

**WIR SYSTEMS INC.  
FRANCHISE DISCLOSURE DOCUMENT**

# FRANCHISE DISCLOSURE DOCUMENT

**WIR SYSTEMS INC.**  
A Delaware Corporation  
d/b/a  
Watters International Realty

**3307 Northland Drive, Suite 100**  
**Austin, Texas 78731**  
**512-956-7900**  
**Email: [info@wirsystems.com](mailto:info@wirsystems.com)**  
**[www.wirsystems.com](http://www.wirsystems.com)**

We have developed a distinctive business system for operating and marketing residential real estate brokerage services and other real estate related services through a real estate team. You will operate a business selling residential brokerage, operating under the Marks and using the System.

The Franchise Fee ranges from \$15,000.00 to \$35,000.00 depending on Your current Gross Revenues and which Production Royalty program You choose. The estimated required initial investment ranges from **\$49,350.00** to **\$200,750.00**.

This disclosure document summarizes certain provisions of Your franchise agreement and other information in plain English. Read this document and all accompanying agreements and all other attachments or exhibits carefully. You must receive this disclosure document at least 14 calendar days before You can 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 Bradley Pounds, in our Franchise Development Department, at 3307 Northland Drive, Suite 100, Austin, Texas 78731.

The terms of your franchise agreement will govern your franchise relationship. Don't rely on the disclosure document alone to understand your franchise agreement. Read all of your franchise agreement carefully. We recommend that in reviewing the franchise agreement and this disclosure document, that you consult with an advisor, like a lawyer or accountant.

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

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

DATE OF ISSUANCE: July 20, 2023



### **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:

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Attachment C.
<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 Attachment A includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 or Attachment A summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only WIR Systems 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 WIR Systems franchisee?</b>	Item 20 or Attachment C 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 Attachments and 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 Attachment F.

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** OUT-OF-STATE DISPUTE RESOLUTION. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH THE FRANCHISOR BY MEDIATION, ARBITRATION AND/OR LITIGATION ONLY IN TEXAS. OUT-OF-STATE MEDIATION, ARBITRATION, OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO MEDIATE, ARBITRATE, OR LITIGATE WITH THE FRANCHISOR IN TEXAS THAN IN YOUR OWN STATE.
2. **Short Operating History.** THE FRANCHISOR IS AT AN EARLY STAGE OF DEVELOPMENT AND HAS A LIMITED OPERATING HISTORY. THIS FRANCHISE IS LIKELY TO BE A RISKIER INVESTMENT THAN A FRANCHISE IN A SYSTEM WITH A LONGER OPERATING HISTORY.
3. **Financial Condition.** THE FRANCHISOR'S FINANCIAL CONDITION, AS REFLECTED IN ITS FINANCIAL STATEMENTS (SEE ITEM 21), CALLS INTO QUESTION THE FRANCHISOR'S FINANCIAL ABILITY TO PROVIDE SERVICES AND SUPPORT TO YOU.
4. **Unregistered Trademark.** THE PRIMARY TRADEMARK THAT YOU WILL USE IN YOUR BUSINESS IS NOT FEDERALLY REGISTERED. IF THE FRANCHISOR'S RIGHT TO USE THIS TRADEMARK IN YOUR AREA IS CHALLENGED, YOU MAY HAVE TO IDENTIFY YOUR BUSINESS AND ITS PRODUCTS OR SERVICES WITH A NAME THAT DIFFERS FROM THAT USE BY OTHER FRANCHISEES OR THE FRANCHISOR. THE CHANGE CAN BE EXPENSIVE AND MAY REDUCE BRAND RECOGNITION OR THE PRODUCTS OR SERVICES YOU OFFER.

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.

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### Attachments:

- A. Financial Statements
- B. Franchise Agreement
  - Exhibit A. Approved Location of Licensed Business
  - Exhibit B. Awarded Area
  - Exhibit C. Assignment of Telephone Numbers and Domain Names
  - Exhibit D. Electronic Debit/Credit Authorization
  - Exhibit E. Authorization and Consent to Release Business Records to WIR Systems Inc.
  - Exhibit F. Consent, Waiver and Release for Training
  - Exhibit G. Trade Secrets and Confidentiality Agreement
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  - Exhibit I. Personal Guaranty
  - Exhibit J. Mutual Termination of Franchise Agreement and Release

- Exhibit K. Confidentiality Agreement – Additional Information
- Exhibit L. WIR Code and Software License Agreement
- C. List of Current and Former Franchisees
- D. Manual Table of Contents
- E. Our Agents for Service of Process
- F. State Agencies
- G. State Law Addendum
- H. Franchise Application
  - Exhibit A to Franchise Application—General Release For Background Research
  - Exhibit B to Franchise Application—Personal Financial Statement Effective Dates

## ITEM 1

### THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

#### **Definitions:**

To simplify this Franchise Disclosure Document, “We” means WIR Systems Inc., WIR Systems Inc. d/b/a Christopher Watters International Realty and Watters International Realty, the franchisor. References to “Franchisor”, “Our” or “Us” refers to WIR Systems Inc. “You” or “Franchisee” means the person or entity purchasing the franchise. If You are a legal entity, “You” includes all owners of any equity interest in the entity. “Licensed Business” means the business You will operate under the Franchise Agreement, offering and selling residential brokerage services through a real estate team operating under Our Marks and following Our System.

#### **Our Predecessors and Affiliates:**

WIR Systems Inc. was incorporated on March 14, 2017, and maintains its principal place of business at 3307 Northland Drive, Suite 100, Austin, Texas 78731. Our affiliate and predecessor-in-interest, Watters International Realty, LLC, now known as ATXWIR, LLC d/b/a Watters International Realty was formed on June 7, 2010 as a residential real estate brokerage company in Austin, Texas. The name Watters International Realty, LLC was changed to ATXWIR, LLC on April 6, 2017 to avoid any confusion with the name WIR Systems Inc. d/b/a Christopher Watters International Realty and Watters International Realty.

#### **Our Names:**

We do business under our corporate name, WIR Systems Inc., and Our assumed names are “Christopher Watters International Realty” And “Watters International Realty.” We do not do business under any other name.

#### **Our Address and Agent for Service:**

Our principal business address is 3307 Northland Drive, Suite 100, Austin, Texas 78731. Our agents for service of process are disclosed in Attachment E.

#### **Our Business Form:**

We are a Delaware corporation formed on March 14, 2017. Our affiliate and predecessor-in-interest Watters International Realty, LLC, now known as ATXWIR, LLC d/b/a Watters International Realty, was formed on June 7, 2010 in Austin, Texas.

#### **Our Business and Franchises Offered:**

Under the franchise we offer, You will operate a residential real estate brokerage business under our distinct team business model helping clients buy, sell or lease property. You will provide these services to residential clients, operating under the Marks and using the System.

The market for Your services is primarily the general public and specifically that segment that seeks to purchase or sell residential property and receive real estate related services. You will compete with other national, regional and local residential real estate brokerage businesses, generally in well-developed markets. Your Licensed Business may operate in close proximity to major competitors and other Watters International Realty franchisees. Some competitors and other Watters International Realty franchisees will offer many goods and services that are the same as or similar to those You offer.

#### **Prior Business Experience:**

We have operated businesses of the same type being offered in Austin, Texas since June 7, 2010 under the name of Watters International Realty, LLC, now known as ATXWIR, LLC d/b/a Watters International Realty. On March 14, 2017, prior to offering franchises, We acquired the name WIR Systems Inc. for use by the Franchisor. Our Austin affiliate became known as ATXWIR, LLC d/b/a Watters International Realty.



Our affiliate, ATXWIR, LLC, or its predecessor-in-interest, has operated a business similar to the business You will operate in Austin, Texas since June 7, 2010. Our affiliate, ATXWIR, LLC will continue to operate in Austin, Texas.

This is Our first offering of franchises in any line of business.

**General Description of the Competition:**

We have developed a distinctive business system for operating and marketing residential real estate brokerage services and other real estate related services that focuses on a real estate team, but our competitors include both traditional residential brokerage franchisors, such as RE/MAX, Coldwell Banker Real Estate LLC and Keller Williams Realty, Inc., and non-traditional residential real estate companies, such as discount brokerages, such as Redfin. Residential real estate franchisors can provide a varying degree of services, while We focus on business coaching, using technology to streamline systems and processes.

**Laws Affecting Your Licensed Business:**

There are many federal, state and local regulations governing the operation of residential real estate brokerage offices, and You must comply with all laws, regulations and licensing requirements applicable in your area. You and a team member specifically designated in writing by Franchisee to the Franchisor (the “Designated Broker”), if any, will be required to complete all the requirements necessary to obtain your real estate broker’s license. While qualifications for such licenses may vary from state to state, You may have to pass a licensing exam and background check. Individual state laws affect the ways by which you conduct business, including your representation of your clients, the terms of your real estate contracts, your real estate salesperson and brokerage licenses, your relationship with other licensed salespersons and brokers, the ways by which You do your accounting and handle revenues, your methods of advertising. We urge you to become familiar with these applicable laws and regulations.

There may be other laws applicable to your real estate business and we urge you to make further inquiries about these laws. The nature and amount of regulation could change rapidly relating to this business. You should consult a lawyer with experience dealing with real estate issues to be sure You are familiar with the current statutes and regulations that might apply within your territory.

There are, of course, statutes and regulations that are common to all businesses, including those governing health and labor issues, zoning and safety. You should obtain a complete copy of the relevant statutes and regulations of the Federal government and of your state and discuss them with your attorney. You should also investigate applicable county and city ordinances and regulations.

When You enter into a relationship with a mortgage company, a title insurance company or other settlement service provider, you will also become subject to the Real Estate Settlement Procedures Act (“RESPA”). We strongly recommend that You consult with an attorney experienced in RESPA compliance to advise you about the obligations and restrictions that RESPA and any other laws imposed on You, your business, or your business relationships.

**ITEM 2  
BUSINESS EXPERIENCE**

**Chris Watters, Chief Executive Officer**



Chris Watters is the Chief Executive Officer of WIR Systems Inc. located at 3307 Northland Drive, Suite 100, Austin, Texas 78731 and a licensed Texas real estate broker for ATX WIR, LLC located at the same address. Mr. Watters became a practicing real estate agent in 2006. He built and led Our predecessor and affiliate Watters International Realty, LLC.

**Bradley Pounds, Chief Operating Officer**

Bradley Pounds is the Chief Operating Officer of WIR Systems Inc. located at 3307 Northland Drive, Suite 100, Austin, Texas 78731 and a licensed Texas real estate broker at the same address. Upon graduating from the University of Texas at Austin, he began his career with Our predecessor and affiliate, Watters International Realty, LLC in 2011 as a sales agent and spent 3 years as a Buyer Agent Team Lead before assuming the role of Chief Operating Officer in early 2015.

**Amanda Gonzales, Director of Franchise Systems**

Amanda Gonzales is the Director of Franchise Systems at WIR Systems Inc. located at 3307 Northland Drive, Suite 100, Austin, Texas 78731 and a licensed Texas real estate agent located at the same address. Ms. Gonzales has a B.B.A. in Finance from the University of Houston, and is currently pursuing a C.M.A. Ms. Gonzales began her career with Our predecessor and affiliate Watters International, LLC in 2015 as an Executive Assistant to Chris Watters. Her previous business experience included working as a paralegal for Fortune 500 company clients for 10 years.

**ITEM 3  
LITIGATION**

**PENDING:**

*Amanda Mayorga-Monsisvais and Michael Benavidez v. Tyler Grimshaw, Susan Grimshaw, Alvin J. Gattis, Shirley Gattis, Grant Randall, Dawn McCourry, Chris Watters d/b/a Watters International Realty, Purchasing Fuind 2020-1, LLC, Homeward Title, LLC and First National Title Insurance Company, Cause No. D-1-GN-21-006159; In the 455<sup>th</sup> Judicial District of Travis County, Texas.* The Plaintiffs have filed suit on October 13, 2021 alleging that the property Plaintiffs purchased from the Grimshaws was out of compliance with Travis County development requirements because it was not properly subdivided with access to a paved road maintained by the county. The lawsuit was filed against the sellers of the property, the sellers' predecessors-in-interest, the plaintiffs' real estate agent and the seller's real estate agent, and two title companies. Plaintiffs have no relationship with WIR Systems, Inc. but have named Chris Watters as a defendant in a real estate transaction. Plaintiffs' Fifth Amended Petition alleges cause of action for fraud in a real estate transaction, fraud by nondisclosure, deceptive trade practices, civil conspiracy, negligence, gross negligence and breach of fiduciary duty, breach of contract, declaratory judgment and trespass to try title. Defendants have vigorously defended themselves in this lawsuit and will continue to do so.

**CONCLUDED:**

*Marcianne Glennon v. Shirley Shaw, Chris Watters, Watters International Realty, LLC., and Kirk Edward Lewis, Cause No. D-1-GN-15-003842; In the 126<sup>th</sup> Judicial District Court of Travis County, Texas.* On September 3, 2015, Marcianne Glennon filed a lawsuit against Our affiliate and predecessor-in-interest in connection with real property she had purchased from the Seller, Shirley Shaw. Ms. Glennon sued not only the Seller of the Property, but Seller's agent Chris Watters, Watters International Realty, LLC, and Ms. Glennon's real estate agent Kirk Edward Lewis, an agent with Homecity, Inc. d/b/a Home City Real Estate. Ms. Glennon alleged that the Seller's Disclosure Notice signed by Shirley Shaw made misrepresentations about the condition of the property. Ms. Glennon's Second Amended Petition alleged Fraud in the Real Estate Transaction, violations of Deceptive Trade

Practices and Consumer Protection Act, Fraud and Fraudulent Inducement, Breach of Contract, Negligence and Negligent Misrepresentation. The litigation was settled at mediation for \$75,000 on August 30, 2016 pursuant to a settlement agreement whereby all of the Defendants paid a portion of the total settlement, with no admission of liability, and the claims were dismissed.

Neither the Franchisor, nor any person for franchise broker in Item 2 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, 12 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

#### **ITEM 4 BANKRUPTCY**

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

#### **ITEM 5 INITIAL FEES**

##### **Initial Fee:**

The Initial Fees for the Watters International Realty franchise varies depending on the Production Royalty program for which You qualify. As You scale your team and the team grows in Gross Revenues, You may have the option to upgrade your Production Royalty program by paying the Production Royalty Incentive in order to reduce the Production Royalty percentage You pay.

If your current Gross Revenues are between zero and \$500,000.00, You will pay an Initial Fee of **\$15,000.00** and be eligible for Production Royalty of 10%.

If your current Gross Revenues are between \$500,000.00 and \$1,000,000.00, You will pay an Initial Fee of **\$25,000.00** and be eligible for Production Royalty of 8%.

If your current Gross Revenues is greater than \$1,000,000.00, You will pay an Initial Fee of **\$35,000.00** and be eligible for Production Royalty of 6%.

##### **Payment of Deposit:**

A non-refundable deposit of \$2,500.00 is payable in cash upon signing the Watters International Realty Application for Franchise (Attachment I).

##### **Refund of Initial Franchise Fee:**

If we disapprove your application for a franchise for any reason before You sign the Franchise Agreement, We will retain the non-refundable deposit of \$2,500.00; however, no additional fees will be due. After We have approved your Application, the \$2,500.00 deposit will be credited towards your Initial Franchisee. The Initial Franchise Fee shall be due and payable upon the approval of you Application and We will not refund the Initial Franchise Fee, or any part thereof, for any reason.

