section IX (G) hereof. Franchisee must purchase or lease at least one service vehicle that will be used in the operation of the Franchised Business. In the event Franchisee desires Franchisor approval of a particular supplier, equipment, or supply item, Franchisee will provide the documentation contemplated by Section IX (G) at its sole expense and will reimburse Franchisor for costs of further testing as contemplated Section IX (G). Franchisee may not enter into or renew any agreement with a third-party vendor of services, supplies, or equipment if such agreement requires that Franchisee disclose information regarding the identity of its customers, or the Services performed by Franchisee for any of its customers. If, as of the date of this Agreement, Franchisee is already a party to an agreement of the sort described in the preceding sentence, Franchisee will not be deemed to be in violation of any of the provisions of this Agreement by virtue thereof for the remainder of the current term of such agreement.

**I. Specifications, Standards and Operating Procedures.** Franchisee agrees to fully comply with all mandatory specifications, standards, operating procedures and rules as in effect from time-to-time relating to: (1) the safety, maintenance, cleanliness, function and appearance of the Office and its equipment, fixtures, furniture, decor and signs and maintenance thereof; (2) procedures regarding purchasing of any trademarked product line or copyrighted materials and other inventory items; (3) procedures and techniques regarding merchandising activities; (4) training, dress, general appearance and demeanor of the Office's employees; (5) hours during which the Office will be attended and open for business; (6) advertising and promotional programs; (7) use and retention of standard forms; (8) type, quantity and variety of equipment, trademarked product lines and copyrighted materials and inventory items; (9) use and illumination of signs on real estate and motor vehicles, posters displays and similar items; (10) identification of Franchisee as the owner of the Office; and (11) the handling of customer complaints.

Mandatory specifications, standards, operating procedures and techniques and other rules prescribed from time-to-time by the Franchisor in the Manual or otherwise communicated to Franchisee in writing, shall constitute provisions of this Agreement, as if fully set forth herein. All references herein to this Agreement shall include all such mandatory specifications, standards and operating procedures and rules.

**J. Licenses, Permits and Certificates.** Franchisee shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the Office and shall operate the Office in full compliance with all applicable laws, ordinances and regulations, including, without limitation, all government regulations relating to occupational hazards and health, consumer protection, equal opportunity, trade regulation, workers' compensation, unemployment insurance, withholding and payment of federal and state income taxes and social security taxes and sales, use and property taxes.

**K. Products with the Proprietary Marks.** Franchisee shall in the operation of the Office, use and display, labels, forms and other paper products imprinted with the Proprietary Marks and colors as prescribed from time-to-time by the Franchisor.

**L. Supervision of The Office.** You are required to devote full time and best efforts to the management of the Business. You must provide direct supervision to the Business. If we grant you express, written permission, you can hire a Designated Manager to perform your management obligations, including supervising your personnel. You, your Designated Manager, and any other individuals we designate must complete our training course. The Designated Manager need not have any equity interest in the franchise and/or franchisee entity (if applicable). The use of a Designated Manager in no way relieves you of your obligations to comply with the Franchise Agreement and to ensure that the Business is properly operated. At all times, your Franchised Business must be staffed by you (or one of your principals, who must have completed our Initial Training Program,) and/or your Designated Manager. If you operate in more than one physical location, you must have one (1) or more properly trained Designated Manager(s) who has been approved by us at each location. If Franchisee is a legal entity, the owners, shareholders, and members of Franchisee agree to be bound by all the terms and conditions of this Agreement to the same extent as Franchisee.

**M. Inventory and Supplies Prior to Opening.** Prior to commencement of operation of the Office, Franchisee shall adequately supply the Office with representative equipment, fixtures, signs, and inventory as prescribed by the Franchisor, and any other items of the type, quantity and quality as specified by the Franchisor in the Manuals.

**N. Continued Use of Inventory and Supplies.** Franchisee shall at all times maintain at the Office an adequate inventory of all products and services required by the Franchisor.

**O. Use of Advertising and Promotional Activities.** All advertising and promotional activities that Franchisee conducts in any medium shall be conducted in a dignified manner and shall accurately promote, describe and otherwise represent the products and services of the Office and shall have been approved in writing by the Franchisor prior to their use by Franchisee. Franchisee agrees to refrain from any advertising or promotional practice that is unethical or may be injurious to the Office or reputation of the Franchisor or the goodwill associated with the Proprietary Marks.

**P. Notice of Legal Proceedings.** Franchisee shall notify the Franchisor in writing within five (5) days of the commencement of or the threatening of any action, suit, or proceeding, or of the issuance or the threatened issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation, financial condition or reputation of the Office.

**Q. Minimum Performance.** Franchisee must use full-time best efforts in promoting the Franchised Business and the Services in the Territory. Franchisee must achieve and maintain a minimum of \$40,000 in Gross Billings per month in the Territory beginning with your fourth full year of operations. Upon any renewal or transfer of this Agreement, the minimum performance standards will continue and not reset.

**R. Pricing.** Franchisor shall have the right to determine the prices of the products and Services offered and sold by Franchisee, unless it is *per se* unlawful to do so, including the right to negotiate national or regional account arrangements, including pricing which will bind all The Seals businesses providing services to such accounts. Franchisor also shall have the right to establish minimum prices and/or maximum prices of the products and Services offered and sold by Franchisee unless it is *per se* unlawful to do so. Franchisee shall strictly adhere to the lawful prices (including minimum and/or maximum prices) established by Franchisor. Franchisor retains the right to modify the prices from time-to-time in its unfettered discretion. Franchisor also shall have the right to establish suggested prices for The Seals products and Services offered and sold by Franchisee, which Franchisee will not be required to adhere to.

**S. Operating Costs.** Franchisee will maintain and pay its own costs of doing business, including rent, telephone, utilities, insurance, and other fixed and variable expenses.

**T. Operations Manual.** Franchisor will grant Franchisee access to The Seals System Confidential Operating Manual (as it may be revised, the “**Operations Manual**”) to use during the term of this Agreement. Franchisor may revise the contents of the Operations Manual, in a form and manner as Franchisor may determine, to convey to Franchisee advancements and new developments in sales, marketing, operational techniques, and any other items and procedures relevant to the operation of the Franchised Business. Franchisor will send revisions, or a completely revised Operations Manual, to Franchisee, at no cost to Franchisee. The revisions and/or the Operations Manual may be in electronic, digital, or another format.

In order to protect the reputation and goodwill associated with the Marks, and to maintain the uniform standards of quality and operations thereunder, Franchisee must conduct the Franchised Business in strict accordance with the Operations Manual, which shall be in a form as Franchisor may determine, as modified from time to time by Franchisor.

X. **PROPRIETARY MARKS**

**A. Franchisor's Ownership of Proprietary Marks.** Franchisee acknowledges the exclusive right, title, and interest of Franchisor in and to the Marks and will not take any action contesting or impairing the right, title, and interest of Franchisor in any of the Marks. Franchisee will not represent that Franchisee has any ownership rights in the Marks and acknowledges that its use of the Marks will not create in its favor any right, title, or interest in or to the Marks, but that all uses will inure to the benefit of Franchisor. Neither Franchisee nor any officer, director, agent, or employee of Franchisee shall in any way register or attempt to register the Marks with any government or any other authority, nor dispute or impugn the validity of the Marks, Franchisor's rights to the Marks or Franchisor's right to use the Marks or grant licenses to others to use the Marks. Franchisee will assist Franchisor to the extent reasonably requested in obtaining or maintaining any registration of any of the Marks to the extent reasonably requested, including by providing advertising samples. You may not make any changes or substitutions to the Trademarks unless we direct you in writing.

**B. Franchisee's Use of Proprietary Marks.** Franchisee must conduct the Franchised Business only under the Marks and in strict compliance with the Operations Manual. Franchisor may develop, and require Franchisee to use, additional or substitute Marks in its sole discretion. If Franchisee is a partnership, corporation, limited liability company, or other legal entity, Franchisee may not use any portion of the Marks as part of Franchisee's legal name. Franchisee shall be required to use the "The Seals" name as part of its trade name ("d/b/a"), in such format and style as Franchisor designates from time to time in its sole discretion. Franchisee's trade name may include, in addition to "The Seals," such other name, if any, under which Franchisee previously was engaged in business. Franchisor shall have the right to approve or disapprove Franchisee's trade name.

At all times during the term of this Agreement, Franchisee will use the Marks and The Seals name in a form and manner approved by Franchisor, in all advertising, promotions, and communications involving the Franchised Business, including but not limited to telephone yellow pages listings, signs, banners, vans, business cards, stationery, promotional and advertising materials, forms, contracts, Websites (defined in Section VII), and all other materials which identify the Franchised Business. All uses of the Marks and The Seals name by Franchisee must clearly state that Franchisee is independently owned and operated. In the event that Franchisee is expressly permitted to own any business(es) other than the Franchised Business unless such business is also a franchise offered by Franchisor, neither Franchisee nor the personnel engaged in such other business(es) may conduct the same under The Seals name or any of the Marks or color schemes of the Franchised Business, or operate in any manner so as to cause confusion of origin or sponsorship between The Seals- related services and products and the services or products offered or rendered by such other business(es).

**C. Unauthorized Use of Proprietary Marks.** Franchisee will promptly notify Franchisor of any unauthorized use of any of the Marks, or any colorable variation thereof, by third parties. Franchisee will promptly notify Franchisor of any claim, demand, or suit against Franchisee based upon, or arising in connection with, Franchisee's use of any of the Marks. Franchisee acknowledges that Franchisee has no authority to defend or prosecute any action relating to the Marks, and that Franchisor, at its sole discretion, may elect to defend or prosecute any action relating to the Marks. In the event that Franchisor undertakes the defense or prosecution of any litigation relating to the Marks, Franchisee will execute any and all documents and do all acts which may be necessary or of aid, at the determination of Franchisor's legal counsel and at the expense of Franchisor, to carry out the litigation.

**D. Franchisor's Right to Modify.** We reserve the right to change the Trademarks at any time. Upon receipt of our notice to change the Trademarks (whether in response to third-party claims of superior rights to the Trademarks or otherwise), you must, at your expense, cease using the former Trademarks and commence using the changed Trademarks. We will not be responsible for any other expenses or other amounts

you may claim you are owed with respect to the changed Trademarks, and you agree that you will not commence or join in any arbitration, litigation or other proceeding against us for any such expenses, losses, or damages.

**E. Franchisor's Right to Inspect The Office.** In order to preserve the validity and integrity of the Marks, and to assure that Franchisee is properly employing The Seals System in the operation of the Franchised Business, Franchisor and its agents will have the right of entry and inspection of Franchisee's premises, at all reasonable times when the business is open, the right to observe the manner in which Franchisee is rendering the Services, and the right to survey and/or confer with Franchisee's employees, customers, and business associates. Any evaluation or inspection we conduct is not intended to exercise and does not constitute control over your day-to-day operation of the Business or assume any responsibility for your obligations under this Agreement.

**F. Purchase of Proprietary Products.** Prior to the time Franchisee opens the Office, Franchisee may be obligated to purchase certain products, supplies and equipment from certain designated suppliers. In addition, Franchisee may be obligated during the term of the Agreement to purchase from the Franchisor or one of the Franchisor's Affiliates certain proprietary products in order to properly operate the Office.

## **XI. CONFIDENTIALITY OF PROPRIETARY INFORMATION**

**A. Proprietary Information.** Franchisee acknowledges that during the term of this Agreement, Franchisee will have access to, become acquainted with, and have disclosed to it by Franchisor confidential information, programs, devices, methods, techniques, and processes that are not generally known to the public pertaining to replacement, and repair of gaskets for refrigeration door units, freezer doors, oven doors and cutting boards, including the information contained in the Operations Manual (the "**Proprietary Information**"); and Franchisee further acknowledges that such Proprietary Information constitutes trade secrets of Franchisor. Franchisee further acknowledges that all data collected from former, existing, and/or potential customers including customer names and addresses, discounts and credit extensions to customers, rates charged to customers and customer contracts and status information (collectively, "**Customer Information**") is the property of Franchisor and constitutes Proprietary Information.

**B. Covenant Not to Disclose or Misuse.** Franchisee must take all steps necessary to preserve and protect the Proprietary Information from publication, communication, or other unauthorized disclosure or misuse. Franchisee must not disclose any of the Proprietary Information, use it in any unauthorized way, or assist any other person or entity to disclose or use it either during the term of this Agreement or at any time thereafter. In particular, Franchisee will require as a condition of the employment of any employee by Franchisee in the management and operation of the Franchised Business that the employee similarly covenants to maintain and protect the Proprietary Information, including the execution of its standard covenants, and Franchisee will be responsible for the compliance with such covenants by its managerial and staff employees, with such covenants being for the benefit of Franchisor and enforceable by Franchisor. In the event Franchisee becomes aware of any actual or threatened violation of any such covenant by any of its employees, Franchisee will promptly and fully advise Franchisor in writing of all related facts known to Franchisee. Franchisee will further cooperate with Franchisor in all ways reasonably requested by Franchisor to prevent or stop any such violation, including without limitation institution or permitting to be instituted in the name of Franchisee any demand, suit, or action that Franchisor determines is advisable, which demand, suit, or action will be maintained and prosecuted solely by and at the expense of Franchisor. The Operations Manual (as it may be revised from time to time) is, and will be, the sole property of Franchisor, may not be duplicated, and must be returned to Franchisor promptly upon the expiration, nonrenewal, transfer, or other termination of this Agreement. Franchisee is prohibited from disclosing Customer Information and other Proprietary Information, trade secrets, and confidential information to third parties, including entering such information into public/open AI models or any other AI model that uses such information to train the AI unless specifically authorized by Franchisor, and Franchisee must adhere to any privacy policies Franchisor

may now, or in the future, establish with respect to Customer Information.

**C. Injunctive Relief Available to Franchisor.** The parties acknowledge that upon violation of any of these covenants, Franchisor will experience irreparable harm and it will be difficult to determine the resulting damages to Franchisor. Therefore, in addition to any other remedies Franchisor may have, Franchisor will be entitled to make application to a court of competent jurisdiction for temporary and permanent injunctive relief without the necessity of proving actual damages.

**D. Franchisee's Employees Will Not Disclose Proprietary Information.** The Franchisee may disclose the proprietary information only to such of its employees, agents and representatives as must have access to it in order to operate the Office.

Franchisee shall enter into a confidentiality agreement in substantially the form of Attachment H attached hereto with Franchisee's manager and each assistant manager at the Office. Franchisee shall not disclose, or permit the disclosure of, any Confidential Information or Trade Secret to any employee (including, without limitation, Franchisee's manager and assistant managers) until that person executes and delivers a confidentiality agreement in substantially the form of Attachment H attached hereto. Franchisor shall be a third-party beneficiary of such confidentiality agreements entered into by Franchisee with its employees and shall have the right to enforce its provisions independently of Franchisee.

**E. Franchisor's Patent Rights and Copyrights.** The Franchisor does not own rights in, or to, any patents that are material to the Franchise. However, the Franchisor claims a copyright in the Manual and certain marketing, sales, and operations literature. Furthermore, the Franchisor does claim rights to certain Trade Secrets and Confidential Information as discussed above.

**F. Ownership of Newly Developed Products and Services.** Franchisee must fully and promptly disclose to the Franchisor all ideas, names, concepts, methods and techniques relating to the development, operation or promotion of his or her franchised Business, conceived or developed by him or her or by employees during the term of this Agreement. The Franchisor has the perpetual right to use and authorize other System Offices to use such ideas, names, concepts, methods and techniques and, if incorporated into Franchisor's System for the development, operation or promotion of the Office, such ideas, names, concepts, methods and techniques become the sole and exclusive property of Franchisor without any consideration to Franchisee, in as much as they are derivative ideas or products of the Franchisor's Proprietary Information.

## **XII. MODIFICATION OF THE SYSTEM**

Franchisor has the right to operate, develop, and change the System in any manner that is not specifically precluded by this Agreement, and such changes shall become part of The Seals System. Whenever Franchisor has reserved in this Agreement a right to take or withhold an action, or to grant or decline to grant Franchisee a right to take action or omit an action, except as otherwise expressly provided in this Agreement, Franchisor may make its decision or exercise its rights on the basis of the information readily available to Franchisor, and Franchisor's judgment of what is in its best interests and/or in the best interests of the System, at the time Franchisor's decision is made, shall be deemed to be reasonable and enforceable, without regard to whether other reasonable or even arguably preferable alternative decisions could have been made by Franchisor and without regard to whether Franchisor's decision or the action Franchisor takes promotes Franchisor's financial or other individual interest. Franchisor has the right to enter into agreements with other franchisees that are different than this Agreement, and the existence of different provisions in other franchise agreements shall not in any manner affect the duties of the parties to this Agreement.

## **XIII. INSURANCE OBLIGATIONS**

You must procure and maintain during the term of the Franchise Agreement insurance policies protecting you, your employees, and us, our officers, employees, and other persons that we designate by name, against all loss, liability, fire, personal injury, death, property damages, or theft arising from, or occurring in connection with, the

operation and promotion of the Business. The insurance coverages noted below reflect the minimum amounts of coverage we require; it is not meant to reflect the actual needs you may have or other state-mandated coverage, and it is your sole responsibility to carefully evaluate whether such minimums will adequately meet your needs and state requirements (i.e., flood insurance, employment practices liability, pollution or major medical, etc.). We may require you to purchase insurance from a specific provider(s).

You must maintain these insurance levels throughout the term of your Franchise Agreement. You must provide us with proof of coverage on demand. You must obtain these insurance policies from insurance carriers that are rated "A" or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which you operate your Franchised Business. All insurance policies must (i) name us (and our members, officers, directors, and employees) and any other entities that we designate (the "Indemnified Parties") as a named additional insureds at the carrier level and (ii) contain a waiver by the insurance carrier of all subrogation rights against us, (iii) will contain no provision which in any way limits or reduces coverage for you in the event of a claim by any one or more of the Indemnified Parties, will extend to and provide indemnity for all obligations assumed by you and all items for which you are required to indemnify us, (iv) will be primary to and without right of contribution from any other insurance purchased by the Indemnified Parties, and (v) will provide, by endorsement, that we receive at least ten days prior notice of any intent to cancel or materially alter any policy.

You must annually submit insurance certifications that demonstrate compliance with our insurance requirements. Periodically we may modify the minimum insurance limits and require different or additional kinds of insurance to reflect changes in insurance standards, normal business practices, higher court awards and other relevant circumstances. You will receive at least 90 days advance written notice of any change.

The current insurance requirements are as follows:

- (i) **Commercial General Liability and Professional Liability Insurance:** Coverage for "bodily injury," "property damage," and "personal and advertising injury" with no exclusion or limitation applying to the products / completed operations liability coverage. Limits must be at least \$2,000,000 general aggregate, \$2,000,000 products and completed operations aggregate, \$1,000,000 personal and advertising injury limit, and \$1,000,000 per occurrence.
- (ii) **Workers' Compensation and Employers' Liability:** You must have the required workers' compensation insurance with limits of at least \$1,000,000 per accident, \$1,000,000 per disease, and a \$1,000,000 policy limit. In certain states, additional coverage may be needed. In "Monopolistic States," including Ohio, North Dakota, Washington, Wyoming, and West Virginia, "Stop Gap" coverage must be purchased separately or added to the commercial general liability policy and/or workers' compensation and employers' liability policy. "Stop Gap" in Ohio must not contain exclusion with the "substantially certain to occur" language.
- (iii) **Commercial Automobile Liability:** Insurance should cover \$1,000,000 for bodily injury and property damage, including coverage for hired and non-owned vehicles, and uninsured or under-insured motorists.
- (iv) **Umbrella Liability Insurance:** You are required to maintain a commercial umbrella liability insurance policy with minimum limits of \$3,000,000 per occurrence and aggregate and shall list the commercial general liability, and automobile liability as scheduled underlying policies.
- (v) **Property Insurance:** You are required to maintain property or renter's insurance, as well as coverage for business personal property (coverage should be on a Special Form with replacement cost valuation).

You are required to comply with any state, county, local, or other municipal insurance requirements. No deductible or self-insured retention can exceed \$5,000 for any required insurance policy. You may not reduce the policy limits, restrict coverage, cancel, or otherwise alter or amend any insurance policy without our written consent. You acknowledge and agree that Regional Accounts may require additional types, limits and terms of insurance coverage.

If Franchisee fails to obtain or maintain any insurance that is required under this Agreement, Franchisor may, but is not obligated to, obtain the required insurance at the sole cost and expense of Franchisee. All costs incurred by Franchisor must be reimbursed by Franchisee upon demand, together with interest at the lower of 3% above the prime interest rate charged by Franchisor's primary bank and the maximum rate permitted by applicable law, from the date the expense is incurred until the date payment is received by Franchisor.

#### **XIV. TERMINATION OF FRANCHISE**

Franchisor may terminate the Franchise Agreement at the time indicated, if any of the following events occurs, each of which shall be deemed a default:

1. immediately, if the Franchisee or the Franchised Business is declared bankrupt or determined to be insolvent, or all or a substantial part of the assets of the Franchisee or the Franchised Business are assigned to or for the benefit of any creditor, or the Franchisee admits its inability to pay its debts as they come due, or the Franchised Business is seized, taken over, or foreclosed by a government official in the exercise of his duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, provided that a final judgment against the Franchisee remains unsatisfied for 30 calendar days (unless an appeal bond has been filed), or if a levy of execution has been made upon the license granted by this Agreement or upon any property used in the Franchised Business, and it is not discharged within 5 business days; or

2. immediately, if the Franchisee abandons the Franchised Business by failing to operate the Franchised Business for 5 consecutive calendar days during which the Franchisee is required to operate a business under the terms of this Agreement (as set forth in the Operations Manual), or any shorter period after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that the Franchisee does not intend to continue to operate the Franchised Business, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the Franchisee's control; or

3. immediately upon notice, if the Franchisor discovers that the Franchisee has made any material misrepresentations to Franchisor relating to the acquisition, operation, or maintenance of the Franchised Business; or

4. immediately upon notice, if the Franchisee is arrested or is indicted for, convicted of, or pleads *nolo contendere* to, a felony or any other criminal misconduct which, in Franchisor's sole judgment, is relevant to the operation of the franchise or impairs the goodwill associated with the System or with The Seals name or Marks; or

5. immediately upon notice, if the Franchisee, after curing any default after notice and opportunity to cure, engages in the same noncompliance, whether or not corrected after notice; or

6. immediately upon notice if Franchisee fails to meet the minimum performance criteria in Section VI;

7. immediately upon notice, in the event Franchisee attempts to transfer any interest in the Franchisee or the Franchised Business in violation of Section XVII; or

8. immediately upon notice, in the event that Franchisee violates the provisions of Section IX(C) hereof; or

9. immediately upon notice, if Franchisee breaches any material provision of this Agreement or any other agreement between Franchisee and Franchisor, if such breach is not susceptible to being cured; or

10. upon 10 calendar days' written notice to Franchisee of its failure to pay any fees or other amounts due to Franchisor, any affiliate of Franchisor, or any other franchisee that is not cured within such 10-day period; or

11. upon 30 calendar days' written notice to Franchisee of noncompliance with any federal,

state, or local law or regulation applicable to the operation of the Franchised Business unless cured within such period; or

12. upon 30 calendar days' written notice to Franchisee of any failure of Franchisee to perform any obligation under this Agreement, other than as specified herein, if such failure is susceptible to being cured and is not cured within such 30-day period; or

13. upon 30 calendar days' written notice to Franchisee if Franchisee fails to commence operation of the Franchised Business within 90-days of the date of the Franchise Agreement, and is not cured within such 30-day period; or

14. prior to the opening of the Franchised Business, if Franchisee or any of its designated employees fails to complete The Seals Initial Training Program described in Section V to the satisfaction of Franchisor; or

15. immediately upon notice, if Franchisee or its owners owns or operates another competitive business or commits any violation of Section XVI hereof;

16. immediately upon notice, if Franchisee commits three or more breaches of any of your obligations under this Agreement, whether or not cured, within any consecutive 12-month period;

17. immediately upon notice, if Franchisee, after curing any default pursuant to this Agreement, commits the same default again, whether or not cured;

18. immediately upon notice, if Franchisee or Franchisee's principals materially breach any other agreement with us or any of our affiliates, or threaten any material breach of any such agreement, and fail to cure such breach within any permitted period for cure; or

19. at such time as Franchisor and Franchisee mutually agree in writing to terminate this Agreement.

## **XV. FRANCHISE OWNER'S OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT**

**A. Your Obligations upon Termination.** Upon termination or expiration of this Agreement for any reason, all rights of the Franchisee under the Agreement will immediately terminate, but Franchisee will have the following duties, which will survive termination or expiration of this Agreement:

1. Franchisee must promptly pay Franchisor all sums owing under the terms of this Agreement, including all damages, costs, and expenses incurred by Franchisor by reason of default on the part of Franchisee, whether or not the expenses occur before or after the termination or expiration of this Agreement. The parties agree that payment of these amounts is not a penalty, but rather a reasonable estimate of compensation to which Company would be entitled in case of premature termination.

2. Franchisee must immediately cease use of the Marks in advertising, websites, forms, manuals, slogans, signs, or in any other manner whatsoever. Franchisee will not represent or advertise that Franchisee was formerly a The Seals System franchisee or that Franchisee did business under the Marks.

3. Franchisee must ensure at its own expense that all mention of the Marks in connection with Franchisee is removed at the earliest possible time from all telephone and other directories, directory assistance records, building directories, signboards, internet sites, internet search engines, membership rosters, and every other place and publication.

4. Franchisee must take all action to cancel any assumed name or equivalent registration which contains any of the Marks and will furnish Franchisor with satisfactory evidence of cancellation.

5. Franchisee must cease and desist from all use of the Marks, and must deliver to Franchisor,

or its duly authorized representative, all materials and papers upon which the Marks appear. Franchisee will not, at any time, adopt or use any word or mark which is similar to or confusing with the Marks. Franchisee must continue to comply with Section XVI of this Agreement.