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

Type of fee	Amount	Due Date	Remarks
Production Royalty <sup>1</sup>	<p>Tier One. 10% of monthly Gross Revenues if you paid a \$15,000 Initial Fee, or</p> <p>Tier Two. 8% of monthly Gross Revenues if you paid a \$25,000 Initial Fee, or</p> <p>Tier Three. 6% of monthly Gross Revenues if you paid a \$35,000 Initial Fee, or</p> <p>See Note A.</p>	Payable monthly by Electronic Funds Transfer. Funds must be in Your designated bank account in time so that We can obtain them by the 15 <sup>th</sup> day of the month following the month for which You pay the Production Royalty Fee.	<p>“Gross Revenues” means all money and other things of value received directly or indirectly by You from on in connection with the operation of Your business, including commissions, any amounts received from referral sources, business affiliations or relationships, if any, without deducting any of Your costs, expenses or disbursements.</p> <p>You may be entitled to a partial rebate of Production Royalty if you or one of your employees or independent contractor associated with You is named as a Growth Reward Sponsor pursuant to our Growth Reward Program as described in Section 2.03 of the Franchise Agreement.</p> <p>Similarly, Approved Affiliates may be eligible to receive a Growth Reward payment if they are named as Growth Reward Sponsors if they are the Procuring Cause for a new franchisee to join in accordance with Our Manuals.</p> <p>See Note B.</p>
Production Royalty Incentive	<p>\$10,000.00</p> <p>See Note C.</p>	On the first year anniversary date of Your Franchise Agreement.	We may, at our discretion, allow you to lower your Production Royalty percentage, on the first year anniversary date of Your Franchise Agreement upon payment of a \$10,000 Upgrade Fee.
Area Marketing Fee	Up to 5% of monthly Gross Revenues, or \$2,500.00 whichever is greater.	Payable monthly by Electronic Funds Transfer. Funds must be in Your designated bank account in time so that We can obtain them by the 15 <sup>th</sup> day of the month following the month for which You pay the Local Cooperative Marketing Payment.	Currently, we do not assess an Area Marketing Fee. Area Marketing Fees are subject to the discretion and direction of the leadership of the Franchises in Your local area. We may implement an Area Marketing Fee for Your given local area once there is more than one Franchise in the area for local and cooperative marketing.
In-house Training Fees <sup>1</sup>	<p>\$1,000, or \$350/per person/per day, whichever is greater, plus expenses.</p> <p>You are solely responsible for all compensation, salaries, benefits and travel-related expenses for Yourself or any employees or independent contractors attending training at Our designated location in Austin, Texas.</p> <p>See Note D.</p>	In advance of additional training program(s), if any.	<p>Your Owner and Designated Broker must complete the initial 2-week, In-house Launch Training, and the cost of the In-house Launch Training is included in the Initial Fee.</p> <p>Additional training, either at Your request, or if We, in our sole discretion, believe further training will benefit You will be charged at Your cost. If You obtain a new or replacement Designated Broker, You will be responsible for the cost of training for that person after We have trained the initial two people for You.</p>
Off-site Training Fees	\$1,000, or \$350/per person/per day, whichever is greater, plus expenses.	In advance of additional training program(s), if any.	Additional training, either at Your request, or if We, in our sole discretion, believe further training will benefit You will be charged at Your cost. If You obtain a new or replacement Designated Broker, You will be responsible for the cost of initial training for

Type of fee	Amount	Due Date	Remarks
	You are solely responsible for all facility related expenses, and Our travel-related expenses, including flight, transportation, lodging, and meals if we travel to Your location to provide training See Note D.		that person after We have trained the initial two people for You.
<b>Transfer Fee <sup>1</sup></b>	Up to \$7,500, plus Our expenses related to the transfer of direct or indirect ownership interests in the Franchisee entity	Before completing transfer	Payable only if You sell Your franchise or any part of Your business. A \$500 Transfer Fee is charged if You transfer to a corporation or other entity with the same identical ownership and control.
<b>Accounting Fee <sup>1</sup></b>	1.5% per month interest on amount of underpayment plus the cost of the audit plus the amount of the underpayment	Immediately upon billing	If there is a variance in any report showing that You have underreported Gross Revenues by more than 2%, you must pay 1.5% per month interest, plus the cost of the audit, including the auditor's travel, lodging, transportation, meals, other expenses, and attorney's fees incurred by Us.
<b>Renewal <sup>1</sup></b>	Up to \$5,000	Before Renewal Date	You must give us notice of Your intent to renew between 7 and 12 months before the expiration of Your Franchise Agreement.
<b>Technology Fee</b>	Up to \$1,000 per month, plus up to \$300 per agent/per month, with annual increases of not more than 7%	Payable monthly by Electronic Funds Transfer if and when the WIR Code is adopted by Franchisee. Funds must be in Your designated bank account in time so that We can obtain them by 15 <sup>th</sup> day of the month following the month for which You pay the Technology Fee.	
<b>WIR Code and Software License Renewal and Upgrade Fees</b>	Up to \$1,000 renewal fee; upgrade costs range from \$100 to \$1,000 per upgrade	At beginning of a renewal term of the Franchise Agreement. Upgrade fee due at the time of upgrade.	See Item 11 for description of WIR Code.
<b>Late Fee</b>	\$500 for each day after annual year-end records and reports are due and not provided; \$500 for each day monthly Production Royalty payments are late.	February 15 <sup>th</sup> of each calendar year if annual year-end records and reports are not provided.	Accrues for each day the required annual year-end reports and records are not provided. Accrues for each day the monthly Production Royalty payments are late.

1. These fees are imposed by and are payable to Us. All fees are non-refundable.

#### **Notes Regarding Other Fees:**

##### **Note A. Production Royalty Tiers:**

You will pay a monthly Production Royalty based on the following tiers:

Tier One: If Your Gross Revenues are between zero and \$500,000.00, You will pay an Initial Fee of **\$15,000.00** and be eligible for a Production Royalty of 10%.

Tier Two: If Your Gross Revenues are between \$500,000.00 and \$1,000,000.00, You will pay an Initial Fee of **\$25,000.00** and be eligible for a Production Royalty of 8%.

Tier Three: If Your Gross Revenues is greater than \$1,000,000.00, You will pay an Initial Fee of **\$35,000.00** and be eligible for a Production Royalty of 6%.

You will pay by electronic funds transfer. We may, upon notice, require You to pay Your Production Royalty via a different method or on a different periodic basis.

**Note B. Growth Reward Program:**

We have an annual "Growth Reward Program" ("GRP") under which You may be eligible to receive a partial rebate of Your Production Royalty paid based on the Production Royalty paid to us by another franchisee. The method of determining the amount of Production Royalty rebated, Your "Growth Reward Rebate" ("GRR"), the standards for determining eligibility for the GRP, and the procedures for resolving questions and disputes related to the GRP is further described in the Manuals. To qualify for the GRP, You must not be in default under Your Franchise Agreement, must be in compliance with all obligations under Your Franchise Agreement, You must be expressly named or an employee or independent contractor associated with You must be expressly named by a new WIR Systems Inc. franchisee using our Growth Reward Sponsorship Form, and meet other reasonable conditions as set forth in Our Franchise Agreement and the Manuals. Only You, as the Franchisee, and not individual employees or independent contractors associated with You, are eligible to receive the GRR. If We send You a default notice and you fail to timely cure the default, You may be excluded from the GRR for that year, even though You may later cure the default.

To qualify as a Growth Reward Sponsor, You must be expressly named as the Procuring Cause of a new WIR Systems Inc. franchisee's decision to become a franchisee on our Growth Reward Sponsorship form. The new franchisee must be someone who was previously unknown to Us and must not have been in Our database as a prospective franchisee for you to qualify as the Procuring Cause of that new Watters International Realty franchisee's decision to become a WIR Systems Inc. franchisee. If all of these conditions are met, You may qualify as a Growth Reward Sponsor for the new franchisee, and be entitled to receive GRR as indicated below. Once qualified, You may receive a rebate equal to 50 basis points (1/2 of 1%) of the Production Royalty that We receive from the new franchisee to be paid on an annual basis over the remaining term of Your current Franchise Agreement, less any franchise fee expenses or expense collection fees incurred by Us.

Affiliates or related entities of the Franchisee, as expressly approved in writing by the Franchisor ("Approved Affiliates"), may be eligible to receive a similar annual payment under our GRP for Approved Affiliates, in the amount of 50 basis point (1/2 of 1%) of the Production Royalty that We receive from the new franchisee that names the Approved Affiliate in our Growth Reward Sponsorship Form as the Procuring Cause for the new franchisee becoming a Watters International Realty franchisee as long as they are in good standing, pay an annual \$25 administrative fee, and otherwise comply with Our Manuals. Employees or independent contractors associated with You are not eligible for approval as an Approved Affiliate.

**Note C. Production Royalty Upgrade Fees:**

We may, at our discretion and prior written approval, allow You to enter Tier Two of the Production Royalty Tiers after the first year anniversary date of Your Franchise Agreement upon payment of a \$10,000 Production Royalty Incentive. We may, at our discretion, and prior written approval, allow You to enter Tier Three of the Production Royalty Tiers one year after You enter Tier Two.



**Note D. Training Expense:**

Initially, You may be the only person operating the business before you begin to assemble your team. In that case, You must be responsible for business operations, management, bringing in business, and be, at all times, a licensed Broker and must comply with all national, state, and local licensing requirements. We will refer to You as the "Owner" (meaning a person owning a 10% or more interest in the franchise) or Designated Broker. If you are starting out with two people on your team at least one must be a licensed Broker. If You designate a team member to be the broker of record to review real estate contracts, We will refer to You as the Owner, and the team member as the Designated Broker. You, and the Designated Broker if you have one, or You and up to one other team member, must successfully complete Our initial 2-week Launch Training program. We will decide whether You and the Designated Broker, or You and other team member if You are the Designated Broker, have successfully completed the initial Launch Training program based upon knowledge test results and Our observations of You and your team member's ability to use the knowledge effectively. You must also complete the Franchise Launch checklist within the first 45 days after completing Launch Training.

During the first year of your franchise term, We will provide Our 2-week initial In-house Launch Training program to You and one other team member, as part of your Initial Fee. After the first two persons receive Our initial Launch Training, You must bear the cost of training additional key people in your business. In all cases, You are solely responsible for all salaries, compensation, benefits, travel and related expenses for trainees.

We may require You and Designated Broker to attend additional training at a location We determine. Generally, You must pay Our usual fee(s) for mandatory training. In any event, You are solely responsible for all salaries, compensation, benefits and travel related expenses of trainees.

We may provide or make available training materials and equipment for You or Your employees and may charge a fee. All training materials are Trade Secrets. You must require any of your employees to successfully complete any training program(s) if We designate them as mandatory.

**Note E. WIR Code and Software License Renewal and Upgrade Fees:**

At the beginning of a renewal term of the Franchise Agreement, We may require You to pay up to a \$1,000 renewal fee to renew the WIR Code and Software License Agreement attached as Exhibit L to this Franchise Agreement. Additionally, if We make any changes to the Code or to the programs, prior to the expiration of the Franchise Agreement, then We will make the upgrades available to You and will charge You a reasonable fee.

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

	LOW AMOUNT	HIGH AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM MADE
Initial Fee (Note A)	\$15,000.00	\$35,000.00	Lump Sum	With submission of application;	Us
Travel & Living Expenses While Attending Initial Training <sup>1</sup>	\$2,500.00	\$4,000.00	As Incurred	Before, During & After Training	Vendors, Airlines, Hotels, Car Rental Companies, etc.
Rent <sup>1</sup> (Note B)	\$500.00 per month/ \$1,500.00 for first 3 months	\$3,000.00 per month/ \$9,000.00 for first 3 months	As agreed with Landlord or Mortgage Lender	As Arranged	Landlord or Mortgage Lender
Security Deposit (2 months) <sup>1</sup>	\$1,000.00	\$6,000.00	As agreed with Landlord	As Arranged	Landlord

Leasehold Improvements <sup>1</sup> (Note C)	\$0.00	\$1,500.00 (Note C*)	As Incurred	As Arranged	Landlord, Lender or Contractor(s) and Vendors
Furniture, Office Equipment & Software <sup>1</sup>	\$3,500.00	\$54,250.00	As Incurred	As Arranged	Vendors, Leasing Cos or Lender
Signs <sup>1</sup>	\$500.00	\$7,000.00	As Arranged	As Arranged	Us, Vendors, Leasing Cos or Lender
Brokers Licenses <sup>1</sup> (Note D)	\$500.00	\$2,000.00	Lump Sum	Before Opening	State authorities
National Association of REALTORS® dues <sup>1</sup>	Actual Cost of Dues Estimated to be \$250	Actual Cost of Dues Estimated to be \$1,500.	Cash	Before Opening	National Association of REALTORS®
Local Real Estate Board Fees <sup>1</sup> (Note E)	Actual Cost of Dues Estimated to be \$250	Actual Cost of Dues Estimated to be \$1,500	Cash	Before Opening	Local Real Estate Board
Local MLS Memberships <sup>1</sup>	Actual Cost of Memberships Estimated to be \$100	Actual Cost of Memberships Estimated to be \$1,500	Cash	As incurred	Local Multiple Listing Service
Grand Opening <sup>1</sup> (Note F)	\$0.00	\$8,500.00	As Incurred	As incurred	Not required, but recommended
Marketing & Area Marketing Fee (3 months) (Note G)	\$7,500.00	\$14,000.00	As Arranged; See Item 6.	As Arranged; See Item 6.	Us, Advertising Media Vendors
Insurance <sup>1</sup> (Note H)	Actual Cost of Insurance Estimated to be \$2,500	Actual Cost of Insurance Estimated to be \$10,000	As Arranged	As Arranged	Insurance Companies
Legal Fees (Note I)	Actual Cost of Fees Estimated to be \$1,000	Actual Cost of Fees Estimated to be \$5,000	As Incurred	As Incurred	Your Lawyer
Opening Inventory of Supplies <sup>1</sup>	\$1,000.00	\$2,000.00	As Arranged	As Arranged	Us and Vendors
Additional Funds (3 months) <sup>1</sup> (Note J)	\$10,000.00	\$20,000.00	As Incurred	As Incurred	Employees, Vendors, Utilities, Taxing Agencies, Etc.
Miscellaneous Opening Costs <sup>1</sup> (Note K)	\$1,000.00	\$5,000.00	As Incurred	As Incurred	Vendors, Suppliers, Utilities, Tradesmen, Deposits etc.
Consultation	Will Vary Under the Circumstances	Will Vary Under the Circumstances	As Incurred	15 days after filing	This is for additional or special consultation, training, or assistance that we



	Estimated to be \$1,000.00	Estimated to be \$10,000.00			determine you need or that you request.
Meetings, Conventions, and Other Events	Actual Cost of Registration Estimated to be \$250.00	Actual Cost of Registration Estimated to be \$3,000.00			
<b>Total</b>	\$49,350	\$200,750			

1. Initial Franchising Expenses are based on an initial team of 2 members to a team of 6 members.

**Notes Regarding Initial Investment:**

**Note A: Initial Franchise Fee:**

The \$2,500.00 deposit is payable in cash upon signing the Watters International Realty Application for Franchise (Attachment H). If we disapprove your application for a franchise for any reason before You sign the Franchise Agreement, We will retain the non-refundable \$2,500.00 deposit; however, no additional fees will be due. After We have approved your Application, the \$2,500.00 deposit will be credited towards your Initial Franchise Fee. The Initial Franchise Fee shall be due and payable upon the approval of your Application and We will not refund the Initial Franchise Fee, or any part thereof, for any reason.

**Note B: Real Estate Rental:**

You must obtain and maintain a business office that meets our requirements. If You already lease or own the location where the franchise will be operated (the "Premises"), You should review Your lease or purchase documents to evaluate the cost of real estate rental. If not, lease situations will vary in rental amounts, lease terms, amount of space required, tenant improvements required, security deposit and advance rental required. Location is a very major factor in the amount of rent required. These estimates may not cover advance rental deposits, insurance and similar expenses. You may elect to own your own Premises, in which case it is not possible for Us to estimate the cost because of the wide variations in price and financing options. If You rent real estate for the Premises, You may be liable for the entire term of the lease whether or not You succeed in the Licensed Business. You should consult your lease documents and your attorney. Your cost of obtaining real estate could be higher if you request us to send a person to your Territory to assist you in connection with your acquisition.

**Note C: Leasehold Improvements:**

The cost could be higher if You or your landlord request changes from the standard design and materials.

If You already lease or own Premises, You should review your lease or purchase documents to evaluate the cost of real estate leasehold improvements. If not, lease situations will vary in rental amounts, lease terms, amount of space required and tenant improvements required. Size, configuration and landlord requirements will be major factors in cost. Some landlords finance leasehold improvements by amortizing them over the lease term and charging a higher rental amount to cover the cost. You should attempt to determine your costs and financing options before deciding on Premises.

Even if You are taking over or continuing in an existing Watters International Realty Premises or another existing facility, We may require that You remodel, redecorate or make other changes to the Premises to comply with Our specifications, at your cost. You must maintain the Premises, at your expense, including furniture, fixtures, interior and exterior paint and landscaping, in accordance with the Our specifications.

\*This is predicated that the lease hold improvements are to be paid for by the landlord.

**Note D: Licensed Broker:**

You must be a real estate broker or employ a real estate broker duly licensed in the state in which you plan to sell real estate.

**Note E: Local Dues:**

Your actual dues may be increased in relation to the number of your independent real estate salespersons who establish membership in the local real estate board.

**Note F: Grand Opening:**

We recommend, but do not require a "grand opening." A grand opening should be appropriate for Your community, competitive situation and similar factors. The cost of a grand opening is difficult to estimate with accuracy because of local market factors, including the types of marketing media available, the cost of marketing space or time and the local competitive situation. We estimate that, in most areas, You can accomplish an adequate grand opening for between \$3,000 and \$8,500, although, because of local conditions, You may decide that more or less is necessary.

**Note G: Marketing:**

This estimate includes your lead generation for buyers and sellers as well as marketing of your team locally. The estimate also includes the estimated Area Marketing Fee of 5% of Gross Revenues per month. We currently do not have an Area Marketing Fee, but may implement this fee once there is more than one Franchise in a given local area. This estimate does not include any extraordinary initial marketing expense for obtaining employees and informing the community of your business opening.