6. Franchisee must return to Franchisor the Operations Manual and all documents and records that are reasonably necessary or important to the continuation of the Franchised Business.

7. If Franchisor so elects, Franchisee must sell to Franchisor, at Franchisee's cost, all products, supplies, and equipment which bear the Marks.

8. Franchisee must notify the telephone company and listing agencies of the termination or expiration of your right to use all telephone numbers of the Business and all classified and other directory listings of the Business and authorize the transfer of such numbers and directory listings to us or as we direct, all in accordance with the Assignment of Telephone Numbers attached as Attachment D to the Franchise Agreement. This agreement by you regarding the telephone numbers and listings is for the benefit of such telephone company serving you. You agree to hold any such telephone company harmless from any and all claims against it arising out of any orders given by us to terminate, transfer or put-on referral such telephone service.

9. Franchisee must transfer to us or terminate service, as designated by us, all domain names, electronic mail accounts, online listings, social media accounts, and the like, which were set-up for the Business, all in accordance with the Assignment of Domain Name, E-Mail Address, Online Listings, and Social Media Accounts attached as Attachment E to the Franchise Agreement.

10. Notwithstanding the foregoing, in the event of expiration or termination of this Agreement, you will remain liable for your indemnification obligations specified in section 3.25 or under common law and other obligations pursuant to any applicable lease for the Business premises or otherwise, which by their very nature are intended to survive the expiration or termination of this Agreement.

11. Unless otherwise specified above, you must deliver satisfactory evidence of your completion of all this item within 30 days.

12. For three years following the termination or expiration of this Agreement, Franchisee agrees to advise Franchisor of its current business and residential addresses and telephone numbers.

**B. Termination Not Exclusive Remedy.** Termination of this Agreement by the parties shall not be an exclusive remedy and shall not in any way affect a party's rights to receive or collect fees or other amounts payable hereunder, to enforce the provisions of this Agreement, to seek and obtain injunctive relief, or to pursue any other legal or equitable remedy for a breach of this Agreement. In lieu of terminating this Agreement as may be permitted herein, Franchisor, in its sole discretion, may allow Franchisee to continue operating the Franchise on a month-to-month basis, and Franchisor may thereafter terminate this Agreement at any time and for any reason upon 10 days' prior written notice to Franchisee. Franchisor may terminate this Agreement upon such 10 days' prior written notice to Franchisee even if Franchisee cured all defaults during the period when the Franchise was being operated on a month-to-month basis.

## **XVI. COVENANTS**

**A. Best Efforts.** Franchisee covenants that during the term of this Agreement, and except as otherwise approved in writing by Franchisor, Franchisee shall devote Franchisee's best efforts to the efficient and effective management and operation of the Office.

**B. Franchisee Receives Proprietary and Confidential Information.** Franchisee specifically acknowledges that pursuant to this Agreement, Franchisee will receive valuable training and confidential information, including, without limitation, Confidential Information, Trade Secrets, information regarding promotional, operational, sales, and marketing methods and techniques of the Franchisor and the System.

## **C. Noncompetition**

1. ***Services Limitation.*** During the term of this Agreement, except to the extent expressly permitted by Section IX (L), and for the period of 2 years thereafter in the Territory or post-term within 50-miles of from the Territory of any other The Seals franchised business, Franchisee will not, directly or indirectly, without the consent of Franchisor, for Franchisee or on behalf of or in conjunction with any other person, partnership, corporation, limited liability company, or other legal entity, own, maintain, engage in, be employed by, participate in, or have any interest in the operation of any business that offers products or services that are essentially the same as, or substantially similar to, the products or Services that are part of The Seals System, except other franchises offered by Franchisor (any business carrying on such activities, being herein called a “**Competing Business**”). For 2 years after the termination or expiration of this Agreement, Franchisee may not, directly or indirectly, sell, offer to sell, or provide any of the products or Services to any customer served or invoiced by Franchisee during the 365 days prior to the termination or expiration of the Agreement.

2. ***Customer Approval.*** Franchisee may provide the Services for any customer who is not disapproved in writing by Franchisor. Franchisor may disapprove of customers for any reason.

3. ***Severability of Covenants.*** Each of the covenants of Franchisee contained in Sections XVI is a separate and independent covenant applicable to each of the separate counties and states in the United States in which Franchisor transacts business. To the extent that any such covenant may be determined to be judicially unenforceable in any county or state, that covenant will remain enforceable in every other county and state.

4. ***Covenants of Owners of Franchised Business.*** If Franchisee is a partnership, corporation, limited liability company, or other legal entity, each partner, shareholder, member, or other owner of Franchisee of 5% will sign and execute the Franchise Agreement.

5. ***Covenants of Employees.*** Franchisee must ensure that all employees engaged in the management or operation of the Franchised Business must execute and deliver in favor of Franchisor, prior to commencing employment at the Franchised Business, non-disclosure and non-competition covenants, in form and substance satisfactory to Franchisor containing provisions substantially the same as those contained in Section XI and XVI as much as permitted by law.

**D. No Undue Hardship.** Franchisee acknowledges and agrees that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Franchisee, since Franchisee has other considerable skills, experience and education which afford Franchisee the opportunity to derive income from other endeavors.

**E. Inapplicability of Restrictions.** Section XVI shall not apply to the ownership by Franchisee of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

**F. Independence of Covenants.** The parties agree that each of the covenants in this Agreement shall be construed as independent of any other covenant or provision of this Agreement. If any or all portions of the covenants in this Section XVI is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which the Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made part of this Agreement.

**G. Policies and Values.** Franchisee understands and acknowledges that the Franchised Business must follow the Franchisor’s operating policies and stated principles as presented in the Manual.

**H. Modification of Covenants.** Franchisee understands and acknowledges that Franchisor shall have the right, in Franchisor's discretion, to unilaterally reduce the scope of any covenant set forth in this Section XVI or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it shall forthwith comply with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section XVIII hereof.

**I. Enforcement of Covenants.** Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Agreement. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees and expenses) incurred by Franchisor in connection with the enforcement of the covenants set forth in this Agreement.

**J. Injunctive Relief.** The parties acknowledge that upon violation of any of these covenants, Franchisor will experience irreparable harm and it will be difficult to determine the resulting damages to Franchisor. Therefore, in addition to any other remedies Franchisor may have, Franchisor will be entitled to make application to a court of competent jurisdiction for temporary and permanent injunctive relief without the necessity of proving actual damages.

## **XVII. ASSIGNMENT**

**A. Assignment by Franchisor.** There are no restrictions on the right of Franchisor to sell or assign this Agreement in whole or in part; provided, however, that Franchisor will not assign or otherwise transfer this Agreement unless the assignee agrees to assume Franchisor's obligations hereunder.

**B. Assignment by Franchisee**

1. ***Corporation.*** If the Franchisee is a corporation, then any issuance, redemption, or transfer of the equity or voting shares of the Corporation, or any disposition of the assets of the Corporation in one transaction or in a series of transactions which, in the aggregate, results in either (i) more than a 25% change in the beneficial ownership of the corporation, or (ii) a change in the voting control of the corporation, is a transfer which requires the consent of Franchisor; provided, however, that no issuance or transfers of any percentage interest or other kind of transfer shall be permitted to a Competing Business, or to a trust. The bylaws of the corporation and all share certificates evidencing ownership of the corporation must contain the following provision:

"The issuance or transfer of shares in this corporation is subject to the restrictive provisions of a Franchise Agreement with The Seals Franchising, LLC. and any new shareholder and/or transferee, as a condition to the issuance or transfer of shares, agrees to be subject to such Franchise Agreement and all its provisions and requirements. Reference is made to the Franchise Agreement for all particulars."

The Principal Operator remains personally liable in all respects under this Agreement and executes on a form approved by us a personal guarantee and agreement not to sell, assign, pledge, mortgage or otherwise transfer or encumber the stock.

2. ***Limited Partnership or Limited Liability Company.*** If Franchisee is a general or limited partnership or a limited liability company, then the admission of a new partner or member, or the redemption, purchase, liquidation, or transfer of a partnership or limited liability company membership interest, or any disposition of the assets of the partnership or company, in one transaction or in a series of transactions which, in the aggregate, results in either (i) more than a 25% change in the beneficial ownership of the partnership or company, or (ii) a change in the voting control of the partnership or company, is a transfer which requires the consent of Franchisor; provided, however, that no admissions, purchases, or transfers of a partnership or limited liability company interest of any percentage amount or other kind of transfer shall be permitted to a

Competing Business or to a trust. The partnership agreement or limited liability company operating agreement must contain the following provision:

“The issuance or transfer of a legal or beneficial interest in the [partnership] [limited liability company] is subject to the restrictive provisions of a Franchise Agreement with The Seals Franchising, LLC., and any new partner/member and/or transferee, as a condition to the issuance or transfer of such interests, agrees to be subject to such Franchise Agreement and all its provisions and requirements. Reference is made to the Franchise Agreement for all particulars.”

The Principal Operator remains personally liable in all respects under this Agreement and executes on a form approved by us a personal guarantee and agreement not to sell, assign, pledge, mortgage or otherwise transfer or encumber the stock.

3. ***Conditions to Transfer.*** In connection with any transfer which requires Franchisor's consent, Franchisor shall have the right to require that any or all of the following conditions are satisfied, as determined by Franchisor in its sole discretion, in addition to any other conditions imposed by Franchisor:

(a) The proposed transferee or its principals must meet Franchisor's reasonable requirements for experience, net worth, entrepreneurial ability, and character, as applied by Franchisor on a nondiscriminatory basis in selecting new franchisees and must have or obtain before transfer all licenses required by law for operation of the Franchised Business.

(b) The proposed transferee (and each partner, member, or shareholder) must have duly executed an agreement to be bound by, and to assume and perform all the duties of the Franchisee under, the Agreement (including, in the case of such partners, members, or shareholders, the covenants not to compete).

(c) All maintenance, repairs, and renovation required to bring the Franchisee's premises into compliance with Franchisor's standards must have been completed.

(d) The transferor and each of its partners, members, shareholders, officers, and directors must execute a general release of any and all claims against Franchisor and its affiliates, and their shareholders, officers, directors, employees, and agents.

(e) The Fee must have been paid in full; provided, however, that there will be no transfer fee if the transfer or assignment of this Agreement is to the spouse or an adult child of Franchisee, if Franchisee is an individual; or the spouse or an adult child of the majority partner, shareholder, or member of the Franchisee, if Franchisee is a partnership, corporation, or limited liability company.

(f) In the event that the transferee was introduced to you by Franchisor, its agents, or otherwise was a prospective franchisee working with Franchisor's sales team or outside brokers, Franchisee must pay Franchisor a resale assistance fee (“Resale Assistance Fee”), in addition to the transfer fee, equal to the greater of (i) \$15,000; or (ii) Franchisor's actual costs, including but not limited to any broker commission that may be incurred, due, or required arising from the transfer.

(g) Franchisee shall, at Franchisor's request, prepare and furnish to the transferee and/or Franchisor such financial reports and other data relating to the Franchised Business and its operations as Franchisor deems reasonably necessary or appropriate for the

transferee and/or Franchisor to evaluate the Franchised Business and the proposed transfer, including providing Franchisor with a copy of the proposed purchase/sale agreement between Franchisee and transferee and such other information regarding the terms of the proposed transfer as Franchisor may request. Franchisee authorizes Franchisor to confer with any proposed transferee and furnish it with information concerning the Franchised Business and the terms and conditions of the proposed transfer, and Franchisor may do so without any liability, except where Franchisor recklessly or negligently provides untruthful information, makes intentional misstatements to a transferee or otherwise acts in bad faith.

(h) in the case of an installment sale, if you or any Principal Operator proposes to retain a security interest or other financial interest in the Franchise Agreement or the Business operated thereunder (with our consent), you or such Principal Operator agrees to guarantee the performance of the Franchise Agreement until the final close of the installment sale or the termination of such interest, as the case may be.

4. ***Effect of Transfer.*** No sale, assignment, transfer, conveyance, encumbrance, or gift of any interest in this Agreement or in the Franchised Business will relieve Franchisee, or the shareholders, members, or partners participating in any transfer, of the confidentiality or noncompetition provisions of this Agreement.

5. ***Prohibited Transfers.*** For purposes of this Section 5, without limiting the generality of the foregoing, Franchisor may withhold its consent for any business reason whatsoever, including, but not limited to: (i) where the proposed sale, assignment, transfer, or conveyance is to a Competing Business or to a manufacturer of carpeting that Franchisor deems to be a competitor of Franchisor or any affiliate of Franchisor; or (ii) where the proposed sale, assignment, transfer, or conveyance would result in the proposed transferee having a percentage of the sales of The Seals System that Franchisor deems to be undesirable, whether or not such percentage exceeds the percentage provided in the above Section XVII (B)(3). Any purported sale, assignment, transfer, or conveyance without the prior written consent of Franchisor will be null and void and will constitute a material default under this Agreement.

C. **Franchisor's Right of First Refusal.** If at any time during the term of this Agreement Franchisee receives a bona fide offer to purchase the Franchised Business, which offer Franchisee is willing to accept, Franchisee must give Franchisor written notice of the terms of the offer and the name of the offeror and allow Franchisor to elect to purchase the Franchised Business on the same terms as contained in the offer within 30 business days after Franchisor's receipt of the offer, except that in place of any non-cash consideration described in such offer, Franchisor or Franchisor's designee may pay the fair market value thereof in cash. If Franchisor fails to give written notice of election or declines election within the 30 business days, Franchisee may sell to the offeror on the terms offered, subject to the provisions relating to transferability as set forth in this Section, provided that such sale must be consummated within ninety (90) calendar days after the expiration of such 30-business day period; otherwise, the restrictions of this Section shall be renewed and any sale or transfer by Franchisee of its interest in this Agreement, whether to such offeror or other individual or entity, shall again be subject to the restrictions of this Section. In the event Franchisor or Franchisor's designee elects to purchase, the purchase must be completed within 90 calendar days from the date of Franchisor's notice of election to purchase. For purposes of this Section, the term "**fair market value**" of any non-cash consideration shall mean the fair market value of such property as determined by agreement of Franchisee and Franchisor; provided, however, that if the parties are unable to reach such agreement within 30 business days after Franchisor's receipt of the offer, then the fair market value of such property will be determined by one appraiser chosen by the parties, who will determine the value of such property. In the event that the parties are unable to agree upon such an appraiser, the parties agree that the office of the American Arbitration Association ("AAA") in or closest to our National Headquarters (presently

Orlando, Florida) will be employed to choose an appraiser, and such person will determine the fair market value for these purposes. In the event the appraisal process is utilized, the party whose valuation of such property less closely approximated the value selected pursuant to the above-described appraisal process, measured by dollar amounts and not by percentages, will pay all costs of the appraisal process. Any delay caused by such appraisal process or the parties' disagreement over the fair market value of any non-cash property will extend the period in which Franchisor is to act under this Section by that number of calendar days equal to the period of the delay.

**D. Transfer Upon Death or Mental Incapacity.** Upon the death or permanent disability of the Franchisee, if the Franchisee is an individual, or upon the death or permanent disability of the majority shareholder, member, or partner of Franchisee if the Franchisee is a corporation, limited liability company, or a partnership, the spouse, adult children, or estate will have the right to participate in the ownership of the Franchised Business under the terms of this Agreement for a period of 180 calendar days from the date of death or disability. During that time, the spouse, adult children, or estate must either:

- (i) satisfy all of the qualifications for a transferee or purchaser of The Seals System franchise, except that no transfer fee or initial fee will be charged; or
- (ii) sell, transfer, or assign the Franchised Business to a person who satisfies all of the qualifications for a transferee or purchaser of The Seals System franchise.

In addition, during such time, Franchisor may enter the Franchised Business premises and take possession of the Franchised Business, its equipment, furniture, fixtures, records, lists, and supplies and continue the operation of the Franchised Business for the benefit and account of Franchisee (after paying operating expenses, including a management fee to be established from time to time in the Operations Manual) pending the conclusion of whichever of the above options is chosen by Franchisee's spouse, adult children, or estate.

**E. Assignment to Corporation or Limited Liability Company.** If Franchisee is a partnership or individual and hereafter desires to conduct the Franchised Business in an incorporated or limited liability company form, Franchisor will not unreasonably withhold its consent to the transfer of this Agreement and Franchisee's interest herein to any corporation or limited liability company formed for that purpose; provided that Franchisee and such corporation or company must, prior to such transfer, satisfy such reasonable requirements as Franchisor shall impose, which may include, without limitation, the following:

1. Franchisee or its partners will at all times be the record and/or beneficial owner of, and will have, by law or by written agreement satisfactory to Franchisor, voting control of, not less than 51% of the issued and outstanding shares or membership interests of each class of the capital stock or membership interests of such corporation or company;
2. No other person or entity, except members of Franchisee's or its partners' respective immediate families may own or have any right to acquire any shares, membership interests or other securities of such corporation or company;
3. The form and content of the articles or certificate of incorporation, organization, or formation of such corporation or company and by-laws of any such corporation or operating agreement of any such company must contain provisions enforceable under applicable law restricting the issuance and transfer of shares, membership interests, or securities of the corporation or company to such extent as Franchisor shall reasonably require;
4. Franchisor must have been furnished in writing the names and addresses of all existing or prospective shareholders or members of the corporation or company, and Franchisee or its partners and (if requested by Franchisor) each such shareholder or member, or prospective

shareholder or member, must have guaranteed in writing (in form and substance satisfactory to Franchisor) the performance by the corporation or company of the obligations of the Franchisee under this Agreement; and

5. Each shareholder or member must have executed and delivered to Franchisor a non-competition covenant in form and substance satisfactory to Franchisor, containing the covenants not to compete.

After assignment of this Agreement to a corporation or limited liability company as above provided, or, if Franchisee is a corporation or limited liability company at the date of this Agreement, the sale, transfer, assignment, or encumbrance or change in rights of any class or series of capital stock, membership interests, or other securities of such corporation or company, whether by operation of law or otherwise, will be deemed a sale by Franchisee or (if a partnership) its partners of its or their interest(s) in this Agreement and will in all respects be subject to the limitations set forth in this Section on the sale of Franchisee's interest in this Agreement. Any merger, consolidation, or reorganization by any corporation or limited liability company having an interest in this Agreement will be deemed a sale of such interest and, unless the prior written consent of Franchisor has been obtained, will constitute a material breach hereof.

#### **XVIII. OPERATION IN THE EVENT OF ABSENCE, INCAPACITY OR DEATH**

In order to prevent any interruption of the business of the Office which would cause harm to said business and thereby depreciate the value thereof, Franchisee authorizes the Franchisor, in the event that Franchisee (or, in the case of an entity franchise owner, the Operating Partner) is absent or incapacitated or dies, and is not, therefore, in the sole judgment of the Franchisor, able to operate the Office hereunder, to operate the Office for so long as the Franchisor deems necessary and practical, and without waiver of any other rights or remedies the Franchisor may have under this Agreement; provided, however, that in the event that the Franchisor should commence to operate the Office, the Franchisor shall not be obligated to operate the Office for a period of more than ninety (90) days. All monies from the operation of the Office during such period of operation by the Franchisor shall be kept in a separate account and the expenses of the Office, including reasonable compensation and expenses for the Franchisor's representatives, shall be charged to said account. If, as herein provided, the Franchisor temporarily operates the Office, Franchisee agrees to indemnify and hold harmless the Franchisor and any representative of the Franchisor who may act hereunder, from any and all claims arising from the acts and omissions of the Franchisor and its representative arising therefrom.

#### **XIX. INDEPENDENT CONTRACTOR**

A. **No Fiduciary Relationship.** It is understood and agreed by the parties hereto that this Agreement does not establish a fiduciary relationship between them, that the Franchisee shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

B. **Franchisee Is An Independent Contractor.** Franchisee is an independent contractor. The operation of the Franchised Business does not make the Franchisee and Franchisor partners or joint venturers or make them agents, servants, employees, or fiduciaries of the other, and Franchisee will not hold itself out to the contrary. Franchisee will advise its suppliers and customers of its independent ownership of the Franchised Business and will clearly state in its business forms, stationery, advertising, and elsewhere that it is independently owned and operated.

#### **XX. WAIVER**

No failure of the Franchisor to exercise any power reserved to it by this Agreement or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of the Franchisor's right to demand exact compliance with any of the terms herein. Waiver by the Franchisor of any particular default or breach by Franchisee shall not affect or impair the Franchisor's rights with respect to any subsequent default or breach of the same, similar or different nature; nor shall

any delay, forbearance, or omission of the Franchisor to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair the Franchisor's right to exercise the same; nor shall such constitute a waiver by the Franchisor of any succeeding breach by Franchisee of any terms, covenants or conditions of this Agreement.

## **XXI. ENFORCEMENT**

### **A. Dispute Resolution**

1. *Internal Dispute Resolution.* Franchisee must first bring any claim or dispute between Franchisor and Franchisee to Franchisor's management and make every effort to resolve the dispute internally. Franchisee must first exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third-party. This agreement to internally resolve disputes will survive termination or expiration of this Agreement.

2. *Mediation.* At Franchisor's option, all claims or disputes between Franchisee and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure sent forth in Section XXI.A.1 above, will be submitted first to mediation to take place in the city and state of our then-current National Headquarters (presently Orlando, Florida), under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. 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. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this section if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Marks, the System, or in any 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.

3. *Arbitration.* Any controversy or claim arising out of or relating to this Agreement, other than a claim for injunctive relief, will be settled by binding arbitration, and judgment upon the award may be entered in any court having jurisdiction thereof. All arbitrations must be individual proceedings and not a class arbitration or multi-party arbitration. The arbitration must be conducted through the AAA office in city and state of our then-current National Headquarters (presently Orlando, Florida), and will be conducted by a panel of three arbitrators selected in accordance with the rules and regulations of the AAA applicable to commercial matters. The arbitrators will render a decision based on, and consistent with, state law of our then-current National Headquarters (presently Florida), and with the facts and evidence that are properly introduced at the hearing. If there are any disputes in matters of public policy, restraint of trade, securities laws violation, or any other matter which cannot be the subject of arbitration, those matters will be separated from all other disputes and those other disputes will first be settled by arbitration. After arbitration, any disputes which cannot be tried by arbitration will be brought before a court of competent jurisdiction. Should

the parties be unable to separate matters which will be addressed by arbitration from those which cannot be addressed by arbitration, the allegations and positions of the parties will be brought before the arbitrators, and their decision regarding the appropriateness for arbitration of the matters in controversy will be determinative and binding upon the parties. Unless otherwise determined by the arbitrators, the fees and expenses of arbitration, not including attorneys' fees, will be shared equally by the parties. The parties acknowledge that this alternative dispute resolution procedure is fair and enforceable.

**B. Forum Selection; Jurisdiction.** Any claims not subject to arbitration shall be brought and/or defended to conclusion in the courts in the city and state of our then-current National Headquarters (presently Orlando, Florida). The parties' consent (and waive any objections they might otherwise have) to institute any such claims in a state or federal court of general jurisdiction in our then-current National Headquarters (presently Orlando, Florida). The parties irrevocably submit to the jurisdiction of such courts and waive any objections to jurisdiction, venue, or the convenience of the court location.

**C. Severability and Substitution of Valid Provisions.** If any term or provision of this Agreement is held invalid or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement will continue in full force and effect, except to the extent either party would fail to obtain the substantial benefit of its bargain.

**D. Continuing Obligations.** ALL OBLIGATIONS OF THIS AGREEMENT WHICH EXPRESSLY OR BY THEIR NATURE SURVIVE THE EXPIRATION OR TERMINATION OF THIS AGREEMENT WILL CONTINUE IN FULL FORCE AND EFFECT AFTER AND NOTWITHSTANDING THEIR EXPIRATION OR TERMINATION UNTIL THEY ARE SATISFIED IN FULL OR BY THEIR NATURE EXPIRE.

**E. Limitation of Damages and Claims.** Franchisee and any Guarantor agree that, in the event of any dispute between the Parties, that any recovery by Franchisee and/or Guarantor shall never exceed the amounts previously paid by Franchisee to Franchisor during the Term of this Agreement.

FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO, OR CLAIM FOR, ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THEM, EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

FRANCHISEE AGREES THAT ANY AND ALL CLAIMS BY FRANCHISEE AGAINST FRANCHISOR ARISING OUT OF, OR RELATING TO, THIS AGREEMENT MAY NOT BE COMMENCED BY FRANCHISEE UNLESS BROUGHT BEFORE THE EARLIER OF: (A) THE EXPIRATION OF ONE YEAR AFTER THE ACT, TRANSACTION, OR OCCURRENCE UPON WHICH SUCH CLAIM IS BASED; OR (B) ONE YEAR AFTER THIS AGREEMENT EXPIRES OR IS TERMINATED FOR ANY REASON. FRANCHISEE AGREES THAT ANY CLAIM OR ACTION NOT BROUGHT WITHIN THE PERIODS REQUIRED UNDER THIS SECTION 7.9 SHALL FOREVER BE BARRED AS A CLAIM, COUNTERCLAIM, DEFENSE, OR SET OFF.

**F. Rights of Parties Are Cumulative.** The parties are entitled to any and all remedies at law or in equity, in addition to any remedies set forth in this Agreement. Franchisor's right to terminate this Agreement in accordance with Section XIV shall be deemed to permit Franchisor to elect remedies other than termination.

**G. Governing Law.** Except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C., Section 1051 et.seq.) this Agreement has been accepted and made in the State of our then current National Headquarters (presently Florida) and all rights hereunder will be governed by and interpreted under the internal laws (and not the law of conflicts of laws) of the said State.

**H. Waiver of Jury Trial.** FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

**I. Waiver of Class-Action Lawsuits.** ANY DISPUTE BETWEEN FRANCHISOR AND FRANCHISEE, WHETHER RESOLVED IN ARBITRATION OR IN A COURT PROCEEDING, MUST BE RESOLVED IN AN INDIVIDUAL PROCEEDING, AND MAY NOT BE RESOLVED VIA A CLASS ACTION OR SIMILAR MULTI-PARTY PROCEEDING.