**Note H: Insurance:**

We require You to purchase and maintain, at your expense, throughout the term of this Agreement the insurance coverages specified in Your Franchise Agreement. The insurance coverages must be obtained from an admitted, responsible carrier or carriers acceptable to use, with a rating of at least "A" by Standard and Poor, Moody's and A.M. Best, and must include, at a minimum, the following:

Comprehensive general liability insurance, including broad form contractual liability, broad form property damage, personal injury, completed operations, fire damage, advertising and products liability coverage, in the amount of \$1,000,000 per occurrence for bodily injury and property damage.

Automobile liability coverage, including coverage of any owned, non-owned and hired vehicles, in amounts not less than \$1,000,000 combined single limit/\$2,000,000 annual aggregate.

Errors and omissions liability insurance in the minimum amount of \$1,000,000 per occurrence covering real estate brokerage services and related services plus any other approved services, as applicable, that any person associated with the Franchisee offers.

Worker's compensation and employer's liability insurance, as may be required by the state in which the Licensed Business is located, with a reputable insurer acceptable to Franchisor or with a state agency in the minimum amount of \$500,000 for bodily injury per accident, \$500,000 for bodily disease per employee, \$500,000 bodily disease policy limit, or such amounts as may be prescribed by the state or locality in which the Franchisee is located, unless your state requires that employers participate in a state-administered insurance pool (in which case You must adopt and implement a qualifying plan).

Such other insurance as may be required by the state or locality in which the Franchisee is located and operates.

Except for workers' compensation insurance, You shall provide Us with one or more certificates of insurance evidencing such coverage's and naming Us as an additional insured as to each applicable policy. Such certificate(s) of insurance shall provide that the coverage's under the respective policy(ies) may not be modified (except to increase coverage) or canceled until at least 30 days prior written notice of such cancellation or

modification has been given to Us. Upon request by Us, You shall provide Us with a true copy of any insurance policy, including all endorsements. Every insurance policy of shall provide that coverage is primary/non-contributory. Every insurance policy shall be with an insurance company that meets Our criteria as set forth in the Manuals.

Keep in mind that the price of insurance has varied widely in recent years. You should obtain a price quotation from Your insurance agent or broker and not rely solely upon Our estimate in planning to purchase the Franchise. Workers Compensation and Employers Liability insurance are extra and You should obtain prices from Your state agencies or Your insurance agent or broker.

**Note I: Legal:**

Because of the variability of attorney's fees, this is, at best, an estimate. You should check with your attorney or with several knowledgeable attorneys to determine the actual range of fees before signing the Franchise Agreement. You may need an attorney to assist and advise You in setting up Your business organization and reviewing contract documents. This estimate does not include any ongoing needs for legal services in connection with relationships with customers or vendors. Depending upon Your experience and staffing, You may also need accounting services, which might be extra. You should also consult your accountant for an estimate of fees. This estimate does not include accounting or consulting services.

**Note J: Additional Funds:**

This estimates your initial start-up expenses. You may have to use some of these additional funds to pay for Our Management Assistance if you request from us extraordinary management or support services during the early stages of your Licensed Business. In addition, these estimates include payroll costs and various service costs such as utilities. These estimates do not include owner compensation or return on investment. These figures are estimates and We cannot guarantee that You will not have additional expenses starting the business. your costs will depend on factors such as; how closely You follow Our methods and procedures; Your management skill, experience and business acumen; local economic conditions; the local market for the products and services You offer; the prevailing wage rate; competition; and the sales level You reach during the initial period. You may need additional funds before your Licensed Business breaks even.

**Note K. Miscellaneous Costs:**

This estimate is for a reserve to cover incidental unexpected costs. You may want to reserve more.

**Note L: Additional Funds:**

The variability of previous experience and success created by the franchisees in their practices prior to launching with US is wide, so it's possible that a team owner already producing at a high level (with one or two existing full-time assistants) would immediately have payroll obligations to meet. There is also some unpredictability in the speed of execution of any elective items that the team owner wants to accomplish before beginning operations under the WIR Systems agreement. For example, a new office build-out is not required (or even recommended) under the WIR Systems franchise agreement, but a team owner could elect to delay opening of operations while said new office is being finished out, causing payroll costs to add up as well as incurring incidental costs like office vendor setups, permitting, etc. above and beyond the cost of finishing the space itself.

In formulating the cost range for the 'Additional Funds' line item, we considered a few scenarios that are possible, albeit unlikely, to occur. The ideal purchaser of a WIR Systems franchise is a real estate agent experiencing a significant degree of success in his or her own sales practice heretofore. But this person may have never managed people, implemented new tech systems or recruited agents. They may, from the outset, decide that they want to take WIR Systems up on its offer of extraordinary help on either the management or support services sides (as we briefly mention in Note J.) Or, possibly more likely, they begin their launch and get 'stuck' when applying one of the key initiatives we recommend for a successful launch. Let's say that they got stuck on their outbound phone

prospecting for listings -- they may make a decision to hire an inside sales agent, which could involve a salary, a bonus structure and even a signing bonus in some markets to secure talent.

**Going Concern Value Not Included:**

If You purchase an existing operating Watters International Realty business from Us or from another franchisee, You should expect to pay, in addition to the estimated initial investment, an amount representing the fair market going concern value of the business. That value might exceed the estimated initial investment. Any purchase of existing business assets and goodwill would be under a separate agreement negotiated between You and the seller.

**Services by Affiliate and Others:**

We may provide certain services to You under the Franchise Agreement by sub-contracting with others, including our Affiliate, to provide them. These arrangements will not result in increased costs to You for the services.

**No Financing:**

See Item 10. We do not currently offer financing. Should We establish relationships with sources of possible financing, We would make the information available to You. If We make financing available to You, We or Our affiliate(s) would expect to make a profit from it. We do not require You to obtain financing from Us or Our affiliate(s).

**No Refunds:**

We will not refund any of the payments You make except as provided in Item 5, above, and in the event that We disapprove of your application for a Watters Systems Inc. franchise, in which case We will refund all but \$2,500.00 of the Initial Fee.

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

You must operate your franchise in compliance with our then-current methods, standards and specifications, as stated in the Franchise Agreement and the Manuals. You must use only those materials and supplies that conform to Our standards and specifications, unless we give you written permission to deviate. You must provide only those services We specify. You must provide these services in the manner and style we designate, refrain from deviating from our standards and specifications without our prior written consent, and discontinue offering any services from which We withdraw approval. We reserve the right to inspect and to audit your compliance and to require correction of all deficiencies at your cost.

You must purchase from Us or a supplier We approve certain equipment and software necessary to start or operate the Licensed Business. We may require You to purchase certain equipment and software offered by Us or a company affiliated with Us. As to other equipment and software, You may purchase them from the vendor(s) of Your choice, but the item(s) must meet Our specifications. We issue specifications in writing and incorporate them in the Manuals. These specifications include quality, accuracy, preparation, installation, application, delivery, performance, design and appearance. In some instances, You must purchase items that comply with Our reasonable subjective determination of whether they meet the standards and comport with the Watters International Realty standards. If We have not provided specifications, You may purchase any items that reasonably meet the requirements of the Licensed Business.

**WIR Code.** If You enter into a Franchise Agreement with Us, We or a company affiliated by Us, will provide You with proprietary WIR Code that We have integrated into Salesforce and other computer software programs. You must sign the WIR Code and Software License Agreement attached to the Franchise Agreement as



Exhibit L. You will not pay an initial fee for this proprietary code under the WIR Code and Software License Agreement, except that We may require You to pay up to a \$1,000 renewal fee in order to continue the WIR Code and Software License Agreement before the beginning of each renewal term under the Franchise Agreement (See Item 6). You will also pay an upgrade fee ranging from \$100 to \$1,000 per upgrade. (See Item 6). See Item 11 for a detailed description of the WIR Code and compatible software and other related costs and upgrade expenses.

You must purchase from Us or a vendor We approve, all items used to start or operate Your business that contain or bear the Marks, including advertising and marketing materials. We or our designated vendor(s) will make a wholesale profit consistent with industry standards. All items that You purchase from approved suppliers must meet Our specifications. This includes advertising and marketing materials. In addition, You must purchase the signs used to identify the Licensed Business(s) and Premises from a vendor We approve.

You must purchase from Us, a company affiliated with Us, or a vendor We approve, certain coaching services from qualified real estate coaches that We approve. We or our designated coaches may profit or receive a portion of Your Production Royalty and Initial Fee in exchange for providing coaching services to You. Approved coaches and approved vendors who refer potential franchisees who have not previously had contact with Us may be eligible to receive 50 basis points (0.5%) of the Production Royalty We receive from You over the term of your Franchise Agreement, as Approved Affiliates.

We publish a list of approved vendors, including approved real estate and business coaches, in the Manuals. We may approve other vendors if You request it in writing or if a vendor requests it and if the vendor demonstrates to Our satisfaction that it is financially stable and can provide product(s) or service(s) that meet Our specifications and that are consistent with Our image. We may charge a reasonable fee to cover Our costs in evaluating a proposed vendor. We will give you a good faith estimate of our cost of evaluating a proposed vendor within a reasonable time after you make the request, but before We begin the evaluation process. We will normally make Our decision within 60 days. We reserve the right to disapprove any previously approved vendor whose performance falls below Our standards. We will make any approvals of new vendors or revoke approval of vendors in writing.

During the fiscal years covered by Our audited Financial Statements (Attachment A), neither We nor any affiliate derived any revenue from vendors based on required purchases or leases by franchisees made in accordance with Our specifications. Because of common industry practices, we expect to receive fees, payments, rebates, discounts and allowances from some vendors with whom You do business. We will place such monies in a fund to cover the cost of research and development, technology improvements, growth of the franchise and the brand, marketing, recruiting, franchisee conferences, meetings or franchisee incentive programs. We will make a reasonable attempt to administer the funds in a way that is fair and equitable. We anticipate that such rebates, discounts and allowances may range from 0% to as high as 15% of the amount of your purchase of certain items. We expect the amount and availability to vary from time to time based upon factors outside our control. We will prepare an annual unaudited accounting of the amount of monies received and their application by general category and will provide You with a copy upon written request.

We do not require that You purchase any computer software, but You must use Our proprietary WIR Code computer software. You must purchase a computer that will run the WIR Code computer software. Please review Item 11 for further information regarding computer hardware and software You must purchase or license.

We may negotiate purchase arrangements with suppliers for Your benefit in the future. Except as described in this Item, We do not currently provide any material benefits to You based upon Your use of designated or approved sources except that You know that We have confidence that the designated or approved vendor can perform to Our specifications.

You, Your Designated Broker and employees must complete certain training programs at Your expense. We have no historic information about how much You will spend on mandatory training programs. See Item 6.

We estimate that your purchases of goods and services in accordance with specifications will represent approximately 20 to 50% of your total purchases in connection with establishing your Licensed Business and approximately 20 to 50% of your total purchases in connection with operating your Licensed Business.

The numbers contained in this Item 8 are Our good faith estimates. In the interest of providing You with some point of reference, We have provided these estimates. Both We and Our affiliate(s) have the right to make a profit on items You purchase from Us. Any profits would be within the range of standards in the industry for the item(s) in question.

No franchisor officer owns an interest in any supplier.

You must obtain and maintain in full force and effect during the term of the Franchise Agreement at Your expense, the specified insurance coverages. The insurance coverages must be obtained from an admitted, responsible carrier or carriers acceptable to Us, with a rating of at least "A" by Standard and Poor, Moody's and A.M. Best, and must include, at a minimum, the following:

Comprehensive general liability coverage, including coverage of any owned, non-owned and hired vehicles, in amounts not less than \$1,000,000 combined single limit/\$2,000,000 annual aggregate.

Errors and omissions liability insurance in the minimum of \$1,000,000.

**Approval of Alternative Suppliers.** We are very liberal in our guidance for You to select vendors to execute on key business items and We use the Alternative Supplier approval process to create a natural point of communication about the selection of a given vendor. That 'speed bump' offers an opportunity to for Us to share experienced-based knowledge that may benefit You in its decision-making process on a given purchase. Our industry is riddled with technology platforms and other vendors that have 1) unfavorable contract terms, 2) market rate pricing that franchisees can often negotiate for a fraction of the cost with our help, or 3) a known reputation for overpromising and underdelivering. We can help You avoid sinking unnecessary cash into systems that are the wrong fit for the franchisees' needs at a given growth stage.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Item in Franchise Disclosure Document
a. Site selection and acquisition/lease	Articles 1, 6, 9, 12, 15, 17, Exhibits A Exhibit H (if applicable)	Items 5, 8, 9, 11, 12, & 17 Attachment B, Exhibits A Attachment B, Exhibit H (if applicable)
b. Pre-opening purchases/leases	Articles 1, 6, 7, & 8 Exhibits A, B, C & D Exhibit H (if applicable)	Items 5, 6, 7, 8, 9 & 17 Attachment B, Exhibits A, B, C & D Attachment B, Exhibit H (if applicable)

Obligation	Section in Agreement	Item in Franchise Disclosure Document
c. Site development and other pre-opening requirements	Articles 1, 2, 4, 6, 7, 8, 11, 15, 17 & 19, Exhibits A, B, C & D Exhibit H (if applicable)	Items 5, 6, 9, 11, 12 & 17 Attachment B, Exhibits A, B, C & D Attachment B, Exhibit H (if applicable)
d. Initial and ongoing training	Articles 1, 4, 5, 6, 7, 9, 11, 12, 13, 15 & 19	Items 5, 6, 7, 8, 9, 11, 14, 15 & 17
e. Opening	Articles 1, 2, 4, 6, 7, 8, 11, 12, 19, Exhibits A, B, C, D, E, F, G, H (if applicable), I, K & L	Items 5, 6, 7, 8, 9, 11, 12, 16, 17, 22, Attachment B, Exhibits A, B, C, D, E, F, G, H (if applicable) I, K & L
f. Fees	Articles 2, 3, 4, 5, 7, 9, 11, 12, 17, 18, & Exhibit G; Exhibit L (if applicable)	Items 5, 6, 7, 8, 9, 10, 17, Attachment B, Exhibit G; Exhibit L (if applicable)
g. Compliance with standards and policies/Operating Manual	Articles 1, 2, 3, 4, 5, 6, 7, 11, 12, 13 & 15 & Exhibits C & D	Items 8, 9, 12, 13, 16, 17, Attachment B, Exhibits C & D
h. Trademarks and proprietary information	Articles 1, 2, 5, 6, 7, 11, 15, 16, 17, 18 (if applicable) & Exhibits A, B, F, G, I, K & L (if applicable)	Items 1, 2, 8, 9, 11, 12, 13, 14, 16, 17, Attachment B, Exhibits A, B, F, G, I, K & L (if applicable)
i. Restrictions on products/services	Articles 1 & 7 & Exhibit L	Items 1, 8, 9, 12, 13, 14, 16 & 17 & Attachment B, Exhibit L
j. Warranty and customer service requirements	Articles 1, 2, 3, 4, 5, 7, 8 & 15,	Items 1, 8, 9, 12, 13, 14, 15, 16 & 17
k. Territorial development and sales quotas	None	None
l. Ongoing product/service purchases	Articles 4, 5, 7 & 15, Exhibits C & D	Items 6, 8, 9, 16, & 17, Attachment B, Exhibits C & D
m. Maintenance, appearance and remodeling requirements	Articles 1, 6, 7, 9, 11, 12, 15, 16 & 17, Exhibits A, C & L	Items 6, 7, 9, 13, 15, 16 & 17, Attachment B, Exhibits A, C & L
n. Insurance	Articles 8 & 15	Items 7, 9 & 17
o. Marketing	Articles 1, 2, 3, 6, 7, & 15	Items 7, 8, 9, 13, 14, 16, 17 & 18
p. Indemnification	Articles 8, 11 & 15	Items 7, 9 & 17
q. Owner's participation/management/staffing	Articles 4, 5, 7, 11, 13, 15 & 17, Exhibits G & I	Items 7, 8, 9, 12, 13, 15, 16, & 17, Attachment B, Exhibits G & I
r. Records/reports	Articles 3, 7, 8, 12 & 15	Items 8, 9, 15 & 17
s. Inspections/audits	Articles 3, 7, & 15	Items 6, 8, 9, 16 & 17
t. Transfer	Articles 1, 6, 7, 11, 12, 13, 14, 15, 16, & 17	Items 6, 9, 13, 14 & 17
u. Renewal	Articles 9, 10 & 15	Items 6, 9 & 17



Obligation	Section in Agreement	Item in Franchise Disclosure Document
v. Post-termination obligations	Articles 5, 8, 10, 13, 14, 15, 16, 17 & 18 (if applicable)	Items 6, 9, 13, 14 & 17
w. Non-competition covenants	Articles 1, 5, 7, 11, 15, 16 17 & 18 (if applicable)	Items 9, 13, 14 & 17
x. Dispute resolution	Article 18	Items 9 & 17

## ITEM 10 FINANCING

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

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

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

### **Pre-opening Obligations.**

#### **Obligations after opening. We will:**

1. Take any actions We deem appropriate to protect or defend the Marks or System (Franchise Agreement - Article 1);
2. Loan You one or more operations manuals (the "Manuals"), which contains specifications and mandatory and suggested standards and procedures. Our Manuals are confidential and remain Our property. We will modify Our Manuals, but the modifications will not alter your status and rights under the Franchise Agreement. (Franchise Agreement - Article 1). Attachment D includes a copy of the Manual's table of contents.
3. Collect and manage funds received as rebates, discounts and allowances from vendors you do business with (Franchise Agreement – Article 2); and
4. Provide a periodic training program for You and your Designed Broker and for certain other employees, at Our regular charge for the training (Franchise Agreement - Articles 4 & 5). Please refer to Item 6 for information regarding the frequency and number of training programs We may require You to participate in.