**J. Binding Effect.** This Agreement will inure to the benefit of, and be binding upon, the parties hereto and their heirs, successors, representatives, assigns, and transferees to the extent this Agreement is assignable.

**K. Construction.** All headings of the various sections and subsections of this Agreement are for convenience only and do not affect the meaning or construction of any provision. All references in this Agreement to masculine, feminine, neuter, or singular usage will be construed to include the masculine, feminine, neuter, singular, or plural, wherever applicable.

**L. Costs and Attorney Fees.** Franchisee shall reimburse Franchisor for the costs and expenses incurred by Franchisor as a result of Franchisee's failure to comply with the terms of this Agreement, including, without limitation, attorneys', accountants', consultants', and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of, or in connection with the filing of any proceeding to enforce this Agreement.

**M. Entire Agreement.** This Agreement, together with its Exhibits, expresses fully the understanding by and between the parties, and all prior understandings, agreements, commitments, conditions, warranties, and representations of any kind, oral or written, as to the Franchised Business (except as to information and representations submitted by Franchisee to Franchisor in the application to purchase the Franchise) are cancelled and null, void and of no effect. Any previous matter, presently covered within this Agreement, is hereby superseded and cancelled with no further liabilities or obligations of the parties with respect to such matter, except as to any monies due and unpaid between the parties to this Agreement at the time of execution of this Agreement. Nothing in this Agreement or in any related agreement between Franchisor and Franchisee is intended to disclaim the representations in Franchisor's Franchise Disclosure Document.

This Agreement may be amended, modified, or discharged, in whole or in part, only by a document in writing subscribed by all of the parties subscribing to this Agreement.

**N. Forum Selection; Jurisdiction.** Any claims not subject to arbitration shall be brought and/or defended to conclusion in the courts in the city and state of our then-current National Headquarters (presently Orlando, Florida). The parties' consent (and waive any objections they might otherwise have) to institute any such claims in a state or federal court of general jurisdiction in our then-current National Headquarters (presently Orlando, Florida). The parties irrevocably submit to the jurisdiction of such courts and waive any objections to jurisdiction, venue, or the convenience of the court location.

**O. Indemnification.** Franchisee will, during and after the term of this Agreement, indemnify and hold Franchisor and its affiliates, and each of their employees, officers, directors, shareholders, agents, representatives, successors, and assigns (collectively, "**Indemnitees**") free and harmless from and against any and all costs (including reasonable attorneys', accountants', consultants', and expert witness fees), damages, liabilities, expenses, claims, demands, actions, or causes of action which may be incurred by or threatened against Indemnitees and which arise out of (i) the Franchisee's operation of the Franchised

Business, (ii) transactions between Franchisee and any third party, or (iii) Franchisee's improper use of the Marks.

### **XIII. TAXES, PERMITS AND INDEBTEDNESS**

**A. Taxes.** Franchisee will promptly pay when due all applicable taxes and assessments against the premises and the equipment used in the Franchised Business, and cause to be discharged all liens or encumbrances of every kind or character created or placed upon or against any of its property in accordance with the terms of any agreement, law, ordinance, or court order imposing the same, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the Franchised Business.

In the event of any bona fide dispute as to any liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with the proper procedures of the taxing authority or applicable law; however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar liens, writ or warrant, or attachment by a creditor to occur against the premises of the Office or any improvements thereon.

**B. Franchisee Must Comply With Laws.** You must at all times conduct the Business in compliance with all applicable laws, regulations, codes, and ordinances. You also agree to comply with all applicable laws pertaining to the privacy of the customer, employee, and transactional information ("Privacy Laws") and other applicable data protection laws that are applicable to the Prism franchise system as a whole. You must promptly notify us of any claim or litigation in which you are involved that arises from the operation of the Business. You acknowledge that you are an independent business and are solely responsible for control and management of the Business, including such matters as hiring and discharging your employees. You acknowledge that we have no power, responsibility, or liability in respect to employee relations issues, including hiring, discharge and discipline, and related matters. As between us and you, you are solely responsible for the safety and well-being of your employees and the customers of the franchise business. At no time will you or your employees be deemed to be employees of us or our affiliates. You must promptly notify us of any claim or litigation in which you are involved that arises from the operation of the Business.

This Agreement will be deemed to contain and will be construed so as to contain and be consistent with, all mandatory provisions and requirements of applicable state and federal law. In particular, Franchisee represents it has a copy of, and is familiar with, the United States Foreign Corrupt Practices Act, 15 U.S.C. §78dd-2 (the "FCPA"), and the purposes of the FCPA; in particular, the FCPA's prohibition of the payment or the gift of any item of value, either directly or indirectly, by a company organized under the laws of the United States of America or any of its states to an official, employee, or officer of, or person acting in an official capacity for, a government or international organization for the purpose of influencing any action or decision, or inducing him to use his influence with the government or organization in any manner contrary to his position or creating an improper advantage to assist a company in obtaining or retaining business for, with, or in that country or organization or directing business to any person. Currently a copy of the FCPA may be found on the internet at [www.usdoj.gov/criminal/fraud/fcpa.html](http://www.usdoj.gov/criminal/fraud/fcpa.html). Franchisee represents and warrants that it will take no action that would constitute a violation of the FCPA or any law, and Franchisee will obtain a similar undertaking from its affiliates and owners. Further, Franchisee represents that it and its affiliates do and shall comply with all relevant laws against corrupt business practices, against money laundering and against facilitating or supporting person who conspire to commit acts of terror against any person or government.

**C. Franchisee Must Notify Franchisor of Lawsuits.** Franchisee shall notify the Franchisor in writing within five (5) business days of receiving notice of the commencement of, or threat of, any action, suit, or proceeding by or against Franchisee, and of the issuance of, or threat of, any inquiry, subpoena, order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which arises out of,

concerns, or may affect the operation or financial condition of the Office, including, without limitation, any criminal action or proceedings brought by Franchisee against its employees, customers, or other persons.

#### **XXIV. RESTRICTIONS ON GOODS AND SERVICES OFFERED BY FRANCHISE OWNER**

This Agreement provides that the Franchisee may not be associated either directly or indirectly with a business competitive with the Office. Further, the Franchisee may only provide such products and services at the Office as are permitted by the Franchisor. The Franchisee is not limited as to the customers to whom it may sell the products and services authorized by the Franchisor.

A Franchisee may not offer for sale at the Office any products or services not authorized by the Franchisor; sell any products from any location other than the Office; and may not use the Office for any other purpose than the operation of a The Seals Office.

The Franchisor, from time-to-time, shall conduct market research and testing to determine the viability of new products and services. A Franchisee shall cooperate by participating in such programs and by purchasing and promoting the sale of such test products, as required by the Franchisor.

#### **XXV. NOTICES**

All written notices permitted or required to be delivered by the provisions of this Agreement or the Manual shall be deemed so delivered three (3) days after placed in the mail, by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal address which the notifying party has on record.

All notices or communications required or permitted under this Agreement shall be directed to Franchisor by an overnight delivery service that tracks delivery or by United States mail, first-class postage prepaid, return receipt requested, at the following address:

Notices to Franchisor

The Seals Franchising, LLC.  
Attention: President/Brand Leader  
6700 Forum Drive, Suite 150  
Orlando, FL 32821

Notices to Franchisee: \_\_\_\_\_

Attn: \_\_\_\_\_

If Franchisee is other than an individual, Franchisee must designate in writing to Franchisor the name and address of its agent to receive notice. Notice to the agent will be conclusively presumed to be full and adequate notice to Franchisee. Notice shall be deemed to have been given on the date of actual receipt, or, if delivery is refused, on the date of attempted delivery.

Notwithstanding the above, any notice by a means which affords the sender evidence of delivery, including but not limited to e-mail, shall be deemed to satisfy any notice requirement.

#### **XXVI. FRANCHISOR'S RIGHTS**

The following provisions will apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement and the relationship between the parties:

**A. Franchisor's Rights.** Whenever this Agreement provides that Franchisor has or reserves (retains) a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

**B. Franchisor's Reasonable Business Judgment.** Whenever Franchisor reserves discretion in a particular area or where Franchisor agrees or is required to exercise its rights reasonably or in good faith, Franchisor will satisfy its obligations whenever exercising "reasonable business judgment" in making its decision or exercising its rights. A decision or action by Franchisor will be deemed to be the result of "reasonable business judgment," even if other reasonable or even arguably preferable alternatives are available, if its decision or action is intended to promote or benefit the System generally even if the decision or action also promotes a financial or other individual interest of Franchisor. Examples of items that will promote or benefit the System include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the Business System. Neither Franchisee nor any third party (including a trier of fact), will substitute their judgment for Franchisor's reasonable business judgment.

**C. Varying Standards.** Because complete and detailed uniformity under many varying conditions may not be possible or practical, the Franchisor specifically reserves the right and privilege, at its sole and absolute discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any The Seals franchise based upon the peculiarities of a particular site or circumstance, density of population, business potential, population or trade area, existing business practices, or any other condition which the Franchisor deems to be of importance to the successful operation of such franchise owner's System Office. Franchisee shall not have any right to contest a variation from standard specifications and practices granted to any other Franchisee and shall have no right to require the Franchisor to grant a like or similar variation to the Franchisee.

**D. No Warranties.** Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefore.

## **XXVII. AUTHORITY**

If Franchisee is a partnership, joint venture, association, corporation, limited liability company, or other legal entity, then all persons who have any beneficial interest in Franchisee must execute this Franchise Agreement where indicated below and will be bound jointly and severally by all of the terms and provisions hereof.

## **XXVIII. SPECIAL REPRESENTATIONS**

Franchisee expressly acknowledges and accepts the following:

1. Franchisee received from Franchisor a Franchise Disclosure Document, together with a copy of all proposed agreements relating to the sale of the franchise, at least 14 calendar days prior to the execution of this or any other binding agreement or the payment of any consideration to Franchisor. Franchisee also received this Agreement and any related agreements with all blanks completed at least 7 calendar days prior to the execution of this Agreement;

2. Franchisee's success in owning and operating a The Seals System franchise is speculative and will depend on many factors including, to a large extent, Franchisee's independent business ability and personal efforts. Franchisee further agrees that Franchisee or one of Franchisee's principal owners will devote

best efforts to the management and development of the Franchise;

3. neither Franchisor nor any person or affiliate has guaranteed any results to Franchisee and cannot, except under and to the extent of the terms of this Agreement, exercise control over Franchisee's business;

4. Franchisee did not receive from Franchisor oral or written information contrary to the information contained in the Franchise Disclosure Document and this Agreement. Nothing in this Agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document that Franchisor provided to Franchisee;

5. Franchisee did not receive oral or written financial performance representations, except as provided in the Franchise Disclosure Document, and has not relied on any warranty or representation, expressed or implied, as to the potential success of the business venture contemplated by this Agreement;

6. Franchisor has encouraged Franchisee, and Franchisee has had ample opportunity, to seek legal and/or other professional guidance and advice prior to signing the Franchise Agreement, and Franchisor has encouraged Franchisee to contact existing The Seals franchisees to gain a better understanding of the requirements and benefits of owning a The Seals franchise;

7. Franchisee has had a full opportunity to review the Franchise Disclosure Document, Franchise Agreement, and related agreements provided by Franchisor and understands the terms, conditions, and obligations of the Franchise Agreement;

8. No representations or promises have been made by Franchisor or any person or affiliate to induce Franchisee to enter into this Agreement except as specifically included in this Agreement; and

9. Franchisee has dealt in varied business transactions in the past, and Franchisee is not purchasing a The Seals franchise for speculative purposes.

**A. Accuracy of Representations.** Franchisee and its owners represent and warrant to Franchisor that (a) all statements, documents, materials, and information submitted to Franchisor, including the application for the rights granted by this Agreement, are true, correct and complete in all material respects, and there have been no material omissions; and (b) Franchisee and its owners agree to comply with and/or to assist Franchisor to the fullest extent possible in its efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee and its owners certify, represent and warrant that none of their property or interests is subject to being "blocked" under any of the Anti- Terrorism Laws and that Franchisee and its owners are not otherwise in violation of any of the Anti- Terrorism Laws. "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Franchisee agrees to promptly advise Franchisor of any material change in the information or statements submitted to Franchisor. Franchisee acknowledges and understands that Franchisor has entered into this Agreement in reliance on the statements and information submitted to Franchisor by Franchisee and its owners, and that any material breach, inaccuracy or omission is grounds for Franchisor to terminate this Agreement.

**B. Additional Representations.** Franchisee makes the following additional warranties and representations:

(a) Franchisee is a (check one):

- partnership
- corporation

- sole proprietorship
- limited liability company

(b) If Franchisee is a corporation, limited liability company, or partnership, the name and address of, and percentage interest owned by, each shareholder, member, or partner is as follows:

<u>NAME</u>	<u>ADDRESS</u>	<u>PERCENTAGE INTEREST</u>

(c) The address where Franchisee's records are maintained is:

(d) The name and address of Franchisee's designated agent to receive notice is:

**Franchisee must not substitute a new designated agent without prior written notice to Franchisor.**

(e) The name and address of Franchisee's manager is:

**C. Counterparts.** This Agreement may be executed in counterparts, all of which together will constitute one and the same Agreement.