After You open the Licensed Business, We expect to be in regular contact with You to discuss Your operation of the Licensed Business and to generally be of assistance. We plan to provide additional on-going training for You and your manager(s) and employees at Our usual charges. The Agreement does not obligate Us to provide such services, however.

We may charge Our marketing research, development and production expenses against the marketing funds. You must conduct marketing for yourself directly or through a Regional Marketing Cooperative and You may use your own marketing materials, but You must obtain Our approval of any such materials in advance.

We currently do not have an advisory council. Any advisory council would not have decision-making power. It would be advisory only. We have the right to form, change or dissolve any advisory council.

**Advertising:**

If at any time there are two or more Watters International Realty franchisees within a marketing area we may, in our sole discretion, require You participation in Area Marketing endeavors. We will decide and may modify the size and location of any Area Marketing area for which the Area Marketing Fees apply. How the Area Marketing Fees are used will be determined by a majority vote. Area Marketing groups may not assess marketing fees in an amount greater than 5% of Gross Revenues unless all members of the Local Cooperative agree. Except for these guidelines, and subject to any rules or recommendations We may adopt, each Area Marketing Fee will be autonomous, making its own rules and procedures and administering its own funds. We will collect regional cooperative marketing fees for marketing cooperatives, if applicable.

We currently do not have an advertising council composed of franchisees. We do not currently require You to participate in any local, area, or regional advertising cooperatives. We do not currently have any plans to implement any marketing cooperatives. As discussed in Item 6, We have reserved the right to later implement an Area Marketing Fee once there is more than one franchisee in the area, if it will benefit the franchisees in the local area. If an Area Marketing Fee is later implemented, each franchisee would be a member of the area marketing cooperative, and franchisee would contribute up to 5% of its monthly Gross Revenues, or \$2,500 whichever is greater, payable monthly by Electronic Funds Transfer in Your designated bank account by the 15<sup>th</sup> day of the month following the month for which You pay the Local Cooperative Marketing Payment. If implemented, all franchisees in the area would participate, whether franchise-owned or franchisee-owned. If an advertising cooperative is implemented in the future, the advertising cooperative funds would be administered by the leadership of franchisees in the local area on a majority vote basis. Currently there are no governing documents or financial statements available for Your review as We currently do not have any advertising councils or advertising cooperatives in place. There are no other advertising funds that You must participate in.

If an advertising cooperative is implemented in the future, We have the right to audit the advertising cooperative at any time, in Our discretion, and the financial statements of any advertising cooperative would be available for Your review upon reasonable notice.

Because We are new, We have no basis for providing information about how We spent any marketing funds during the last year. Any marketing funds not used during any one year remain in the marketing fund(s) for the next year. For more detail about the marketing programs, please review Items 6, 8 and 9.

We have no obligation to conduct advertising on any scale. Our branding is minimal, and We believe that Your brand should be promoted heavily instead of Our brand. We do not require You to use any particular source of advertising, nor do we require You to spend any amount on advertising in Your Awarded Area.

We will permit franchisees to use their own advertising materials because the franchisee's brand is the most important and Our branding is minimal, as long as the advertising materials comply with all applicable laws, and do not cause harm Our trademarks, brand, or franchise system.

**Time To Open:**

The typical length of time between when You sign the Agreement or pay the Initial Fee and the time when your Licensed Business opens will generally be 1 week to 6 months. The factors affecting this length of time include the time necessary for You to obtain Premises and equipment, schedule your initial training, and hire and train any necessary employees. There may be unusual circumstances in which, because of delays, construction schedules and other events beyond Our control it takes longer than 6 months.

You must have Your bank verify that you have sufficient funds available at the time We sign the Agreement. The only condition on Your obligations to pay the Initial Fee is that We must complete all of Our material pre-opening obligations to You.

**Site Selection and Awarded Area:**

We approve an awarded area in which You select a site. In order to obtain approval of Your selected site, You will email the physical address of the selected site in the awarded area, including suite number, along with photos of the exterior of the building and street and/or intersection where the building resides to the Director of Franchise Systems (Amanda Gonzales). In approving an awarded area, We are mainly concerned that franchisees are not 'stacking' offices in a proximity that does not foster healthy, cooperative competition and/or does not adequately serve the real estate brokerage needs of the community in which the offices reside. We will approve and area within 14 calendar days of receiving the address and exterior photos of the site. If We are unable to reach an agreement with You on the appropriate awarded area, You will have the option to withdraw from the Franchise Agreement and be refunded any franchise fee paid.

**Equipment, Signs, Fixtures, Opening Inventory and Supplies:**

We do not provide You assistance with providing equipment, signs, fixtures, opening inventory, or supplies, other than providing You with a list and written specifications for Our approved computer hardware and software, including our WIR Code, as detailed below. We do not deliver or install any equipment, signs, fixtures, opening inventory or supplies.

We do not provide You with assistance with conforming the premises to local ordinances and building codes or obtaining any required permits, and/or constructing, remodeling, or decorating the premises, and/or hiring and training employees. We do not own any premises used by Our franchisees and do not lease premises to franchisees.

**Training:**

Before opening Your Licensed Business, You and your Designated Broker or any other employee You designate must attend and successfully complete Our initial 2-week In-house Launch Training program. We will decide whether You and your Designated Broker or other employee You designate successfully complete the initial training program based upon knowledge test results and Our observations of You, and your Designated Broker or other designated employee's ability to use the knowledge effectively. Once you successfully complete the initial Launch Training program to Our satisfaction, You may open your Licensed Business, but must complete Our Franchise Checklist no more than 45 days after the initial In-house Launch training. You are solely responsible for all compensation, salaries, benefits, and travel-related expenses of persons receiving training, for both the initial Launch Training and on-going training. For further information regarding expenses related to the initial training, please review again Item 6.

Additional training, either at your request, or if We, in our sole discretion, believe further training will benefit You will be charged at Your cost. If You obtain a new or replacement Designated Broker, You will be responsible for the cost of training for that person after We have trained the initial two people for You. Additional training will cost \$1,000, or \$350/per person/per day, whichever is greater, plus expenses. You are solely responsible for all facility-related expenses, and Our travel-related expenses, including flight, lodging, and meals if we travel to Your location to provide training.

Because there is always uncertainty about if and when You will locate and develop acceptable franchise Premises, how long it will take to open your Licensed Business and about whether You will successfully complete training, You should not terminate employment or cease other income producing activity until after these events have occurred.

Subject	Time Begun	Instructional Material	Hours of Classroom Training*	Hours of On The Job Training*	Instructor*
Orientation to Watters International Realty, Tours	Before Opening	Manual, Lecture, Slides, Video	8	NA	Christopher Watters
Goal Assessment	Before Opening	Manual, Lecture, Slides, Video	1	NA	Christopher Watters
Strategic Planning	Before Opening	Manual, Lecture, Slides, Video	7	NA	Christopher Watters
Technology Immersion	Before Opening	Manual, Lecture, Slides, Video	10	NA	Christopher Watters
Listing Sales Training	Before Opening	Manual, Lecture, Slides, Video	8	NA	Christopher Watters
Buyer Sales Training	Before Opening	Manual, Lecture, Slides, Video	8	NA	Christopher Watters
Marketing & Lead Generation	Before Opening	Manual, Lecture, Slides, Video	8	NA	Christopher Watters
Coordinator Team Training	Before Opening	Manual, Lecture, Slides, Video	8	NA	Christopher Watters
Leadership & Scaling	Before Opening	Manual, Lecture, Slides, Video	6	NA	Christopher Watters
Financial Training	Before Opening	Manual, Lecture, Slides, Video	8	NA	Christopher Watters
Brand Ambassador Program	Before Opening	Manual, Lecture, Slides, Video	6	NA	Christopher Watters

\* All times are approximate and We may adjust them based upon Your experience and rate of learning. Although the person(s) indicated will coordinate and be responsible for training, they may bring in other appropriate persons to actually conduct the training or some portion of it.

We do not charge for the initial training for You and up to one other person (initial training for a total of two people is included in Your Initial Fee), but You must pay the travel and living expenses for You and Your employee(s). All initial training occurs at Our Austin, Texas office or at one or more operating Watters International Realty Licensed Business(es). Please refer to Item 2 for information regarding the experience of the training instructors. You and your Designated Broker or another designated employee, if you have one, must successfully complete the initial training program. We will decide whether You and Your Designated Broker or other employee, successfully complete the initial training program based upon knowledge test results and Our observations of your ability to use the knowledge effectively.

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**Computer Hardware and Software:**

We require You to use certain computer equipment and software offered by Us, a Vendor We approve, or a Vendor affiliated with Us. You may select any computer hardware that meets or exceeds Our current minimum requirements. You are responsible to maintain and repair your hardware and to update or upgrade Your software. We may recommend or require additional hardware. We may require You to purchase specified software and/or portable hand-held devices. We currently require You to use the following computer hardware and software:

We recommend desktop computers with two-monitor setup and headphones for each full-time staffer, with sales agents being responsible for providing their own laptops. The costs of the desktop computer package ranges from \$400 to \$1000 per desktop computer package.

**Notes:**

1. We do not provide any support for computer hardware or software operated on computer systems. As software and office management programs and technology evolves and becomes more sophisticated, you may need to upgrade or supplement hardware and related items. You must upgrade your computers, modems and printers and purchase any additional equipment we specify to accommodate our software, or to improve the overall effectiveness and competitiveness of your business. We do not expect these upgrades to exceed \$4,000.00 for hardware or \$5,000.00 for software in any 24-month period.

2. We have developed Our own proprietary code and network of applications, referred to collectively as Our WIR Code, which integrates Salesforce with multiple other commercially available software programs that have been modified to our specifications. You must install and use the WIR Code, which we initially provide at no additional charge. We may require you to purchase specific proprietary software owned by Us or by a company affiliated by Us, or require you to purchase non-proprietary software. We are not obligated to provide support or upgrades to Salesforce or any other software necessary for the Licensed Business that we approve, or any replacement software programs. If upgrades or support for software programs are required, this will be provided by the vendor at an additional cost to You.

3. The WIR Code is a proprietary system that allows You to collect data on performance of individual team members and the team as a whole. The WIR Code is typically operated on laptop or desktop computers. New releases or Updates of the WIR Code may be provided at an additional cost. We may charge a renewal fee of up to \$1,000 at the end of the term of the Franchise Agreement. We will provide You with all upgrades for the WIR Code for a reasonable fee. We estimate the annual cost for the WIR Code upgrades to range from \$100 to \$1,000 per year.

4. Via our proprietary WIR Code, we have access to the information and data generated described above. There are no contractual limitations on our rights to access the information and data.

5. We recommend that You enter into an agreement with a certified Salesforce development consulting firm, or other consultant that We approve, to help You with support, updates, customization, and modifications. We have no contractual obligation to provide support for any software or hardware. The current annual cost of maintenance and support contracts, upgrades and updates to the hardware and software is currently \$180-\$200 per hour for support, customizations and modifications. You are obligated by the Franchise Agreement to install and use any upgrades and updates that We may designate as mandatory. There are no limits on the frequency or cost of such upgrades or updates. We have used WIR Code in Our office continuously since January 1, 2016.



6. We currently require Cable, DSL or Fiber Optic internet connection that is always on. We recommend that You obtain your internet access from a major supplier.

7. We have no contractual obligation to provide support for Microsoft software, Adobe Software, Intuit Software, or other third party vendors of required software programs. You may be able to obtain support from Your computer hardware manufacturer or directly from Microsoft. We have no contract with Microsoft or with any hardware manufacturer to provide You with service or support. We cannot estimate the cost of updates and upgrades and there is no limit to the frequency with which you may require them or the amount of the cost. Those factors are determined by Microsoft pricing and service policies. We have used versions of these software programs in Our offices continuously since June 7, 2010. We have not approved any alternative software at this time. The contact information for the applicable vendors can be found in table 11.1

8. Although We require You to have a computer with a network interface card that will run the required software, We do not impose additional technical requirements at this time. We may, in the future, impose additional requirements on new or replacement computer hardware. Based upon current market prices, You should be able to obtain an adequate new computer for less than \$2,500.00, including monitor, keyboard, mouse, printer and other peripheral devices. You must install and use upgrades and replacement equipment when We require it, which We may do at any time. There is no contractual limit on how much an upgrade would cost.

9. The required computer hardware and software will assist you in gathering, analyzing and reporting data. The required computer hardware and software will also collect and make available to You and to Us extensive information about your business, including purchases, customer data, inventory, receipts, cost of goods, profitability and expenses, including payroll and employee expense and scheduling. Under the Franchise Agreement, We have unlimited independent access to the information for any proper purpose under the Agreement. You are required to allow Us to access your computers and data at all times. Unless otherwise required by law, We will not provide the information to any other person except in summary or statistical formats—and with your identifying information removed.

## **ITEM 12 TERRITORY**

The Franchise Agreement grants You the right to conduct the Licensed Business at a single Approved Location in the Awarded Area we grant You, which We will describe in Exhibit B to the Franchise Agreement, and which You must select and we must approve in writing in advance. The Awarded Area is non-exclusive and shall generally consist of the city, county, or unincorporated area. You must operate the Licensed Business only at this Approved Location and may not relocate the Licensed Business without our prior written consent, which will not be granted unless we approve the relocated site through our selection procedure. If you lose possession of the original approved premise, you may request permission to relocate to a temporary site subject to our consent and the same site sections procedures.

The Awarded Area is defined, as we determine in Our sole discretion, by the population of a city, county or an unincorporated area, rather than a specific geographic territory. We will not award more franchises in a particular area than one franchise per every 50,000 people in a given area. We will work with you so that your permanent location is not stacked on top of another franchisee's business, but because the number of franchisees in a given area is defined by population, there is no defined geographic territory. We will strive to locate permanent Approved Locations approximately one-half mile away from other permanent Approved Locations of other WIR Systems Inc. franchisees. The Awarded Area is not exclusive, and you may be located close to another Licensed Business or a franchise-owned or company-owned competitor using the Marks and System in your same Awarded Area. We do not have exclusive territories, and in fact encourage several Licensed Businesses in an area for local cooperative marketing purposes. We may approve a temporary franchisee locations in executive suites in which you will be located next door to another franchisee until you move to a permanent location.

You are permitted to operate the Franchised Business only at one Approved Location and only within Your Awarded Area. There are no restrictions on where customers or clients may come from, and no restrictions on You from soliciting or accepting consumers or clients from outside Your territory. Moreover, You have the right to use channels of distribution, such as the internet catalog sales, telemarketing, or other direct marketing, to make sales outside Your territory or outside the Awarded Area.

The Agreement permits Us to increase the number of franchisees in your city, county, or incorporated area, as we determine in Our sole discretion, if the population of the city, county or unincorporated area increases by more than 50,000 since at the time You sign Your Franchise Agreement.

In determining the original size and boundaries of Your Awarded Area, We will consider population, demographic and other factors that We deem appropriate, including the number of people living within the logical market area, the number and size of competitors, traffic patterns, the competitive situation, natural determinants, and economic data. We will not necessarily give any single factor or combination of factors controlling weight. Your Awarded Area will not be identical to that of any other franchise and You must make Your decision whether to purchase the franchise based upon Your knowledge of Your proposed Awarded Area.

If You meet our Gross Revenue requirements and are in full compliance with the Franchise Agreement and with the Manuals, we may permit you, in our sole discretion, to acquire another Licensed Business. The Initial Fee of \$35,000.00 for the additional Licensed Business is payable, in full, when You sign an addendum for the additional Licensed Business.

We do not offer a right of first refusal or guaranty that you will be able to acquire additional awarded areas. However, if Your franchise is in good standing, You are current on Your financial obligations, and You are not involved in any litigation or state real estate commission disputes or have any MLS board complaints, You can request a meeting with Us to discuss the available opportunities to purchase additional franchise territories.

*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.*

We do not operate or plan to operate under a different trademark that will sell goods or services that are the same as or similar to those You the franchisee will sell.

### **ITEM 13 TRADEMARKS**

We give You the right to use the name “Christopher Watters International Realty,” “Watters International” and other trade names, trademarks, service marks, trade dress and logos We currently use or which We may adopt or approve (the “Marks”) in the Licensed Business. You must follow Our rules when You use the Marks. You may only use the Marks exactly as We specify. You may not use any of the Marks in connection with the offer or sale of any unauthorized product or service.

We also own the right to use the name and service mark “Watters International.”

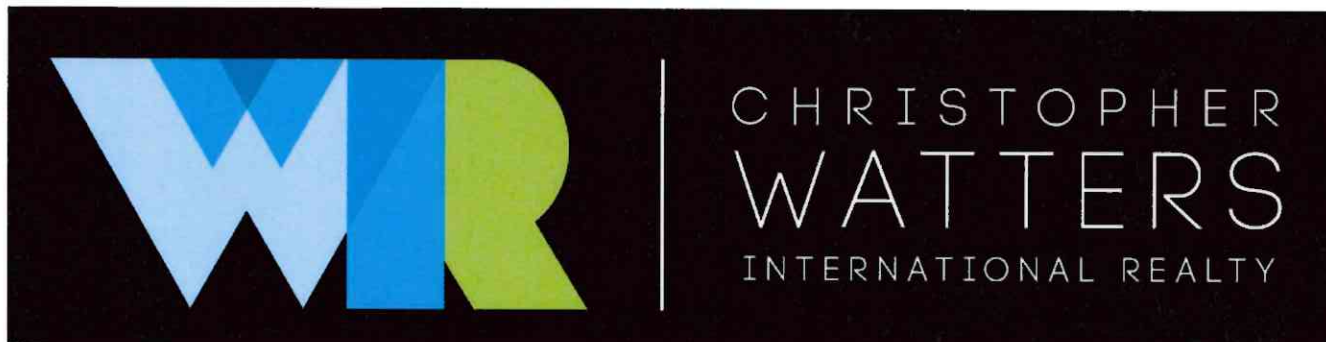
In addition to Our common law rights to use the Mark, We have secured federal trademark registration on the Principal Register for Our “Christopher Watters International” trademark as follows:

Mark: “Christopher Watters International Realty”  
Serial Number: 90-279,579

Registration Number: 6,506,204  
Registration Date: October 5, 2021

and

Mark: "Christopher Watters International Realty"  
Serial Number: 90-279,590  
Registration Number: 6,506,205  
Registration Date: October 5, 2021



In addition to Our common law rights to use the Mark, We have secured federal trademark registration on the Principal Register for Our "Watters International" trademark as follows:

Mark: "Watters International"  
Serial Number: 87/251,908  
Registration Number: 5333238  
Registration Date: November 14, 2017

We also own the right to use the name and service mark "Watters International Realty."

There are no presently active determinations of the Patent Office, the Trade Mark Administrator of any state or any court, any pending opposition or cancellation proceedings or any pending material litigation involving the Marks that is detrimental to your ability to use the Marks in connection with the Licensed Business.

There are no agreements that significantly limit Our rights to use or license You to use the Marks in any manner material to the Licensed Business.

You must inform Us if You become aware of any misuse or misappropriation of the Marks or anything confusingly similar. You may not start any litigation relating to the wrongful use of the Marks without Our prior written approval. We may take whatever action We deem appropriate to protect or defend the Marks or System, but We need not take any action.

If a third party sues You claiming that You are infringing the trademark or trade name of the third party by using the Marks, You must inform Us immediately. We will indemnify You as to that claim only and have the right to control the litigation.

It may become necessary in Our sole discretion, because of trademark litigation, a decision of the Patent and Trademark Office, or otherwise, to change the Marks. In that event, You must immediately adopt the new or revised Marks and Our maximum liability, including for any purported goodwill, is to reimburse You for the actual out-of-pocket costs of changing the principal signs identifying Your Premises.



We do not know of any person claiming or having superior rights to any of the Marks or of any infringing uses of the Marks that could materially affect your use of the Marks.

#### **ITEM 14**

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

We do not currently own any patents. We have copyrighted and will continue to copyright the Manuals and revisions of all Manuals and Handbooks loaned to You, and all training materials We provide or sell to You and Your employees. We have not registered any copyrights, but may in the future.

The Manuals, the contents of each, and certain other information We will provide to You, including certain Systems processes, and annual reports on marketing funds expenditures, if required, are all confidential trade secrets. All information We provide to You or which You develop in the course of performing under the Franchise Agreement which is not generally available to the public and which a competitor might find valuable are trade secrets. If we designate something as a "Trade Secret," You must treat it as a Trade Secret whether or not it would otherwise meet any definition of "Trade Secret." You are responsible for protecting all trade secrets and You cannot transfer them or sell them to anyone at any time. You must require your Designated Broker and all other employees and independent contractors who have access to Trade Secrets to comply with your obligations under the Franchise Agreement to protect Our Trade Secrets.

#### **ITEM 15**

### **OBLIGATION TO PARTICIPATE IN THE OPERATION OF THE FRANCHISED BUSINESS**

You must either devote Your full time and effort to managing and operating the Licensed Business or delegate its management or operation to a Designated Broker. You must reserve and exercise ultimate authority and responsibility over operation and management of the Licensed Business. If You delegate management and operation to a replacement Designated Broker, the Designated Broker must first successfully complete Our initial training program within 60 days after assuming the role of Designated Broker. If You are a corporation or other entity, each owner (of 10% or more of the franchisee entity) must personally guaranty the Franchise Agreement and the entity must designate a competent Designated Broker. We do not require the Designated Broker to be an equity owner of the franchised business. You must be a broker, at all times, or You must employ at least one Designated Broker. You must require each Designated Broker, employee and independent contractor to whom You disclose Our trade secrets to be subject to the trade secrets section of the Franchise Agreement (Franchise Agreement – Article 5). You must require every employee and independent contractor with access to trade secrets to sign a confidentiality agreement. The current form of confidentiality agreement is Exhibit G to the Franchise Agreement.

#### **ITEM 16**

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

You may offer only products and services We approve. You must offer residential real estate brokerage services and other related services under Our Marks and following Our System and of a type, quality and variety consistent with the WIR Systems Inc. d/b/a Watters International Realty brand and image. You must obtain equipment and software from suppliers We select or approve. We have sole discretion in determining what constitutes the WIR Systems Inc. d/b/a Watters International Realty brand and image. The brand and image is constantly evolving as markets change and evolve. We may change the System or any part of the System at any time, and as changed it will remain the System. We own any improvements or changes in the System whether We, You or other franchisees develop them and have the right to adopt and perfect such improvements or changes without compensating You. If We modify the System, You must, at your own expense, adopt and use the modification(s) as if they were part of the System at the time You signed the Agreement. There are no restrictions

on Our right to modify the types of goods and services You will offer except that We will remain primarily a seller of residential real estate brokerage services and other related services.

We may allow you to provide commercial real estate brokerage services in addition to your core residential real estate brokerage services upon Our prior written approval, but at this time we do not support commercial real estate brokerage services, or provide specialized training or coaching for commercial real estate brokerage services.

## 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 Franchise Disclosure Document. California Business and Professions Code sections 20000 through 20043 establish the rights of the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.**

Provision	Section in Franchise Agreement	Summary
a. Term of the Franchise	Article 1	10 years.
b. Renewal or extension of the term	Article 9	If You are in good standing and We continue the franchise system in Your area, We may permit You to renew for another term under the then-current agreement, which may be materially different than the agreement We are now offering.
c. Requirements for You to renew or extend	Article 9	Be in good standing with Us, sign new franchise agreement, give a 12-month notice and pay the Renewal Fee of up to \$5,000, and the WIR Code and Software License Renewal and Upgrade Fee of up to \$1,000.
d. Termination by You	Not Applicable	Not applicable.
e. Termination by Franchisor without cause	None	Not applicable.
f. Termination by Franchisor with cause	Article 15	We may terminate only for cause. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).
g. "Cause" defined—defaults which can be cured	Article 15	You have 14 days to cure: failure to pay Us or Our affiliate or another Watters International Realty franchisee; unauthorized assignment; abandonment (even if unintentional); failure to pay any taxes before delinquent; sublicensing of Marks; impasse among owners of Franchise; refusal to permit an audit; violation of any law or rule (including any health codes, rules or regulations); conviction of a felony; failure to operate properly using the Marks; unethical or dishonest business dealings; failure to maintain insurance; failure to timely deliver estoppel certificate; or termination of any other agreement between You and Us for cause. You have 30 days to cure any breach of the Agreement for which the Agreement does not specify a shorter period.
h. "Cause" defined—defaults which cannot be cured	Article 15	Non-curable defaults: repeated defaults, even if cured; You become insolvent or adjudged bankrupt; assignment



Provision	Section in Franchise Agreement	Summary
		for benefit of creditors; abandonment of business; convicted or plead guilty to violating law relating to Licensed Business; You have sexually harassed or intimidated any individual, intentionally engaged in racial, religious, sexual or other offensive discrimination against any individual or group; knowingly engaged in any other activity or business practice that We reasonably consider detrimental to the reputation, brand, name or Our public image or the public image of Our Affiliates; or knowingly engage in conduct that is grossly unethical.
i. Your obligations on termination/nonrenewal	Articles 16 & 17	No further use of Marks, domain names, leads, telephone numbers, telephone listings, domain names, computer software, trade secrets or the Manuals; You agree to transfer to Us or our designee all telephone numbers, telephone directory listings and domain names; certain notification obligations; payment of sums due to Us; We have option to lease or assume lease for Your Premises; You agree to sign document(s) to transfer and assign telephone numbers and domain names to Us; continuing Production Royalty on pending sales, if any. Pay amounts owed to Us to discontinue the franchise, and for early termination payment of liquidated damages. We have option to purchase any part of Your business assets. If We elect to assume Your lease and to operate a Watters International Realty business from Your Premises, You must cooperate in a changeover procedure, including notifying the landlord of the change of tenant, conducting an inventory, permitting Us to use Your furniture, fixtures and equipment for up to 60 days, and permitting Us to communicate directly with Your employees, vendors and customers in order to facilitate a smooth transition. The franchise agreement contains a liquidated damages clause. Under California Civil Code section 1671, certain liquidated damages clauses are unenforceable.
j. Assignment of contract by Franchisor	Articles 12, 14 & 17	No restriction on Our right to assign except that if Our assignee assumes all of Our obligations to You then We are free of further liability to You.
k. "Transfer" by You--definition	Articles 11, 12, 13 & 14	Includes any assignment, transfer, sale, sublease or encumbrance of the Agreement, the Franchise, the assets of Your business, the Premises, or of any ownership interest in the Franchisee if You are a corporation, partnership or limited liability company or other form of Entity.
l. Franchisor's approval of transfer by franchisee	Articles 11, 12, 13 & 14	Franchisor has the right to approve or disapprove all transfers.
m. Conditions for Franchisor's approval of transfer	Articles 11, 12, 13 & 14	You are current in all fees to Us; You are not in material breach of the Agreement; You have paid all debts of Your business; new Franchisee signs release of claims against Us for representations You made; You sign a mutual termination and release of the Agreement; We receive transfer fee (\$7,500); new Franchisee signs the then-current form of Agreement (except preserving Your

Provision	Section in Franchise Agreement	Summary
		financial terms for balance of Your term); new Franchisee qualifies; new Franchisee successfully completes initial training program; new Franchisee obtains rights to Your Premises lease, if applicable; and We receive 30 day right of first refusal. The fee to transfer to an entity with identical ownership is \$500.
n. Franchisor's right of first refusal to acquire Your business	Article 12 & 17	We may match any offer for Your business.
o. Franchisor's option to purchase Your business	Article 17	On termination, We may purchase any part of Your business at the fair market value of the tangible personal property purchased.
p. Your death or disability	Articles 12 & 13	Your heirs or personal representative must, within 90 days, either (i) request the right to continue to operate the business, subject to Article 13 of the Agreement except that no transfer fee will be payable, or (ii) sell the Licensed Business to a third party, subject to Article 13 of the Agreement. If We deny a request to continue to operate the business, the 90 days to sell begins on the date of Our denial. The same applies if You become disabled as defined in Article 14 of the Agreement.
q. Non-competition covenants during the term of the franchise	Article 16	No involvement in any competing business anywhere.
r. Non-competition covenants after the franchise is terminated or expires	Articles 16	For 24 months, You must not compete with Us within 25 miles of the boundaries of any of Our franchisees, solicit or divert any of Our customers or vendors or customers or vendors of any other franchisee, disclose any trade secrets, or solicit or hire any of Our employees, former employees or franchisees. For 24 months, You will not be employed by or in business with any person or entity that does any of those things. 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.
s. Modification of the agreement	Article 20	Only by written agreement; We may modify Manual at any time.
t. Integration/merger clause	Article 20	Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.
u. Dispute resolution by arbitration or mediation	Article 18	Except for actions for the sole purpose of collecting unpaid monies, including franchise fees, Production Royalty or Marketing Fees or to enforce trademark or trade secret rights and covenants against competition, We will settle all disputes with You by Arbitration, which will only occur after the parties try informally to resolve the dispute and participate in mediation.  The franchise agreement requires binding arbitration. The arbitration will occur at a location in Austin, Texas in accordance with the American Arbitration Association under its Commercial Arbitration Rules with the costs of arbitrator being borne shared equally and each party bearing their own expenses, including attorney's fees and costs. Prospective franchisees are encouraged to consult

Provision	Section in Franchise Agreement	Summary
		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.
v. Choice of forum	Articles 18 & 20	Litigation or arbitration must be in the State of Texas.
w. Choice of law	Article 20	The law of the State of Texas (except for Texas choice of law rules). The franchise agreement requires application of the laws of the State of Texas. This provision may not be enforceable under California law.

## ITEM 18 PUBLIC FIGURES

Our affiliates and predecessors-in-interest in Austin, Texas and Amarillo, Texas used Barbara Corcoran, of Barbara Corcoran Venture Partners to promote their businesses until 2018. We currently do not use any public figures to promote Our business, nor do We have any public figures in the management, control or ownership of Our company.

## 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 information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If You receive any other financial performance information or projections of your future income, You should report it to the Franchisor's management by contacting Bradley Pounds at WIR Systems Inc., 3307 Northland Drive, Suite 100, Austin, Texas 78731, at Telephone Number: (512) 956-7900, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

### Systemwide Outlet Summary

For Years 2020 to 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
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Franchised	2020	7	10	3
	2021	10	10	0
	2022	10	10	0
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	7	10	3
	2021	10	10	0
	2022	10	10	0

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For Years 2020 to 2022**

State	Year	Number of Transfers
Texas	2020	0
	2021	0
	2022	0
	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

**Status of Franchised Outlets  
For Years 2020 to 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminated	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons <sup>1</sup>	Outlets at End of Year
Texas	2020	1	2	0	0	0	0	3
	2021	3	0	0	0	0	1	2
	2022	2	0	0	0	0	0	2
Florida	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Colorado	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	0	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1

New Mexico	2021	1	0	0	0	0	0	1
	2022	0	0	0	0	0	0	1
New Jersey	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	0	0	0	0	0	0	1
Minnesota	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
Indiana	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
California	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Arkansas	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Totals	2020	7	3	0	0	0	0	10
	2021	1	1	0	0	0	2	10
	2022	1	0	0	0	0	0	10

**Status of Company-Owned Outlets  
For Years 2020 to 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Texas	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Totals	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

**Projected Openings As of December 31, 2022**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Fiscal Year
Texas	0	0	0
California	0	0	0
Minnesota	0	0	0
Virginia	0	0	0



Arkansas	0	0	0
Georgia	0	0	0
Maryland	0	0	0
New Jersey	0	0	0
Florida	0	0	0
Colorado	0	0	0
Totals	0	0	0

Note 1: There were no franchisees that ceased to do business under the franchise agreement or had an outlet terminated, canceled, not renewed, transferred with the last fiscal year ending 2022, or who has not communicated with the franchisor within 10 weeks of the issuance date. As of the end of fiscal year 2021, we had one franchisee in Minnesota who ceased operating due to an internal franchisee partnership dispute, and one franchisee in Texas that abandoned her business.

During the last three (3) fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system. A list of current and former franchisees can be found in Attachment C.

There are no trademark-specific franchisee organizations required to be disclosed in this document.

## ITEM 21 FINANCIAL STATEMENTS

Attachment A contains a copy of Our audited financial statements for the fiscal years ended December 31, 2020, December 31, 2021 and December 31, 2022.

## ITEM 22 CONTRACTS

We urge You to read all of the contracts and agreements carefully. This Franchise Disclosure Document cannot possibly contain all of the terms of the various agreements. It is important that You understand all of those terms. We have attached the following contracts and agreements:

### Attachment B - Franchise Agreement

with:

- Exhibit A Location of Licensed Business;
- Exhibit B Awarded Area;
- Exhibit C Assignment of Telephone Numbers and Domain Names
- Exhibit D Electronic Debit/Credit Authorization
- Exhibit E Authorization and Consent to Release Business Records to WIR Systems Inc.
- Exhibit F Consent, Waiver and Release for Training
- Exhibit G Trade Secrets and Confidentiality Agreement
- Exhibit H Lease Conditional Assignment Agreement
- Exhibit I Personal Guaranty
- Exhibit J Mutual Termination of Franchise Agreement and Release
- Exhibit K Confidentiality Agreement – Additional Information
- Exhibit L WIR Code and Software License Agreement

## **ITEM 23 RECEIPT**

A receipt for this Franchise Disclosure Document is attached at the end of this document. You must remove one copy, sign it and return it to Us.