***SIGNATURES APPEAR ON FOLLOWING PAGE***

The parties have executed this Franchise Agreement on \_\_\_\_\_, 20\_\_.

FRANCHISEE:

(If an individual)

Signed: \_\_\_\_\_

(If a corporation)

Name of corporation: \_\_\_\_\_

State of incorporation: \_\_\_\_\_

Signed by: \_\_\_\_\_

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

(If a general or limited partnership)

Name of partnership: \_\_\_\_\_

State of organization: \_\_\_\_\_

Name of managing or general

Partner: \_\_\_\_\_

Signed by: \_\_\_\_\_

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

(If a limited liability company)

Name of company: \_\_\_\_\_

State of organization: \_\_\_\_\_

Signed by: \_\_\_\_\_

Title [member or manager]: \_\_\_\_\_

FRANCHISOR:

The Seals Franchising, LLC.

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

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

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

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

Each of the undersigned individuals or entities certifies that he/she/it is an owner of the above- named Franchisee and hereby executes this Franchise Agreement and agrees to be bound by all the terms and conditions thereof to the same extent as the Franchisee:

Print Name of Shareholder/ Partner/Member:

Print Name: \_\_\_\_\_ Signed: \_\_\_\_\_

THE SUBMISSION OF THIS AGREEMENT TO YOU DOES NOT CONSTITUTE AN OFFER. THIS AGREEMENT IS NOT EFFECTIVE UNTIL SIGNED BY A CORPORATE OFFICER OF THE SEALS FRANCHISING, LLC. NO FIELD REPRESENTATIVE OR SALESMAN IS AUTHORIZED TO EXECUTE THIS AGREEMENT ON BEHALF OF THE SEALS SERVICES. FRANCHISEE IS ADVISED NOT TO INCUR ANY EXPENSE OR OBLIGATION WITH RESPECT TO THE FRANCHISED BUSINESS UNTIL FRANCHISEE HAS RECEIVED A FULLY EXECUTED COPY OF THIS AGREEMENT.

## Attachment A to the Franchise Agreement: Data Sheet

1. **Franchisee:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. **Owners.** You represent and warrant to us that the following persons are the only owners of Franchisee:

Name	Home Address	Percentage of Ownership

3. **Initial Franchise Fee:** \_\_\_\_\_

4. **Effective Date:** \_\_\_\_\_

FRANCHISOR: The Seals Franchising, LLC.

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

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

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

FRANCHISOR: The Seals Franchising, LLC.

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

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

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

## **Attachment B to the Franchise Agreement: Territory**

The Franchisee's Territory (as described in Section I (B) of the Franchise Agreement of which this Exhibit A is a part) is:

**FRANCHISOR:** The Seals Franchising, LLC.

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISOR: The Seals Franchising, LLC.

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Title: \_\_\_\_\_

**Attachment C to the Franchise Agreement: Personal Guarantee**

**PERSONAL GUARANTEE AND AGREEMENT TO BE BOUND**  
**PERSONALLY, BY THE TERMS AND CONDITIONS**  
**OF THE FRANCHISE AGREEMENT**

In consideration of the execution of this Franchise Agreement by us, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in this Franchise Agreement, to be paid, kept and performed by the franchisee, including without limitation the dispute resolution provisions of the Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each condition and term contained in this Franchise Agreement and agree that this Personal Guarantee should be construed as though the undersigned and each of them executed a Franchise Agreement containing the identical terms and conditions of this Franchise Agreement.

The undersigned waives: (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he/she may have to require that an action be brought against the franchisee or any other person as a condition of liability.

In addition, the undersigned consents and agrees that: (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the franchisee or any other person; and (2) such liability will not be diminished, relieved or otherwise affected by the franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Agreement, or the amendment or extension of the Agreement with or without notice to the undersigned.

It is further understood and agreed by the undersigned that the provisions, covenants, and conditions of this Guarantee will inure to the benefit of the successors and assigns of us.

**PERSONAL GUARANTORS**

---

Individually

---

Address

---

City, State, Zip Code

---

Telephone

---

---

Individually

---

Address

---

City, State, Zip Code

---

Telephone

## **Attachment D to the Franchise Agreement: Assignment of Telephone Numbers**

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

This assignment is effective as of the date of termination of the Franchise Agreement entered into between The Seals Franchising, LLC (“us”) and \_\_\_\_\_ (“you”). You hereby irrevocably assign to us or our designee the telephone number or numbers and listings issued to you with respect to each and all your Franchised Businesses, including employee cellular telephone numbers that have been used in connection with Franchised Businesses in any respect (“telephone numbers”). This assignment is for collateral purposes only and we have no liability or obligation of any kind whatsoever arising from this assignment, unless we desire to take possession and control over the telephone numbers.

We hereby are authorized and empowered upon termination of the Franchise Agreement and without any further notice to you to notify the telephone company, as well as any other company that publishes telephone directories (“telephone companies”), to transfer the telephone numbers to us or such other person or entity as we designate. You hereby grant to us an irrevocable power of attorney and appoint us as your attorney-in-fact to take any necessary actions to assign the telephone numbers, including but not limited to, executing any forms that the telephone companies may require to effectuate the assignment. This assignment is also for the benefit of the telephone companies, and the telephone companies may accept this assignment and our instructions as conclusive evidence of our rights in the telephone numbers and our authority to direct the amendment, termination, or transfer of the telephone numbers, as if they had originally been issued to us. In addition, Franchisee agrees to hold the telephone companies harmless from any and all claims against them arising out of any actions or instructions by The Seals Franchising, LLC regarding the telephone numbers.

### **FRANCHISOR:**

The Seals Franchising, LLC

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

Its: Authorized Representative

### **FRANCHISEE:**

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

Its: Authorized Representative

**Attachment E to the Franchise Agreement: Assignment of Domain Name, E-Mail Address, Online Listings and Social Media Accounts**

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

This assignment is effective as of the date of termination of the Franchise Agreement entered into between The Seals Franchising, LLC (“we” or “us”) and \_\_\_\_\_ (“you” or “franchisee”). You hereby irrevocably assign to us or our designee the domain names, e-mail addresses, online listings, and/or Social Media accounts (collectively the “Web Listings”) with respect to each and all your Franchised Businesses. You agree to pay all amounts, whether due and payable or not, that any domain name registry (“Registry”) or Internet Service Provider (“ISP”) may require in connection with such transfer. This assignment is for collateral purposes only and we have no liability or obligation of any kind whatsoever arising from this assignment, unless we desire to take possession and control over the domain names and e-mail addresses.

We are hereby authorized and empowered upon termination of the Franchise Agreement and without any further notice to you to notify the Registry and the ISP to transfer or terminate (as we designate) the Web Listings to us or such other person or firm as is designated by us. In furtherance thereof, you hereby grant an irrevocable power of attorney to us and appoint us as your attorney-in-fact to take any necessary actions to assign the Web Listings, including but not limited to, executing any forms that the Registry and the ISP may require to effectuate the assignment. This assignment is also for the benefit of the Registry and the ISP, and the Registry and the ISP may accept this assignment and our instructions as conclusive evidence of our rights in the Web Listings and our authority to direct the amendment, termination, or transfer of the Web Listings, as if they had originally been issued to us. In addition, you agree to hold the Registry and the ISP harmless from all claims against them arising out of any actions or instructions by us regarding the Web Listings.

**FRANCHISOR:**

The Seals Franchising, LLC

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

Its: Authorized Representative

**FRANCHISEE:**

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

Its: Authorized Representative

**Attachment F to the Franchise Agreement: FRANCHISEE  
AUTHORIZATION FORM FOR ELECTRONIC FUNDS TRANSFER**

The undersigned hereby authorizes The Seals Franchising, LLC., or any affiliated entity (collectively "The Seals"), to initiate debit and/or credit entries to my account at the financial institution listed below, including but not limited to ACH debit entries for Royalty Fees, Marketing Fees, Software Fees, or any other amounts that become payable by the undersigned to The Seals or for credits due by The Seals to me. This authorization will remain in effect until I notify The Seals in writing to cancel it. Please complete this form, attach a voided check and your current W9 (<https://www.irs.gov/pub/irs-pdf/fw9.pdf>), and return it to The Seals AP@eversmithbrands.com.

**SECTION 1: ACCOUNT HOLDER INFORMATION**

Tax ID Number:		
State of Business Registration:		
Franchisee Legal Name:		
Account Number(s) (if applicable):		
Franchisee Remittance Address: (Street Address, City, State, ZIP/Postal Code)		
Franchisee Contact Name (First and Last Name):		
Franchisee Contact Phone Number:		
Franchisee Contact Email Address:		

**SECTION 2: AUTOMATED CLEARING HOUSE (ACH) INFORMATION**

Type of Request:	New	Updated
Bank Routing Number:		
Account Number (for debits):		
Account Number (for credits):		
Vendor Name on Bank Account (Per W-9):		
Bank/Institution Name:		
Bank Contact Name:		

**SECTION 3: AUTHORIZATION / CERTIFICATION**

I certify that the information I provided is correct and that **I am an authorized signer or designate of the account provided above and am entitled to provide this authorization.** I (we) hereby authorize The Seals to initiate credit or debit entries to the account and financial institution listed above. I (we) further authorize adjusting entries (reversals) solely to correct errors, if any. This authorization is to remain in full force and effect until The Seals has received written notification from me (us) of its termination in such time and manner as to afford The Seals and the depository financial institution a reasonable opportunity to act on it. I also acknowledge that it is my responsibility to ensure sufficient funds are available in the account for ACH debits, and that I will be charged a fee, presently \$55, for each return due to non-sufficient funds. I (we) authorize the financial institution shown above to confirm my (our) account information, including account name, number, and type. I (we) acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. Law.

Signature:	Title:
Name:	Date:

## EXHIBIT D. CONFIDENTIALITY/NONDISCLOSURE AGREEMENT

This Confidentiality and Non-Competition Agreement (“**Agreement**”) is made this day of \_\_\_\_\_, 20\_\_\_\_, by and between (the “**Franchisee**”), and \_\_\_, who is an owner, partner, shareholder, member, manager, supervisor, and employee of Franchisee (the “**Individual**”).

### RECITALS:

**WHEREAS**, The Seals Franchising, LLC. (“**The Seals**”) owns proprietary know-how and trade secrets relating to the establishment, marketing, promotion, and operation of businesses for the sale, replacement, and repair of gaskets for refrigeration door units, freezer doors, oven doors and cutting boards (the “**The Seals System**”);

**WHEREAS**, The Seals has expended time, effort, and money to develop and protect business plans, procedures, training programs, and marketing identity in connection with the operation of The Seals System;

**WHEREAS**, The Seals has rights to the trademark, distinctive logo, and identifying commercial symbol and design “The Seals Services”, the service mark and name “The Seals”, and other commercial symbols (such marks as now existing or as they may be developed hereafter being referred to herein as the “**Marks**”);

**WHEREAS**, The Seals maintains high standards of quality for its products and services such that valuable goodwill is attached to the Marks;

**WHEREAS**, The Seals has licensed Franchisee, under a The Seals Service Franchise Agreement (the “**Franchise Agreement**”), to operate a The Seals System franchise under the Marks using The Seals’s trade secrets and other proprietary and confidential information in accordance with The Seals System;

**WHEREAS**, Individual, by virtue of his or her position with Franchisee, will gain access to certain of The Seals’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement to which Franchisee is bound; and

**WHEREAS**, in order to protect The Seals’s Confidential Information and intellectual property rights, The Seals requires, as a condition to Franchisee’s license under the Franchise Agreement, that Franchisee’s owners and employees enter into a Confidentiality and Non-Competition Agreement, in which the specified Individual promises to adhere to certain non-disclosure and non-competition covenants.

**IN CONSIDERATION** of these promises, Individual’s status with Franchisee, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Individual hereby acknowledges that The Seals System and the Marks are the sole and exclusive property of The Seals and hereby agrees that he/she shall not, directly or indirectly, in any manner or fashion, challenge or contest the right, title, or interest of The Seals in and to The Seals System, nor shall Individual claim any right, title or interest in or to the Marks.

2. Individual shall not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, know-how, or techniques concerning the methods of operation of the business franchised thereunder which may be communicated to Individual or of which Individual may be apprised by virtue of Franchisee’s operation under the terms of the Franchise Agreement (“**Confidential Information**”). In addition, any and all information, knowledge, know-how, and techniques which The Seals designates as confidential (including the Operations Manual specified in Franchise Agreement) shall be deemed Confidential Information for purposes of this Agreement, except information which, at or after the time of disclosure by The Seals to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

3. Individual specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of its status with Franchisee, Individual will receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of The Seals System.