ISSUANCE DATE: July 20, 2023

WATTERS INTERNATIONAL REALTY  
FRANCHISE DISCLOSURE DOCUMENT

# ATTACHMENTS

**ATTACHMENT A**  
**FINANCIAL STATEMENTS**



**WIR SYSTEMS, INC. d/b/a WATTERS INTERNATIONAL SYSTEMS**  
**Financial Statements**  
**(With Independent Auditors' Report)**  
**December 31, 2022, 2021, and 2020**





## INDEPENDENT AUDITOR'S REPORT

To the Shareholders' of WIR Systems, Inc. d/b/a Watters International Realty:

### Opinion

We have audited the accompanying financial statements of WIR Systems, Inc. d/b/a Watters International Realty (the "Company"), which comprise the balance sheets as of December 31, 2022, 2021, and 2020 and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022, 2021, and 2020, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 Financial Statements

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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.

*Bauer & Company, LLC*

**BAUER & COMPANY, LLC**  
Austin, Texas  
March 21, 2023

**WIR SYTEMS, INC. d/b/a WATTERS INTERNATIONAL REALTY**

Balance Sheets

December 31, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 200,401	\$ 215,090	\$ 311,912
Royalties receivable, net	130,980	179,845	112,128
Related party receivable - WIR Publishing, LLC	82,445	82,445	60,045
Related party receivable - WIR Systems Canada, Inc.	5,700	5,700	5,700
Total current assets	<u>419,526</u>	<u>483,080</u>	<u>489,785</u>
<b>Total assets</b>	<u>\$ 419,526</u>	<u>\$ 483,080</u>	<u>\$ 489,785</u>
<b>Liabilities and stockholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 14,189	\$ 8,368	\$ -
Accrued payroll and related liabilities	32,011	2,626	-
Federal income taxes payable	177,478	95,819	55,000
Deferred revenue	20,000	18,333	6,667
Total current liabilities	<u>243,678</u>	<u>125,146</u>	<u>61,667</u>
<b>Commitments and contingencies (Note 4)</b>	-	-	-
<b>Stockholders' equity</b>			
Common stock - no par value; 1,500 shares authorized, issued and outstanding	156,001	155,979	155,718
Retained earnings	19,847	201,955	272,400
Total stockholders' equity	<u>175,848</u>	<u>357,934</u>	<u>428,118</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 419,526</u>	<u>\$ 483,080</u>	<u>\$ 489,785</u>

See accompanying notes to financial statements and independent auditors' report.

**WIR SYTEMS, INC. d/b/a WATTERS INTERNATIONAL REALTY****Statements of Operations**

For the years ended December 31, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Franchise revenues			
Initial franchise fees	\$ 30,000	\$ 50,000	\$ 105,000
Franchise royalties	1,074,362	852,691	554,007
Change in tier revenue	38,333	10,848	13,333
Training revenue	6,500	1,500	-
Total franchise revenues	<u>1,149,195</u>	<u>915,039</u>	<u>672,340</u>
Operating expenses			
Payroll and related	281,600	248,343	100,924
Lead generation and advertising	-	333	3,465
Professional fees	34,860	44,831	53,399
Contract labor	4,187	10,849	9,485
General and administrative	26,600	36,886	43,250
Travel and entertainment	5,809	1,423	-
Total operating expense	<u>353,056</u>	<u>342,665</u>	<u>210,523</u>
Other income (expense)			
PPP loan forgiveness	-	-	15,000
Other expense	-	-	(6)
Total other income, net	<u>-</u>	<u>-</u>	<u>14,994</u>
Income before income taxes	796,139	572,374	476,811
Income tax expense	181,848	40,819	55,000
Net income	<u>\$ 614,291</u>	<u>\$ 531,555</u>	<u>\$ 421,811</u>

See accompanying notes to financial statements and independent auditors' report.

**WIR SYTEMS, INC. d/b/a WATTERS INTERNATIONAL REALTY**  
**Statements of Changes in Stockholders' Equity**  
**For the years ended December 31, 2022, 2021, and 2020**

	<u>Common Stock</u>		<u>Retained</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Earnings (Deficit)</u>	<u>Total</u>
Balance at December 31, 2019	1,500	\$ 155,457	\$ (149,411)	\$ 6,046
Restricted stock compensation expense	-	261	-	261
Net income	-	-	421,811	421,811
Balance at December 31, 2020	1,500	155,718	272,400	428,118
Restricted stock compensation expense	-	261	-	261
Stockholder distributions	-	-	(602,000)	(602,000)
Net income	-	-	531,555	531,555
Balance at December 31, 2021	1,500	155,979	201,955	357,934
Restricted stock compensation expense	-	22	-	22
Stockholder distributions	-	-	(796,399)	(796,399)
Net income	-	-	614,291	614,291
Balance at December 31, 2022	<u>1,500</u>	<u>\$ 156,001</u>	<u>\$ 19,847</u>	<u>\$ 175,848</u>

See accompanying notes to financial statements and independent auditors' report.



**WIR SYTEMS, INC. d/b/a WATTERS INTERNATIONAL REALTY**

Statements of Cash Flows

For the years ended December 31, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:			
Net income	\$ 614,291	\$ 531,555	\$ 421,811
Adjustments to reconcile net income to changes in net cash provided by operating activities:			
Restricted stock compensation expense	22	261	261
PPP loan forgiveness	-	-	(15,000)
Bad debt expense	23,149	28,149	-
Changes in operating assets and liabilities:			
Accounts receivable	25,716	(95,866)	(71,992)
Accounts payable	5,821	8,368	(10,000)
Federal income taxes payable	81,659	40,819	55,000
Accrued expenses	29,385	2,626	(10,464)
Deferred revenue	1,667	11,666	4,167
Net cash provided by operating activities	<u>781,710</u>	<u>527,578</u>	<u>373,783</u>
Cash flows from investing activities:			
Issuance of related party receivable	-	(22,400)	(35,045)
Net cash used in investing activities	<u>-</u>	<u>(22,400)</u>	<u>(35,045)</u>
Cash flows from financing activities:			
Stockholder distributions	(796,399)	(602,000)	-
Repayment of related party payable	-	-	(92,309)
Proceeds from PPP loan	-	-	15,000
Net cash used in financing activities	<u>(796,399)</u>	<u>(602,000)</u>	<u>(77,309)</u>
Net (decrease) increase in cash	(14,689)	(96,822)	261,429
Cash at beginning of year or period	215,090	311,912	50,483
Cash at end of year	<u>\$ 200,401</u>	<u>\$ 215,090</u>	<u>\$ 311,912</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year:			
Interest paid	\$ -	\$ -	\$ -
Income taxes paid	<u>\$ 100,189</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements and independent auditors' report.

# **WIR SYSTEMS, INC. d/b/a WATTERS INTERNATIONAL REALTY**

Notes to Financial Statements  
December 31, 2022, 2021, and 2020

## **Note 1 - Description of Business**

WIR Systems, Inc. d/b/a Watters International Realty (the "Company") was formed as a Delaware corporation in March 2017. The Company sells franchises to operate residential real estate brokerage services and other real estate related services, using the name Watters International Realty. The Company is owned and operated by Christopher Watters and Bradley Pounds. The Company offers franchises in the United States. Each franchisee is entitled to operate within an awarded geographic territory, within guidelines established by the Company. As of December 31, 2022, 2021 and 2020, the Company had fourteen, twelve, and ten franchises operating, respectively.

## **Note 2 - Summary of Significant Accounting Policies and Practices**

### ***Basis of accounting***

These financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America whereby revenues are recognized in the period earned and expenses when incurred.

### ***Use of estimates***

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### ***Revenue recognition***

Revenue is generated from initial franchise sales, change of tier fees and royalties. The initial franchise fee is nonrefundable and recorded as deferred revenue when received. The deferred revenue is recognized as revenue once the franchise completes orientation training since all material services and conditions related to the franchise fee have been substantially performed by the Company upon completion of the orientation.

Royalties from franchisees are based on a percentage of the franchisees gross revenues, which ranges from 6% to 10%. Monthly royalties are received in arrears, but are recognized as revenue in the month earned and become a receivable from the franchisee.

Upon achieving certain revenue milestones, franchisees are granted the option to pay a change of tier fee, which reduces the monthly royalty percentage. Change of tier fees are deferred upon receipt and recognized ratably over a 12-month period.

The Company is permitted to charge its franchisees an additional 0.5% royalty on gross revenue designated for the specific purpose of meeting the costs of marketing and any other activities that promote general public awareness of and favorable support for the brand. As of December 31, 2022, the Company has not started charging its franchisees a marketing and brand fee and has not decided when the fee will be assessed to its franchisees. The Brand Fund, constitutes an agency relationship to franchisees, and therefore the fee is not recognized as revenue by the Company. The designated royalty will be recorded as a liability against which the specified costs are charged or a prepaid expense if the marketing fund has paid specified costs in excess of marketing fund royalties.

**WIR SYSTEMS, INC. d/b/a WATTERS INTERNATIONAL REALTY**  
Notes to Financial Statements  
December 31, 2022, 2021, and 2020

**Note 2 - Summary of Significant Accounting Policies and Practices (continued)**

***Accounts Receivable***

Accounts receivable are uncollateralized customer obligations due under normal trade terms generally requiring payment within 15-30 days from the invoice date. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current collectability status of accounts, which includes historical loss experience and the length of time receivables are past due. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The provision for doubtful accounts as of December 31, 2022, 2021, and 2020 was \$33,149, \$33,149, and \$0, respectively.

***Cash and cash equivalents***

For purposes of the statement of cash flows, the Company considers all short-term, highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

***Advertising expense***

The costs of advertising are expensed as incurred. For the years ended December 31, 2022, 2021, and 2020, advertising expenses were \$0, \$333, and \$3,465, respectively.

***Financial instruments and credit risk***

Financial instruments that potentially subject the Company to credit risk include cash. Cash is deposited in demand accounts in federally insured domestic institutions to minimize risk, and at no point during the years ended December 31, 2022, 2021 and 2020 were the Company's deposits in excess of federally insured limits.

***Income taxes***

The Company accounts for income taxes using the asset and liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the asset or liability is expected to be realized or settled. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company regularly assesses uncertain tax positions in each of the tax jurisdictions in which it has operations and accounts for the related financial statement implications. Unrecognized tax benefits are reported using the two-step approach under which tax effects of a position are recognized only if it is "more-likely-than-not" to be sustained and the amount of the tax benefit recognized is equal to the largest tax benefit that is greater than fifty percent likely of being realized upon ultimate settlement of the tax position. Determining the appropriate level of unrecognized tax benefits requires the Company to exercise judgment regarding the uncertain application of tax law. The amount of unrecognized tax benefits is adjusted when information becomes available or when an event occurs indicating a change is appropriate.

The Company is subject to Texas margin tax, which is accounted for as an income tax. Texas margin tax expense was \$0 for the years ended December 31, 2022, 2021 and 2020.

**WIR SYSTEMS, INC. d/b/a WATTERS INTERNATIONAL REALTY**

Notes to Financial Statements  
December 31, 2022, 2021, and 2020

**Note 2 - Summary of Significant Accounting Policies and Practices (continued)**

***Fair Value Measurements***

The fair value of the Company's financial instruments reflects the amounts that the Company estimates to receive in connection with the sale of an asset or paid in connection with the transfer of a liability in an orderly transaction between market participants at the measurement date (exit price). The fair value hierarchy that prioritizes the use of inputs used in valuation techniques is as follows:

Level 1 – quoted prices in active markets for identical assets and liabilities;

Level 2 – observable inputs other than quoted prices in active markets, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data;

Level 3 – unobservable inputs reflecting management's assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The carrying amounts of the Company's financial instruments, which include cash equivalents, receivables, prepaid expenses, deferred revenues, and accounts payable and accrued expenses, approximate their fair values due to their short maturities.

***Management review***

The Company has evaluated subsequent events through March 21, 2023, the date the financial statements were available to be issued.

***Recent accounting pronouncements***

On January 1, 2022, the Company adopted FASB Accounting Standards Codification ("ASC") Topic 842, Leases ("ASC Topic 842"). ASC Topic 842 requires entities to recognize lease assets and liabilities on the balance sheet for all leases with a term of more than one year, including operating leases, which historically were not recorded on the balance sheet in accordance with the prior lease accounting standard.

The adoption of ASC Topic 842 did not have any impact on the Company's balance sheet, statement of operations or cash flows.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

**Note 3 – Common Stock and Restricted Stock**

As of December 31, 2022, 2021 and 2020, the Company has 1,500 shares of no par value common stock outstanding.

In April 2018, the Company entered into an employment agreement with Bradley Pounds whereby he will receive a 10% ownership interest in the Company that is fully vested on February 1, 2022. During the years ended December 31, 2022, 2021 and 2020, the Company recognized \$22, \$261 and \$261 of restricted stock compensation expense, respectively. As of December 31, 2022, the compensation expense was fully recognized. During the year ended December 31, 2022, Christopher Waters relinquished 150 shares of common stock, which were granted to Bradley Pounds.

**WIR SYSTEMS, INC. d/b/a WATTERS INTERNATIONAL REALTY**

Notes to Financial Statements  
December 31, 2022, 2021, and 2020

**Note 4 – Commitments and Contingences**

***Franchise obligations***

Under provisions of the franchise agreements, the Company, as franchisor, is obligated to the franchisees to provide certain ongoing services and training. The Company is not obligated to supervise or otherwise assist in the establishment or direct operations of the franchisees' businesses. However, the Company or its designees do conduct on-going oversight, inspection and internal audits of the Company franchisees' compliance with its franchise agreements.

***State registration requirements***

The Company is subject to state registration requirements that require the Company to make certain annual filings and maintain certain financial ratios in the jurisdiction where franchises are sold.

***Litigation***

The Company may become involved in various claims and legal actions arising in the ordinary course of business. While the ultimate results of such matters generally cannot be predicted with certainty, management does not expect any such matters to have a material adverse effect on the Company's financial position or results of operations as of December 31, 2022, 2021 and 2020.

**Note 5 – Related Party Transactions**

ATXWIR, LLC ("ATXWIR") is an entity that is majority owned and controlled by Christopher Watters, the Company's sole stockholder. From time to time, ATXWIR will incur certain expenses on behalf of the Company which are then charged back and recorded in the operations of the Company. As of December 31, 2022, 2021 and 2020, the Company has an outstanding balance of \$0, due to ATXWIR. The related party payable bears no interest and is payable on demand.

The Company uses office space that is leased by ATXWIR from a third-party entity. The Company is not charged rent expenses for the use of the office space as the Company has determined that the amount is not significant.

WIR Systems Canada, Inc. ("WIR Canada") is a Canadian corporation that is wholly-owned and controlled by Christopher Watters, the Company's sole stockholder. From time to time, the Company pays for certain expenses on behalf of WIR Canada which are then charged back and recorded in the operations of WIR Canada. As of December 31, 2022, 2021 and 2020, the Company has an outstanding balance of \$5,700 due from WIR Canada. The related party receivable bears no interest and is due when called by the Company.

WIR Publishing, LLC ("WIR Publishing") is wholly-owned and controlled by Christopher Watters, the Company's sole stockholder. From time to time, the Company pays for certain payroll expenses on behalf of WIR Publishing which are then charged back and recorded in the operations of WIR Publishing. As of December 31, 2022, 2021 and 2020, the Company has an outstanding balance of \$82,445, \$82,445, and \$60,045, respectively due from WIR Publishing. The related party receivable bears no interest and is due when called by the Company.

**WIR SYSTEMS, INC. d/b/a WATTERS INTERNATIONAL REALTY**  
Notes to Financial Statements  
December 31, 2022, 2021, and 2020

**Note 6 – Paycheck Protection Program Note Payable**

In April 2020, the Company received a Paycheck Protection Program (“PPP”) loan from the U.S. Small Business Administration for \$15,000. The PPP loan has an interest rate of 1.0% and the first payment was due 12 months from the date of the promissory note. The term of the loan is two years. However, if the Company meets certain criteria related to the use of funds and maintains employment levels, then potentially all of the loan principal and accrued interest will be forgiven and no repayment will be required. In November 2020, the loan balance of \$15,000 was forgiven by the Small Business Administration and the Company recorded the forgiveness as other income during the year ended December 31, 2020.

**Note 7 – Income Taxes**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Although the Company believes its recorded assets and liabilities are reasonable, tax regulations are subject to interpretation and tax litigation is inherently uncertain; therefore, the Company’s assessments can involve both a series of complex judgements about future events and rely heavily on estimates and assumptions. As of December 31, 2022, 2021 and 2020, deferred tax assets and liabilities are not significant.

As of December 31, 2022, 2021 and 2020, the Company had federal net operating loss carryforwards of approximately \$0, \$19,493, and \$19,493, respectively. Utilization of the net operating loss carryforwards might be subject to substantial annual limitations due to the “change in ownership” provisions of the Internal Revenue Code of 1986. The annual limitation may result in the expiration of net operating losses generated prior to utilization.

The Company files tax returns in the U.S. federal jurisdiction and Texas. The Company is not currently under audit for federal, state or any foreign jurisdictions. Generally, the Company is subject to examination for three years.

As of December 31, 2022, 2021 and 2020, the Company has federal income tax payable of \$177,478, \$95,819 and \$55,000, respectively. The federal income tax expense for the years ended December 31, 2022, 2021 and 2020 was \$181,848, \$40,819 and \$55,000, respectively.





**Form F – Consent of Accountant**

**CONSENT**

Bauer & Company, LLC hereby consents to the use in the Franchise Disclosure Document issued by WIR Systems, Inc. ("Franchisor") on April 28, 2023, as it may be amended, of our report dated March 21, 2023, relating to the financial statements of Franchisor for the years ending December 31, 2022, December 31, 2021 and December 31, 2020.

*Bauer & Company, LLC*

**BAUER & COMPANY, LLC**  
Austin, Texas  
April 28, 2023

**ATTACHMENT B**  
**FRANCHISE AGREEMENT**



**WIR SYSTEMS INC.  
FRANCHISE AGREEMENT**

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- Exhibit C - Assignment of Telephone Numbers and Domain Names
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- Exhibit E - Authorization and Consent to Release Business Records to WIR Systems Inc.
- Exhibit F - Consent, Waiver and Release For Training
- Exhibit G - Trade Secrets and Confidentiality Agreement
- Exhibit H - Lease Conditional Assignment Agreement
- Exhibit I - Personal Guaranty
- Exhibit J - Mutual Termination of Franchise Agreement and Release
- Exhibit K - Confidentiality Agreement – Additional Information
- Exhibit L - WIR Code and Software License Agreement



WIR SYSTEMS INC. INFORMATION SUMMARY

Franchise Agreement No.: \_\_\_\_\_

EFFECTIVE DATE: \_\_\_\_\_

BETWEEN: WIR Systems Inc. d/b/a Watters International Realty ("Franchisor")

AND: \_\_\_\_\_ ("Franchisee")

\_\_\_\_\_

\_\_\_\_\_

AWARDED AREA: \_\_\_\_\_

APPROVED LOCATION: \_\_\_\_\_

FRANCHISEE'S PHONE NUMBER: \_\_\_\_\_

FRANCHISEE'S EMAIL: \_\_\_\_\_

OPENING DATE: \_\_\_\_\_

FRANCHISEE LEADERSHIP TEAM:

Owner/Rainmaker: \_\_\_\_\_

Designated Broker: \_\_\_\_\_

TYPE OF LICENSE AGREEMENT:

- ☐ New License Agreement
- ☐ Renewal of Existing License Agreement
- ☐ Transfer of Existing License Agreement

PRODUCTION ROYALTY RATES BY TIERS:

- ☐ Tier One: 10%
- ☐ Tier Two: 8%
- ☐ Tier Three: 6%

INITIAL FRANCHISE FEE BY TIERS:

- ☐ Tier One:\$15,000.00
- ☐ Tier Two:\$25,000.00
- ☐ Tier Three:\$35,000.00

**CERTAIN FEES:**

Renewal Fee: Up to \$5,000

Transfer Fee: Up to \$7,500 plus our costs to review transfer

**FRANCHISEE'S OWNERS:**

The following is a list of all owners of record, beneficial owners of Franchisee, all persons with voting rights over any ownership interests in Franchisee's business.

<u>Principals</u>	<u>Percentage of Ownership</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**ADDRESSES FOR NOTICES:**

Franchisor:

WIR Systems Inc.  
3307 Northland Drive, Suite 100  
Austin, Texas 78731  
Attention: Franchise Department

Franchisee:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## **WIR SYSTEMS INC. FRANCHISE AGREEMENT**

This Franchise Agreement (“Agreement”) is entered into as of the Effective Date set forth in the Information Summary (which is incorporated by reference for all purposes in this Agreement) between WIR Systems Inc., a Delaware Corporation (“Franchisor”) and the Franchisee identified in the Information Summary.

### **RECITALS**

WHEREAS Franchisor has developed a unique system for operating and marketing residential real estate brokerage services and other real estate related services through a real estate team operating under the Marks and using the System (hereinafter the “System”);

WHEREAS Franchisor owns the trade name WIR Systems d/b/a Watters International Realty and related logos and marks and trade dress as more fully described in this Agreement (hereinafter the “Marks”);

WHEREAS, as between Franchisor and Franchisee, Franchisor is the sole and exclusive owner of all goodwill associated with and to become associated with the Marks, the value of which Franchisee acknowledges;

WHEREAS Franchisee recognizes the advantages and value of the System and Marks and desires to obtain a license for a WIR Systems Inc. d/b/a Watters International Realty business (hereinafter the “Licensed Business”);

WHEREAS Franchisee recognizes the necessity and value of maintaining high standards and uniformity of appearance, image, products, services and customer relations in conformity with the System as Franchisor may reasonably modify it from time to time;

WHEREAS Franchisee is aware of the risks, business and otherwise, associated with owning a Watters International Realty Licensed Business and has independently evaluated those risks without relying upon any representations from Franchisor or Franchisor’s agents regarding revenues, profits or probability of success, excepting only those representations and accompanying cautions contained in Franchisor’s Franchise Disclosure Document—revenues, profits or probability of success being affected primarily by factors beyond Franchisor’s control, including Franchisee’s skill, personality, diligence and dedication and general regional or local economic or demographic conditions; and

WHEREAS, Franchisor, in reliance upon Franchisee’s representations, is willing to provide certain training and other services and to grant a license, but only on the terms of this Agreement, which terms Franchisee understands and accepts and both parties acknowledge to be reasonable and material;

NOW THEREFORE, for and in consideration of the mutual covenants herein set forth, and other good and valuable consideration, the receipt and sufficiency of which each party hereby acknowledges, and each party fully intending to be legally bound hereby, Franchisor and Franchisee mutually agree as follows:

### **Article 1 - License and System**

#### **1.01 Grant of License.**

1.01.01 Subject to the terms and conditions of this Agreement, Franchisor grants to Franchisee a non-exclusive license to operate one (1) office using the System and Marks for a period of 10 years from and after the Effective Date of this Agreement, said office to be located only at the location specified in Exhibit A hereto (“Approved Location”), or at such other location within the Awarded Area as Franchisor may approve in writing. Franchisee, based upon Franchisee’s own research and knowledge, shall select a location within 90 days after signing this Agreement and that location shall be accurately stated in Exhibit A. Franchisee shall not move Franchisee’s Approved Location without Franchisor’s prior written approval.

Franchisor may, in its reasonable discretion, require Franchisee to select a temporary site for the operation of the Licensed Business, or may approve a temporary site upon Franchisee's request. Approval of a temporary site must be given in writing by Franchisor. All other terms and conditions of this Agreement shall apply to the operation of a Licensed Business at a temporary site. Subject to any extension of time approved by Franchisor in writing, Franchisee may not operate the Licensed Business from a temporary site for more than 6 months unless approved in writing by Franchisor.

#### 1.02 Location and Awarded Area.

1.02.01 Franchisee's Watters International Realty office shall be located only at the Approved Location. Franchisor may locate or open other competitive Watters International Realty offices in the same Awarded Area, either company-owned or franchised, during the term of this Agreement, but the number of Watters International Realty offices shall be limited one Licensed Business per 50,000 people residing in the city, county or unincorporated area, as Franchisor determines in its sole discretion. The number of Licensed Businesses in an Awarded Area may increase if the population grows, but will not necessarily decrease if the population decreases. Franchisor will strive to locate Franchisee's permanent Approved Location no closer than one-half a mile from another franchisee's Approved Location. There are no geographic restrictions upon where clients may come from under this Agreement for any Watters International Realty office, company-owned or franchised.

#### 1.03 Licensed Business.

1.03.01 The term "Licensed Business" means a business in which the Franchisee engages in the business of operating and marketing residential real estate services and related services. Franchisee will engage in the Licensed Business, operating under the Marks and using the System. Franchisor shall have the right to add or delete or change product any service offerings at any time and Franchisee agrees to comply with such changes.

#### 1.04 System and Marks.

1.04.01 Franchisee agrees to operate the Licensed Business only according to the System and only under the Marks pursuant to the Manuals and other direction as provided from time to time by the Franchisor. Franchisee acknowledges that Franchisor owns all rights to the System and the Marks and Franchisee has only such rights as this Agreement grants. For purposes of this Agreement, the "System" includes the rights and obligations set forth in this Agreement, the Operating Manuals furnished to the Franchisee, as amended from time to time, Franchisor's name, training, formulas, methods of operation, reputation, advertising, system and similar benefits pursuant to which the Franchisee operates the Licensed Business. Franchisor's unique trade dress is part of the Marks.

1.04.02 Unless otherwise first approved by Franchisor in writing or unless otherwise required by applicable law, Franchisee agrees to do business using its licensed real estate brokerage name, as approved by Franchisee's state licensing entity. Franchisee is also authorized to use Franchisor's assumed name "Watters International Realty." Franchisee shall not use the Marks in any manner not specifically approved by Franchisor, including, without limitation, as part of any domain name or other address on any portion of the Internet or any new medium, including as part of any meta tag(s) or similar use.

1.04.03 Franchisee shall immediately notify Franchisor, in writing, if Franchisee learns of any attempt by any person to infringe the Marks or to wrongfully appropriate the System or any part of it. Franchisor may, in its sole discretion, take whatever action it deems appropriate to protect or defend the Marks or System, but is not obligated to take any action whatsoever. Franchisee agrees to fully cooperate with Franchisor in any action anticipated by or taken by or on behalf of Franchisor. Franchisee understands that it may become necessary, in Franchisor's sole discretion, to change, totally or in part, the Marks, as a result of litigation or otherwise. In that event, Franchisee agrees to immediately adopt the new or revised Marks. Franchisee agrees that Franchisor shall have no liability to Franchisee for any expenses incurred if

the Marks are revised, including but not limited to any out-of-pocket expenses, any purported goodwill, and attorney's fees.

1.04.04 Franchisor may change the System or any part of the System at any time, and as changed it shall remain the System pursuant to this Agreement. Franchisor shall own any improvements or changes in the System whether developed by Franchisor, by Franchisee or by other System franchisee(s) and shall have the right to adopt and perfect such improvements or changes without compensation to Franchisee or other franchisees. If Franchisor modifies the System, Franchisee shall, at Franchisee's own expense, adopt and use such modification(s) as if it were part of the System at the time of execution of this Agreement.

1.04.05 Franchisee agrees to operate no other business whatsoever, in or about the Approved Location or premises of the Licensed Business or otherwise in connection with the System or Marks without first obtaining Franchisor's written approval; provided that, Franchisee may provide any service(s) or product(s) permitted according to the Manuals. Notwithstanding anything to the contrary contained in this paragraph 1.04.05, Franchisee (or if an entity, any owner thereof) may own and/or operate a business that offers property management services, provided that such business shall not be operated under the same name or business entity as the Franchisee's name and business entity and the profits relating to such business will not be included in the calculation of the Franchisee's Gross Revenue.

1.04.06 Ownership and Control Over Use of Phone Numbers. Franchisee acknowledges that Franchisor owns, in connection with the Marks, all goodwill associated with or to become associated with the telephone numbers, telephone listings and domain names you obtained on or before you first received Franchisor's Franchise Disclosure Document, and agrees to execute an Assignment of Telephone Numbers and Domain Names in the form of Exhibit C, attached. You agree that all telephone numbers and domain names you use for the Licensed Business shall be used solely in connection with the services authorized by this Agreement to be provided by Franchisee. You acknowledge that some or all of the telephone numbers and domain names will appear under the name WIR Systems Inc., Watters International Realty, WIR or Watters, in conjunction with your self-standing name or the assumed name of your Licensed Business, in directory listings, in yellow pages, internet advertising, and in other forms of advertising. Neither Franchisee nor any of Franchisee's employees or associates may publish any telephone or internet advertisement, or secure or list any telephone number or domain name that could confuse other real estate professionals, the industry or the public about the ownership, operation, location of, or geographic areas or markets served by your Licensed Business or any other Watters International Realty franchise. Notwithstanding anything to the contrary in this paragraph 1.04.06, during and following the termination of this Agreement, regardless of the cause of termination, Franchisee may retain sole ownership if any cell phone number used prior to the execution of this Agreement.

#### 1.05 Manuals.

Franchisor agrees to loan to Franchisee during the term of this Agreement one or more operations manuals (the "Manuals"), together with such updates and modifications as Franchisor may from time to time provide to Franchisee. Franchisor may make any changes or modifications in the Manuals as in Franchisor's sole judgment are desirable. Franchisee agrees that if there should, at any time, be a discrepancy between the terms of Franchisee's copy of the Manuals and the master copy maintained in Franchisor's offices, the terms of the master copy shall prevail. Franchisee agrees, at all times, to conform to the Manuals in all respects including to obtain any equipment, fixtures, personnel or technology necessary to do so. The Manuals are and shall at all times remain the property of Franchisor and shall be returned to Franchisor (or at Franchisor's direction, destroyed) upon expiration, termination or nonrenewal of this Agreement for any reason. Franchisee agrees not to make it available to or permit another to make any copies of the Manual or any portion thereof without Franchisor's prior written consent.



## **Article 2 - Franchise Fees and Advertising**

### **2.01 Initial Franchise Fee.**

The Initial Franchise Fee for the Watters International Realty Franchise ranges from \$15,000.00 to \$35,000.00 depending on which Production Royalty Tier applies to Franchisee, and as indicated in the Information Summary. A non-refundable deposit of \$2,500.00 shall be due along with the submission of the Franchise Application. In the event the Franchise Application is not approved, Franchisor will retain the \$2,500.00 deposit. If Franchisee is approved by Franchisor to acquire an existing Watters International Realty business, the \$2,500.00 deposit will be credited towards the Initial Franchise Fee and Franchisee will pay the fair market going concern value of the assets purchased pursuant to a separate asset purchase and sale agreement to be negotiated, in addition to the balance of the Initial Franchise Fee paid to Franchisor.

### **2.02 Production Royalty.**

Franchisee shall pay to Franchisor a monthly Production Royalty based on a percentage of Franchisee's monthly Gross Revenues as indicated in the Information Summary.

The percentage of Production Royalty owed by Franchisee varies depending on which Production Royalty program Franchisee qualifies for and is assigned at the time the franchise is approved.

Tier One: If Franchisee was approved by Franchisor for an Initial Franchise Fee of \$15,000.00, Franchisee will pay Production Royalty of 10%.

Tier Two: If Franchisee was approved by Franchisor for an Initial Franchise Fee of \$25,000.00, Franchisee will pay Production Royalty of 8%.

Tier Three: If Franchisee was approved by Franchisor for an Initial Franchise Fee of \$35,000.00, Franchisee will pay Production Royalty of 6%.

If approved by Franchisor, and as the Franchisee grows in Gross Revenues, Franchisee may have the option to upgrade to a lower percentage of Production Royalty by paying a Production Royalty Incentive of \$10,000.00 in order to reduce the Production Royalty percentage owed to Franchisor by one Tier.

Production Royalty is payable monthly to Franchisor by Electronic Funds Transfer, less any fees for the Electronic Fund Transfer. Funds must be in Franchisee's bank account designated in the Electronic Debit/Credit Authorization Form attached as Exhibit D in time so that Franchisor can obtain them on or before close of business on the 15<sup>th</sup> of the month following the month upon which the Production Royalty is based. Franchisor may, upon 30 days prior written notice require Franchisee to pay Production Royalty by any other mechanism or to pay on a different periodic basis. If Franchisee owns more than one Watters International Realty franchise, Franchisee shall report and pay royalties for each franchise independently, unless otherwise directed by Franchisor.

#### **2.02.01 Late Fee for Production Royalty**

Franchisee shall pay Franchisor Late Fees in the amounts of \$500 for the first day and \$500 for each additional day Franchisee's monthly payment of Production Royalty remains delinquent. The Late Fee is not a penalty and is in addition to any other remedy available to Company under this Agreement for Franchisee's failure to timely pay Production Royalty. If for any reason the Late Fee is deemed to be interest in excess of the maximum rate allowed by applicable law, any such excess shall be applied as a payment and reduction of any other amounts that may be due under this Agreement, and if no such amounts are due, such excess shall be repaid to Franchisee in a timely manner.

### **2.03 Growth Reward Program**

We have an annual "Growth Reward Program" ("GRP") under which Franchisee may be eligible to receive a partial rebate of Franchisee's Production Royalty paid based on the Production Royalty paid to



Franchisor by another Production Royalty producing franchisee. The method of determining the amount of the amount of Production Royalty rebated (the "Growth Reward Rebate" or "GRR"), the standards for determining eligibility for the GRP, and the procedures for resolving questions and disputes related to the GRP is further described in the Manuals.