4. Individual covenants and agrees that during the term of the Franchise Agreement, except as otherwise approved in writing by The Seals, Individual shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of The Seals System or of any franchisee using The Seals System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or The Seals System;

(ii) Employ or seek to employ any person who is at that time employed by The Seals, Franchisee, or any other franchisee of The Seals, or otherwise directly or indirectly induce such person to leave his or her employment; or

(iii) Own, maintain, engage in, participate in, make loans to, or have any interest in any business that offers products or services that are essentially the same as, or substantially similar to, the products or services that are part of The Seals System, except other franchises offered by The Seals (any business carrying on such activities being herein called a **“Competing Business”**).

5. Individual covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by The Seals, Individual shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(a) Provide or seek to provide products or services that are essentially the same as, or substantially similar to, the products or services that are part of The Seals System, to any customer who was a customer of Franchisee, The Seals, or another franchisee of The Seals System at any time during the twelve months prior to the beginning of the Post-Term Period;

(b) Employ or seek to employ any person who, at any time during the six months prior to the beginning of the Post-Term Period, was employed by The Seals or by another franchisee of The Seals System; or

(c) Own, maintain, engage in, participate in, or have any interest in any Competing Business in the Franchisee’s Territory. (This sub-section (c) shall not apply to those individuals who are only employees of Franchisee.)

6. As used in this Agreement, the term “Post-Term Period” shall mean a continuous uninterrupted period of 2 years from the date of: (a) a transfer permitted under Section XVII of the Franchise Agreement; (b) expiration or termination of the Franchise Agreement (regardless of the cause for termination); and/or (c) termination of Individual’s status with Franchisee.

7. Individual acknowledges that any failure to comply with the requirements of this Agreement will cause The Seals irreparable injury, and Individual agrees to pay all court costs and reasonable attorneys’ fees incurred by The Seals in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

8. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Individual agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect The Seals’s and/or Franchisee’s legitimate business needs as permitted by applicable law and public policy. In so doing, Individual agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

9. No delay or failure by The Seals or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

10. Individual hereby acknowledges and agrees that The Seals is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

11. This Agreement shall survive the termination of Individual's relationship with Franchisee and the transfer, termination, or expiration of the Franchise Agreement.

**IN WITNESS WHEREOF**, Franchisee and Individual attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this day of

---

, 20\_\_.

FRANCHISEE \_\_\_\_\_

INDIVIDUAL

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

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

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

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

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

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

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

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

## EXHIBIT E. LIST OF FRANCHISE OWNERS

As of year-end the following were the franchisees:

Name	Location	Address	Phone
<b>Connecticut</b>			
Tuers, Gregory	The Seals of New Haven	95 Village Pond Dr. Guilford, CT 06437	518-209-9729
<b>South Carolina</b>			
Mitchell, Payden and Karry Stroner	The Seals of Columbia	195 Buck Corley Road Lexington, SC 29073	803-323-4252
Mitchell, Payden and Karry Stroner	The Seals of Myrtle Beach	195 Buck Corley Road Lexington, SC 29073	803-323-4252
Smith, Oliver	The Seals of Greenville	303 Rosa Point Inman, SC, 29349	864-553-2002
<b>Tennessee</b>			
Brinkley, Scott	The Seals of Chattanooga	8758 Knolling Loop Ooltewah, TN 37363	845-551-1124

In 2025, the former affiliate operation became a franchise and is owned by:

Name	Location	Address	Phone
<b>North Carolina</b>			
Dinkin, Andrew	The Seals of North Carolina	2214 Hogan Court Charlotte, NC, 28270	704-507-7707

**EXHIBIT F. LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM**

None

## EXHIBIT G. FRANCHISEE COMPLIANCE CERTIFICATION

### PRE-CLOSING COMPLIANCE ACKNOWLEDGMENT

**NOTICE FOR PROSPECTIVE FRANCHISEES WHO RESIDE IN, OR WHO INTEND TO OPERATE THE FRANCHISED BUSINESS IN, ANY OF THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI (EACH A REGULATED STATE) :**

FOR PROSPECTIVE FRANCHISEES THAT RESIDE IN OR ARE SEEKING TO OPERATE THE FRANCHISED BUSINESS IN ANY REGULATED STATE, DO NOT COMPLETE THIS QUESTIONNAIRE OR TO RESPOND TO ANY OF THE QUESTIONS CONTAINED IN THIS QUESTIONNAIRE.

As you know, you and we are entering into a Franchise Agreement for the operation of a franchised business offering the Franchised Business. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate, or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of the Business. Where a question refers to a "person speaking on behalf of the Franchisor," this phrase does not include other Franchisees, who are not authorized to speak on behalf of the Franchisor. Please review each of the following questions carefully and provide honest responses to each question.

**Acknowledgments and Representations.\***

1. Did you receive a copy of our Disclosure Document (and all exhibits and attachments) at least (a) 14 calendar days prior to signing the Franchise Agreement; **or** (b) if you are a resident of **New York**, at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement (or other agreement) or payment of any consideration; **or** (c) if you are a resident of **Michigan, or Iowa**, at the earlier of 10 business days before the execution of any binding agreement or payment of any consideration? Check one:  Yes  No. If no, please comment: \_\_\_\_\_
2. Have you studied and carefully reviewed our Disclosure Document and Franchise Agreement? Check one:  Yes  No. If no, please comment: \_\_\_\_\_
3. If the franchisor made any unilateral changes to the Franchise Agreement, did you receive a copy of the complete revised agreement at least 7 calendar days prior to the date on which the applicable agreement was executed? Check one:  Not Applicable  Yes.  No. If no, please comment: \_\_\_\_\_
4. Did you understand all the information contained in both the Disclosure Document and Franchise Agreement? Check one  Yes  No. If no, please comment: \_\_\_\_\_
5. Was any oral, written, or visual claim or representation made to you which contradicted the disclosures in the Disclosure Document? Check one:  No  Yes. If yes, please state in detail the oral, written, or visual claim or representation: \_\_\_\_\_
6. Except as stated in Item 19 of the Disclosure Document, did any employee or other person speaking on behalf of the Franchisor make any oral, written, or visual claim, statement, promise or representation to you that stated, suggested, predicted, or projected sales, revenues, expenses, earnings, income, or profit levels at any Franchised Business location or business, or the likelihood of success at your franchised Business? Check one:  No  Yes. If yes, please state in detail the oral, written, or visual claim or representation: \_\_\_\_\_

7. Did any employee or other person speaking on behalf of the Franchisor make any statement or promise regarding the costs involved in operating a franchise that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document. Check one:  No  Yes. If yes, please comment: \_\_\_\_\_

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8. Do you understand that the Franchise Agreement grants you the right to operate a Franchised Business offering the Approved Services using the Trademarks for such Approved Service in a specified geographic area, and that we and our affiliates reserve any and all rights not expressly granted to you under the Franchise Agreement, as detailed and disclosed in Item 12 of the Disclosure Document. Check one:  Yes  No. If no, please comment: \_\_\_\_\_

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9. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the franchise for the Business, meaning that any prior oral or written statements not set out in the applicable agreement or in the disclosure document will not be binding? Check one:  Yes  No. If no, please comment: \_\_\_\_\_

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10. Do you understand that the success or failure of the Business will depend in large part upon your skills and experience, your business acumen, your location, the local market for products under the Trademarks, interest rates, the economy, weather patterns, inflation, the number of employees you hire and their compensation, competition, and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you commence operations of the Business may change? Check one  Yes  No. If no, please comment: \_\_\_\_\_

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11. Do you understand that you are likely to achieve results that are different, possibly significantly and adversely, from the results shown in Item 19. Many factors, including the location of your Franchised Business, customers located within the territory, management capabilities, local market conditions, weather, and other factors, are unique to each Franchised Business and may significantly impact the financial performance of the business you operate. Check one  Yes  No. If no, please comment: \_\_\_\_\_

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12. Do you understand that during the term of the Franchise Agreement and for two years after it expires or terminates, you (including all Principal Operators, your Designated Manager and all guarantors, officers, directors, members, managers, and partners) may not, directly, or indirectly, have or maintain any interest in any business selling products or services similar to the Products and Services sold by a Franchised Business? Check one  Yes  No. If no, please comment: \_\_\_\_\_

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13. Do you understand that any training, support, guidance or tools we provided to you as part of the franchise are for the purpose of protecting the System, and brand and Trademarks and to assist you in the operation of your business and not for the purpose of controlling or in any way intended to exercise or exert control over your decisions or day-to-day operations of your business, including your sole responsibility for the hiring, wages and other compensation (including benefits), training, supervision and termination of your employees and all other employment and employee related matters? Check one  Yes  No. If no, please comment: \_\_\_\_\_

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14. Do you understand that we do not make any promises or representations of any kind that you will achieve any particular results or level of performance or profitability or even achieve break-even results in any particular year of operation?

Check one  Yes  No. If no, please comment: \_\_\_\_\_

---

15. On the receipt pages of your disclosure document you identified \_\_\_\_\_ as the franchise seller(s) involved in this franchise sales process. Are the franchise sellers identified above the only franchise sellers involved with this transaction? Check one  Yes  No. If no, please identify any additional franchise sellers involved with this transaction:

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YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

**NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.**

FRANCHISE APPLICANT

---

Sign Name

---

Print Name

---

Date

## EXHIBIT H. STATE ADDENDA

### CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF CALIFORNIA

The following paragraphs are added to the Disclosure Document:

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at [www.dfp.ca.gov](http://www.dfp.ca.gov).

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 DISCLOSURE DOCUMENT.

THE FRANCHISE AGREEMENT CONTAINS PROVISIONS THAT LIMIT FRANCHISEE'S RIGHTS AND MAY NOT BE ENFORCEABLE IN YOUR STATE INCLUDING, BUT NOT LIMITED TO, A TIME LIMIT TO RAISE CLAIMS AGAINST THE FRANCHISOR, LIMITATION OF DAMAGES AND WAIVER OF JURY TRIAL.

With respect to the Late Fee described in Item 6, this Item is amended to disclose that the maximum rate of interest permitted under California law is 10%.

The following paragraphs are added at the end of Item 17 of the Disclosure Document pursuant to regulations promulgated under the California Franchise Investment Law:

**California Law Regarding Termination, Transfer, and Nonrenewal.** California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer, or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

**Termination Upon Bankruptcy.** 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.).

**Post-Termination Noncompetition Covenants.** 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.

**Arbitration.** The franchise agreement requires binding arbitration. The arbitration will occur in any court of competent jurisdiction in our then-current National Headquarters (presently Orange County, Florida), with the costs being borne by the non-prevailing party. 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 Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

**Applicable Law.** The franchise agreement requires application of the laws of the state of our then-current National Headquarters (presently Florida). This provision may not be enforceable under California law.

**Modification.** Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

**General Releases.** You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

Neither the Franchisor, nor any person or franchise broker 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 that associate or exchange.

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.

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## **ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND ALL RELATED AGREEMENTS REQUIRED BY THE STATE OF ILLINOIS**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, The Seals Services Franchise Disclosure Document for use in the State of Illinois shall be amended as follows:

1. Item 17(b), under the heading "Renewal or extension of the term," shall be amended by the addition of the following language at the end thereof:

Your rights upon non-renewal may be affected by Illinois law, 815 ILCS 705/20.

2. Item 17(f), under the heading "Termination by the Company with cause," shall be amended by the addition of the following language at the end thereof:

The conditions under which your franchise can be terminated may be affected by Illinois law, 815 ILCS 705/19.

3. Item 17(v), under the heading "Choice of forum," shall be amended by the addition of the following language at the end thereof:

You may commence an action against us in Illinois with respect to any cause of action arising under Illinois law.

4. Item 17(w), under the heading "Choice of law," shall be amended by the addition of the following language at the end thereof:

Illinois law, however, will apply to all claims arising under Illinois law.

5. Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act of 1987 are met independently without reference to this Addendum to the Franchise Disclosure Document.

6. The disclosure document, franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

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 by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FRANCHISEE:

FRANCHISOR:

The Seals Franchising, LLC

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

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

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

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

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

## **MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Maryland only, this Disclosure Document is amended as follows:

The following is added to Item 17:

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

This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

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

The Franchise Agreement provides for termination upon bankruptcy of the franchisee. This provision may not be enforceable under federal bankruptcy law.

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.

**AMENDMENT TO THE THE SEALS FRANCHISE AGREEMENT**  
**REQUIRED BY THE STATE OF MARYLAND**

The parties to the The Seals Franchise Agreement (the “**Franchise Agreement**”) agree as follows with respect to franchises sold in the state of Maryland:

1. **No Release, Estoppel or Waiver of State Law.** All representations requiring prospective franchisees to assent to a release, estoppels 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 (“**Maryland Law**”).
2. **Jurisdiction.** Any litigation arising from claims under Maryland Law may be brought by the Franchisee in Maryland.
3. **Arbitration.** This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.
4. **Limitation on Claims.** All claims arising under the Maryland Law must be brought within 3 years after the grant of the franchise.
5. **General Release.** The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
6. **Acknowledgments.** Section 7.24 of the Franchise Agreement is hereby deleted in its entirety.
7. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.
8. The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

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 by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed this Illinois Amendment to the Franchise Agreement in duplicate on the date indicated below.

FRANCHISEE:

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

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

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

FRANCHISOR:

The Seals Franchising, LLC

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

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

## MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Minnesota only, this Disclosure Document is amended as follows:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor 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 (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, which states "No action may be commenced pursuant to this Section more than three years after the cause of action accrues."
- 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.

**THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE**

**EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

## MINNESOTA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated \_\_\_\_\_ (the “Agreement”), between The Seals Franchising, LLC, a North Carolina Limited Liability Company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Minnesota Act” means Minnesota Statutes, Sections 80C.01 to 80C.22.

**2. Amendments.** The Agreement is amended to comply with the following:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor 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 (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, and therefore the applicable provision of the Agreement is amended to state “No action may be commenced pursuant to Minnesota Statutes, Section 80C.17 more than three years after the cause of action accrues.”

**3. Special Representation.** 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.

**4. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

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

FRANCHISOR:

THE SEALS FRANCHISING, LLC

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

## NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

In the State of New York only, this Disclosure Document is amended as follows:

### ITEM 3: LITIGATION

None of the Franchisor, its Predecessor, or any person identified in Item 2 or an affiliate offering franchises under the Franchisor's principal trademark:

(A) 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, nor has any 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.

(B) has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten 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; anti-fraud or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; unfair or deceptive practices; or comparable allegations.

(C) 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.

### ITEM 4: BANKRUPTCY

Neither the Franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code (or any comparable foreign law); (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the Franchisor held this position in the company or partnership.

### ITEM 5: INITIAL FEES

We use the proceeds from initial fees to defray a portion of our expenses in connection with the sale and establishment of franchises, such as: (1) costs related to developing and

improving our services; (2) expenses of preparing and registering this disclosure document; (3) legal fees; (4) accounting fees; (5) costs of obtaining and screening franchisees; and, (6) general administrative and operational expenses.

**ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.**

(d) The franchisee may terminate the agreement on any grounds available by law.

(j) However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement.

(w) The forgoing 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.

## **NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of North Dakota only, this Disclosure Document is amended as follows:

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NDCC SECTION 51-19-09):

1. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06, without further disclosing that such covenants will be subject to the statute.
2. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.
3. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
4. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
5. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
6. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
7. Waiver of Exemplary & Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
8. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
9. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
10. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

## NORTH DAKOTA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated \_\_\_\_\_ (the "Agreement"), between The Seals Franchising, LLC, a North Carolina Limited Liability Company ("Franchisor") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee").

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

**2. Amendments.** The Agreement (and any Guaranty Agreement) is amended to comply with the following:

- (1) **Restrictive Covenants:** Every contract by which Franchisee, any Guarantor, or any other person is restrained from exercising a lawful profession, trade, or business of any kind subject to NDCC Section 9-08-06.
- (2) **Situs of Arbitration Proceedings:** Franchisee and any Guarantor are not required to agree to the arbitration of disputes at a location that is remote from the site of Franchisee's business.
- (3) **Restrictions on Forum:** Franchisee and any Guarantor are not required to consent to the jurisdiction of courts outside of North Dakota.
- (4) **Liquidated Damages and Termination Penalties:** Franchisee is not required to consent to liquidated damages or termination penalties.
- (5) **Applicable Laws:** The Agreement (and any Guaranty Agreement) is governed by the laws of the State of North Dakota.
- (6) **Waiver of Trial by Jury:** Franchisee and any Guarantor do not waive a trial by jury.
- (7) **Waiver of Exemplary & Punitive Damages:** Franchisee does not waive of exemplary and punitive damages.
- (8) **General Release:** Franchisee and any Guarantor are not required to sign a general release upon renewal of the Agreement.
- (9) **Limitation of Claims:** Franchisee is not required to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- (10) **Enforcement of Agreement:** The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

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

FRANCHISOR:

THE SEALS FRANCHISING, LLC

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

## **RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Rhode Island only, this Disclosure Document is amended as follows:

Item 17, summary columns for (v) and (w) are amended to add the following:

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

## RHODE ISLAND RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated \_\_\_\_\_ (the “Agreement”), between The Seals Franchising, LLC, a North Carolina Limited Liability Company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

**2. Jurisdiction and Venue.** Any provision of the Agreement restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under Rhode Island Franchise Investment Act.

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

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

FRANCHISOR:

THE SEALS FRANCHISING, LLC

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

## **VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT**

In the Commonwealth of Virginia only, this Disclosure Document is amended as follows:

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 do 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.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to the franchisee under the franchise, that provision may not be enforceable.

Item 17(t) is amended to read as follows:

Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.

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.

**WASHINGTON ADDENDUM  
TO THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT,  
AND ALL RELATED AGREEMENTS**

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** 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.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
15. **Nonsolicitation Agreements.** 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.
16. **Questionnaires and Acknowledgments.** 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.
17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

\*\*\* The remainder of this page is intentionally blank \*\*\*

The undersigned parties do hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**ATTEST**

**THE SEALS FRANCHISING, LLC**

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

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

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

**FRANCHISEE**

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

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

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

\*\*\* The remainder of this page is intentionally blank \*\*\*

## EXHIBIT I: SAMPLE FORM OF GENERAL RELEASE

### RELEASE OF CLAIMS

For and in consideration of the Agreements and covenants described below, The Seals Franchising, LLC. (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) enter into this Release of Claims (“Agreement”).

### RECITALS

- A. Franchisor and Franchisee entered into a The Seals Franchise Agreement dated \_\_\_\_\_.
- B. [NOTE: Describe the circumstances relating to the release.]
- C. Subject to and as addressed with greater specificity in the terms and conditions set forth below, Franchisor and Franchisee now desire to settle any and all disputes that may exist between them relating to the Franchise Agreement.

### AGREEMENTS

1. **Consideration.** [NOTE: Describe the consideration paid, if any.]
2. [NOTE: Detail other terms and conditions of the release.]
3. **Release of Claims by Franchisor.** Except as noted in this Section 4, and subject to your compliance with the terms and conditions of this Agreement, including the payment of \$ \_\_\_\_\_ to Franchisor, Franchisor, for itself, its predecessors, successors, assigns, affiliates, directors, officers, shareholders, and employees (collectively and individually referred to as the “Franchisor Parties”), hereby release and forever discharge Franchisee, its heirs, successors and assigns, affiliates, directors, officers and shareholders, and any other party claiming an interest through them (collectively and individually referred to as the “Franchisee Parties”) from any and all claims, debts, liabilities, demands, obligations, costs, expenses, actions and causes of action, whether known or unknown, vested or contingent, which you may now or in the future own or hold, that in any way relate to the Franchise Agreement (collectively, “Claims”), for known or unknown damages or other losses including but not limited to, any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Franchise Agreement or any other related agreement between you and Franchisor or your affiliate and Franchisor.

The Franchisor Parties do not release the Franchisee Parties from any obligations arising by virtue of this Agreement and the Franchisee Parties’ failure to comply with those obligations. Further, the Franchisor Parties do not release the Franchisee Parties from any Claims related to Franchisee’s (i) indemnification obligations under Section \_\_\_\_\_ of the Franchise Agreement, (ii) non-disclosure obligations under Section \_\_\_\_\_ of the Franchise Agreement, and (iii) post- termination non-compete obligations under Section \_\_\_\_\_ of the Franchise Agreement, each of which remain in full force and effect and are incorporated by reference in this Agreement.

4. **Release of Claims by Franchisee.** In consideration of the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, the Franchisee Parties release and forever discharge the Franchisor Parties of and from any and all Claims, for known or unknown damages or other losses including but not limited to, any alleged violations of any deceptive or unfair trade

practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Franchise Agreement or any other related agreement between you and Franchisor or your affiliate and Franchisor.

The Franchisee Parties do not release the Franchisor Parties from any obligations arising by virtue of this Agreement and the Franchisor Parties' failure to comply with those obligations.

**[FOR USE IN MARYLAND]:** Further, the Franchisee Parties and the Franchisor Parties acknowledge that the release set forth in this Section 5 does not release the Franchisor Parties from any liability under the Maryland Franchise Registration and Disclosure Law.

**[FOR USE IN CALIFORNIA]:** The Releasors, for themselves, their heirs, successors, and assigns, hereby expressly, voluntarily and knowingly waive, relinquish and abandon each and every right, protection, and benefit to which they would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any other statutes or common law principles of similar effect to said Section 1542, whether now or hereinafter existing under the laws of California or any other applicable federal and state law with jurisdiction over the parties relationship. The Franchisee Parties acknowledge that Section 1542 of the Civil Code of the State of California provides as follows:

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

**[FOR USE IN WASHINGTON]:** This Agreement does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

**5. Acknowledgement.** The releases of Claims set forth in Section 3 and Section 4 are intended by the Franchisor Parties and the Franchisee Parties (collectively, the "Parties") to be full and unconditional general releases, 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 one of the Parties against the other Party 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 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 Parties' respective intentions to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. This Release is and shall be and remain a full, complete and unconditional general release. The Parties further acknowledge and agree that no violation of this Agreement shall void the releases set forth in this Agreement.

**6. Reservation of Claims Against Non-Settling Parties.** Franchisor and Franchisee expressly reserve their right and claims against any non-settling persons, firms, corporations, or other entities for whatever portion or percentage their damages are found to be attributable to the wrongful conduct of said non-settling parties.

**7. Entire Agreement.** This Agreement constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to the contents contained in this Agreement are merged into this Agreement.

**8. Voluntary Nature of Agreement.** The parties acknowledge and agree that they have entered into this Agreement voluntarily and without any coercion. The parties further represent that they have had the opportunity to consult with an attorney of their own choice, that they have read the terms of this Agreement, and that they fully understand and voluntarily accept the terms.

**9. Governing Law and Jurisdiction.** This Agreement will be construed and enforced in accordance with the law of the state of \_\_\_\_\_.

**10. Attorneys' Fees.** All rights and remedies under this Agreement shall be cumulative and

none shall exclude any other right or remedy allowed by law. In the event of a breach of this Agreement that requires one of the parties to enforce the terms and conditions of this Agreement, the non-prevailing party shall pay the prevailing party's attorneys' fees and costs incurred by reason of the breach.

The Seals, Franchising, LLC.

By \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated: \_\_\_\_\_

FRANCHISEE: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Dated: \_\_\_\_\_

#### **EXHIBIT J: STATE EFFECTIVE DATES**

The following states require that the Franchise Disclosure Document be registered or filed with the state, or otherwise be exempt from registration: California, Florida, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington, and Wisconsin. This disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

CALIFORNIA	Pending
HAWAII	Pending
ILLINOIS	Pending
INDIANA	Pending
MARYLAND	Pending
MICHIGAN	Pending
MINNESOTA	Pending
NEW YORK	Pending
NORTH DAKOTA	Pending
RHODE ISLAND	Pending
SOUTH DAKOTA	Pending
VIRGINIA	Pending
WASHINGTON	Pending
WISCONSIN	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.

## **EXHIBIT K: RECEIPT**

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

If The Seals Franchising, LLC offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under New York law, we must give you this disclosure document at the earlier of the first personal meeting or 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.

If The Seals Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit D.

The Franchisor is The Seals Franchising, LLC, located at 6700 Forum Drive, Suite 150, Orlando, FL 32821. Its telephone number is (800) 231-6814.

We authorize the respective state agencies identified on Exhibit A to receive service of process for us if we are registered in the particular state.

The name, principal business address, and telephone number of the franchise sellers offering the franchise are: David Wells and Matt Motyka of EverSmith Brands, act as our Franchise Sellers. Their principal business address is 6700 Forum Drive, Suite 150, Orlando, FL, 32821, (800) 231-6814.

Issuance Date: April 30, 2025

I have received a Disclosure Document dated April 30, 2025, that included the following Exhibits:

- A State Administrators and Agents for Service of Process
- B Financial Statements
- B.2 Guarantee of Performance
- C Franchise Agreement
- D Confidentiality/Nondisclosure Agreement
- E List Of Franchisees
- F List of Franchisees Who Have Left the System
- G. Franchisee Compliance Certification
- H. State Addenda
- I. Form of General Release
- J. State Effective Dates
- K. Receipt

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Date

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Signature

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Printed Name

---

Date

---

Signature

---

Printed Name

### **KEEP THIS COPY FOR YOUR RECORDS**

This Disclosure Document is available by request in either paper or .pdf format, please contact [david.wells@eversmithbrands.com](mailto:david.wells@eversmithbrands.com).

## **RECEIPT**

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

If The Seals Franchising, LLC offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under New York law, we must give you this disclosure document at the earlier of the first personal meeting or 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.

If The Seals Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit D.

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- H. State Addenda
- I. Form of General Release
- J. State Effective Dates
- K. Receipt

Date	Signature	Printed Name

### **RETURN THIS COPY TO THE SEALS**

Please sign this copy of the receipt, date your signature, and return it to David Wells, The Seals Franchising, LLC., 6700 Forum Dr Ste 150, Orlando, Florida 32821, 800-231-6814, david.wells@eversmithbrands.com.