Franchisor shall have no responsibility or liability to any person arising out of or in connection with the administration of the GRP other than determining the amounts earned by Growth Reward Sponsors based on the standards stated in the Manuals and the data furnished by its franchisees, and distributing the funds in accordance with the Electronic Debit/Credit Authorization form on file with Franchisor and attached as Exhibit D to this Agreement. Franchisor shall have the authority to adopt guidelines and policies to determine GRP requirements, and to make adjustments and set-offs as necessary to correct any overpayments of a GRP payment, including deducting the amount of any overpayment from subsequent GRP payments.

To qualify for the GRP, Franchisee must not be in default under this Agreement, must be in full compliance with Franchisee's obligations under this Agreement and any other agreement with Franchisor, must be expressly named in our Growth Reward Sponsorship Form as the Growth Reward Sponsor or have one of Franchisor's employees or independent contractors named as the Growth Reward Sponsor, qualify as the Procuring Cause of a new Watters International Realty franchisee's decision to become a Watters International Realty franchisee, and meet other reasonable conditions in this Agreement or in the Manuals. Only the Franchisee, and not individual employees or independent contractors of the Franchisee, are eligible to receive the Growth Reward Rebate. If Franchisee has received a default notice and Franchisee has failed to timely cure the default, Franchisee is not eligible to participate in the GRP for that year, even though Franchisee may later cure the default.

The new franchisee must not have previously been in our database as a prospective franchisee. Once qualified, the Growth Reward Sponsor may receive a rebate equal to 50 basis points (1/2 of 1%) of the Production Royalty that Franchisor receives from the new franchisee to be paid on an annual basis over the remaining term of the Growth Reward Sponsor's current Franchise Agreement, less any franchise fee expenses or expense collection fees incurred by franchisor.

An Affiliate or related entity of the Franchisee, as expressly approved in writing by the Franchisor (each an "Approved Affiliate"), may also be eligible to receive a similar annual payment under our GRP for Approved Affiliates in the amount of 50 basis point (1/2 of 1%) of the Production Royalty that Franchisor receives from the new franchisee that names the Approved Affiliate as the Procuring Cause for the new franchisee becoming a Watters International Realty franchisee, as long as they are in good standing with Franchisor, pay an annual \$25 administrative fee, and otherwise comply with the GRP requirements in the Manuals. Employees or independent contractors associated with a Franchisee are not eligible for approval as an Approved Affiliate.

#### 2.04 Gross Revenues.

The term "Gross Revenues" shall mean all money and other things of value received directly or indirectly by Franchisee from in connection with the operation of the Licensed Business, including commissions, any amounts received from referral sources, business affiliations or relationships, if any, without deducting any costs, expenses or disbursements. The only thing not included in Gross Revenues is taxes or fees Franchisee is required to collect on behalf of the government and which Franchisee actually remits.

#### 2.05 Area Marketing Fee.

We reserve the right to require Franchisee to join and participate in an Area Marketing group and pay an Area Marketing Fee in the event there are two or more franchisees in a city, county, or unincorporated area. Currently, Franchisor does not require its Franchisees to join a Local Marketing Cooperative. When

and if required, Franchisee shall spend, on a monthly basis, not less than the greater of: (a) .50% of Gross Revenues or (b) \$2,500.00 on Area Marketing Fees. Franchisor may direct Franchisee to deposit some or all of its Local Marketing Cooperative expenditures into a Local Marketing Cooperative.

#### 2.06 Local Marketing.

In addition to complying with any specific marketing requirements of Franchisor, Franchisee shall place and pay for such other marketing as Franchisee deems necessary and appropriate. Franchisee shall be responsible to assure that all marketing so placed complies with the Manuals and serves to enhance and not detract from or harm the Marks and the goodwill attached and to become attached thereto. Franchisee shall promptly send to Franchisor copies of all marketing copy and media used. In the event Franchisor deems any advertisement or marketing technique to be not in compliance with this paragraph, Franchisee shall, immediately upon receipt of a written notice from Franchisor, cease using the subject advertisement or marketing technique and shall thereafter fully comply with this paragraph. If Franchisee violates this paragraph more than 2 times in any 12-month period, Franchisor may, in addition to all other remedies available pursuant to this Agreement, require Franchisee to obtain prior written approval of copy and marketing technique for all or certain categories of marketing.

#### 2.07 Training Fees.

The initial franchise fee includes a 2-week training program in Austin as well as regularly scheduled training as determined by the Franchisor in its sole discretion. If the Franchisor determines, in its sole discretion, that additional training is required, the Franchisee shall be required to pay for training programs in advance at the cost of a flat fee of \$1,000 per day, or \$350 per person/per day, whichever is greater, plus expenses. The training may take place in Franchisor's office in Austin, Texas or Franchisee's location or a facility obtained by Franchisee. Regardless, Franchisee is responsible for all compensation, salaries, benefits and travel-related expenses for Franchisee's employees or independent contractors attending training away from Franchisee's location, and Franchisee is responsible for any facility related expenses, and Franchisor's travel-related expenses, including flight, transportation, lodging and meals if Franchisor travels or sends representatives to your location to provide training.

#### 2.08 Management Assistance.

In the event Franchisee requests Franchisor to provide extraordinary management, support or coaching services at Franchisee's location or in Franchisee's Awarded Area Franchisee shall pay Franchisor's usual fee for such extraordinary services, which shall be due and payable no later than the date for payment of Production Royalty following the date of the services. All such extraordinary services shall be arranged as provided in the Manuals.

#### 2.09 Transfer Fee.

We may choose to approve a transfer of ownership interests in a Franchisee entity, in our sole discretion, in accordance with this Agreement and the Manuals. If approved, Franchisor requires a Transfer Fee of up to \$7,500, plus our expenses related to the transfer of direct or indirect ownership interests in the Franchisee entity, including Franchisor's attorney's fees incurred in connection with the transfer. If you are transferring ownership interests to a corporation or other entity with identical ownership and control, the Transfer Fee will be reduced to \$500.

#### 2.10 Accounting Fee.

Franchisee must pay an Accounting Fee if there is a variance in any report showing that Franchisee underreported Gross Revenues by more than 2%. If Franchisee has underreported by more than 2%, Franchisee must pay the amount of the underpayment, plus 1.5% per month in interest on the amount of the underpayment, plus the costs of the audit, including auditor's travel, lodging, transportation, meals, and other expenses, and any attorney's fees incurred by Franchisor.

#### 2.11 Renewal Fee.

Franchisee must give us notice of Your intent to renew your Franchise Agreement between 7 and 12 months before the expiration of your Franchise Agreement. If you are approved for Renewal, Franchisee must pay a Renewal Fee up to \$5,000.

#### 2.12 Technology Fee.

Upon the date of commencement of Franchisee's adoption of the WIR Code programming for the Salesforce platform, Franchisor charges a Technology Fee of up to \$1,000 per month, with annual increases of not more than 7% per year. All user licenses will be ordered by the Franchisee from Salesforce directly and Franchisee shall be responsible for any and all user fees. Adoption of the WIR Code must be timed correctly because it can hinder growth if it is adopted too early. Franchisee and Franchisor must mutually agree in writing prior to the deployment of the system.

#### 2.13 WIR Code and Software License Renewal and Upgrade Fee.

Franchisee must pay a WIR Code and Software License Renewal Fee of up to \$1,000 upon renewal of the franchise, and must pay an upgrade fee ranging from \$100 to \$1,000 per upgrade.

#### 2.14 Grand Opening.

Franchisor does not require a grand opening, but recommends that Franchisee shall, within 6 months after the date that Franchisee is open for business, publicize and conduct a grand opening consistent with Franchisor's recommendations. The grand opening shall be appropriate for Franchisee's Awarded Area, location, community, competitive environment and similar factors.

#### 2.15 Rebates, Discounts and Allowances.

2.15.01 RDA. The Franchisor will undertake to negotiate special fees, rebates, discounts and allowances ("RDA") from vendors on behalf of the franchisees of the System. Franchisee authorizes Franchisor to collect all ("RDA") from vendors or others with whom Franchisee does business, provided that, in Franchisor's reasonable business judgment, it is appropriate to collect them. Franchisor shall place all collected RDAs in a fund to be used in Franchisor's sole discretion for purposes including but not limited to subsidizing the cost of research and development, technology improvements, growth of the franchise and the brand, marketing, recruiting, franchisee conventions, meetings, incentive programs or other benefits to the franchisees of the System. Franchisee authorizes Franchisor to commingle Franchisee's RDA funds with those received on account of business conducted by other franchisees of the System. Franchisor is authorized to pay from the collected RDA funds any taxes and assessments payable on account of having received the funds and a reasonable portion of the administrative and marketing costs of securing, managing and disbursing such funds. Franchisee waives all compliance with the Uniform Trust Accounting Act and related or similar laws to the broadest extent permitted by law. For the avoidance and doubt, any and all fees collected relating to RDAs shall be used for the benefit and improvement of the System and its franchisees.



2.15.01 Brand Ambassador Program. The Franchisee is encouraged to cultivate a group of vendors to contribute monies toward the lead generation and marketing expenses in order to create more opportunities for both the Franchisee and the vendors. Regardless of whether those funds are paid to a third party to manage the marketing, or paid directly to the Franchisee or its affiliates, the contributions are excluded from the Production Royalty calculation as detailed in Paragraph XYZ. Franchisor has the right to review vendor contributions at any time to ascertain the source of the revenue and verify its "non-revenue" status.

### **Article 3 - Reports and Audits**

#### **3.01 Records and Reports.**

Franchisee shall at all times maintain true and accurate business records in the manner specified by Franchisor. Franchisee shall, on a monthly basis or at such other intervals as specified by Franchisor, provide Franchisor with such report(s), in the form(s) specified by Franchisor, as Franchisor may require, and at such times as Franchisor may require, including, but not limited to, reports of Gross Revenues, reports of business expenses and overhead, customer information, number and type of real estate transactions, identity of vendors, the amount of marketing expenditures, detailed records of marketing expenditures, and monthly sales summaries. By submitting any reports to Franchisor, Franchisee is certifying that they are true and correct. Within 45 days following the end of each calendar year, Franchisee shall provide Franchisor with a copy of Franchisee's balance sheet and an income and expense statement for the year. At the time they are filed, Franchisee shall provide Franchisor with copies of Franchisee's federal income tax return(s) and state and local excise tax returns, if applicable, together with all exhibits and schedules thereto and all amendments thereafter. Franchisor is authorized to rely upon such reports and financial documents and to disclose them to governmental authorities as and if properly requested. Franchisor may use data from the reports and financial documents in composite or statistical form for any purpose in Franchisor's sole discretion. Franchisor is authorized to obtain or verify the information and reports described herein by electronic means from Franchisee's computer(s), at any time, without prior notice, at Franchisor's sole election. Franchisee shall retain all business records for at least 5 years or such longer period of time as may be required by applicable law.

#### **3.02 Failure to Report.**

If Franchisee fails, for any reason, to timely deliver to Franchisor any required report with all required information, Franchisor is authorized, without further notice, to assess Production Royalty and Area Marketing Fees for each relevant week and effect an electronic funds or other transfer of such funds calculated as the greater of (a) Franchisee's average monthly Production Royalty and Area Marketing Fees over the prior 12 months or (b) the average monthly Production Royalty or Area Marketing Fees of all similar franchisees within Franchisee's region as defined by Franchisor. Franchisee hereby authorizes Franchisee's bank to make such transfers upon Franchisor's request. No action taken under this subparagraph shall constitute a cure of any breach by Franchisee, an election of remedies by Franchisor or act, in any way, to limit Franchisee's liability to pay fees under this Agreement.

#### **3.03 Audits and Inspections.**

Franchisor shall have the right, at any time, to enter the Approved Location (either physically or electronically) for purposes of auditing the accuracy of reports submitted and to otherwise verify compliance with the terms and conditions of this Agreement. Should any audit or inspection reveal that Franchisee has underreported the amount of Gross Revenues, Franchisee shall immediately pay to Franchisor the additional amount of royalties and other fees payable on account of the underreporting, plus interest thereon at the rate of one and 1.5% per month, but not more than the maximum interest allowed by applicable law. If an audit or inspection reveals that Franchisee has underreported Gross Revenues by 2% or more for any week, then Franchisee shall also pay, immediately, the cost of the audit or inspection,

including the auditor's travel, lodging, meals and other expenses. In all other cases, Franchisor shall bear the entire cost of the audit or inspection, including incidental costs. Should Franchisee at any time cause an audit to be made of Franchisee's Licensed Business, Franchisee shall cause a copy of the report of said audit to be delivered to Franchisor without any cost or expense to Franchisor.

#### 3.04 Contact With Others.

Franchisor shall have the right, in Franchisor's sole discretion and without further notice to Franchisee or to any other person or entity, to contact any of Franchisee's customers, landlord, accountant, vendors, or other persons within Franchisee's Awarded Area or otherwise for the purpose of verifying the accuracy of any information submitted by Franchisee during the term of this Agreement, for quality assurance or for any other purpose not inconsistent with this Agreement and the Authorization and Consent to Release Business Records to WIR Systems Inc. in the form attached as Exhibit E.

#### 3.05 Late Fees.

If Franchisor does not receive the annual year-end records and reports required in accordance with Section 3.01 within 45 days following the end of each calendar year, Franchisee shall pay Franchisor a Late Fee in the amount of \$500 for the first day and \$100 for each additional day the annual year-end records and reports remain delinquent. The Late Fee is reasonably related to Franchisor's costs and its ability to make annual updates to its disclosure documents, and is not a penalty, and is in addition to any other remedy available to Company under this Agreement for Franchisee's failure to provide the required reports and records. If for any reason the Late Fee is deemed to be interest in excess of the maximum rate allowed by applicable law, any such excess shall be applied as a payment and reduction of any other amounts that may be due under this Agreement, and if no such amounts are due, such excess shall be repaid to Franchisee in a timely manner.

### **Article 4 - Training**

#### 4.01 Initial Training.

4.01.01 As a condition subsequent to this Agreement, Franchisee and a team member specifically designated in writing by Franchisee to the Franchisor (the "Designated Broker"), if applicable, shall successfully complete Franchisor's initial Launch Training program. The initial Launch Training program will be approximately 80 to 90 hours in length and shall be conducted at such location(s) as Franchisor specifies. The initial Launch Training may be conducted, in whole or in part, in an existing Watters International Realty Licensed Business owned by Franchisor, an affiliate of Franchisor or another franchisee. Franchisee and Franchisee's Designated Broker, if applicable, will be required to execute a consent, waiver and release in the form of Exhibit F before beginning training, relieving Franchisor or other franchisees who might be involved in the training of liability for wages, benefits, and for injury, damages or harm that might occur while training in the facilities of Franchisor or another franchisee. Franchisee shall be responsible for all salaries, compensation, benefits, and living and travel expenses of trainees. After the initial training, Franchisor will be available for such reasonable consultation as Franchisor deems appropriate. Franchisor reserves to itself the exclusive right to determine whether Franchisee and other trainees have satisfactorily completed the training program. If Franchisee and Franchisee's designated manager, if applicable, do not satisfactorily complete the initial training program, Franchisor may terminate this Agreement. Franchisee acknowledges that such failure to satisfactorily complete the initial Launch Training program is grounds for termination of this Agreement.

#### 4.02 Designated Broker Training.

At all times, Franchisee and Franchisee's Designated Broker in charge of operating the Licensed Business (if any) shall be individuals who have successfully completed Franchisor's Designated Broker training program by attending the training program in person, or if approved by Franchisor, by completing

an online training course, and who otherwise meets Franchisor's criteria. Any new Designated Broker shall successfully complete Franchisor's Designated Broker training program within 60 days after assuming the role of Designated Broker. Unless otherwise agreed in writing by Franchisor, Franchisee shall bear the reasonable cost of training additional Designated Brokers after the first Designated Broker is trained. In all cases, Franchisee shall be solely responsible for any salaries, compensation, benefits and living and travel expenses of trainees. Franchisee shall also pay for any travel expenses including transportation, lodging and meals, if Franchisor travels to Franchisee's location for training

#### 4.03 Employee and Independent Contractor Training.

At all times, Franchisee shall only employ or be associated with persons who have successfully completed Franchisor's online training program for Franchisees and members of their team that corresponds to their role, if any. Franchisee shall, in any event, be solely responsible for all salaries, compensation, benefits, and living and travel expenses of trainees. Franchisee shall pay for any travel expenses, including transportation, lodging and meals, if Franchisor travels to Franchisee's location for training.

#### 4.04 Subsequent Training.

Franchisor may require Franchisee and Franchisee's Designated Broker, employees and independent contractors to complete additional training at a location determined in Franchisor's sole discretion. Franchisee shall pay Franchisor's usual fee(s) for such mandatory training. Franchisee shall, in any event, be solely responsible for all salaries, compensation, benefits, and living and travel expenses of trainees; provided however, that 2 phone calls, at a maximum of 30 minutes each, per month between Franchisor and Franchisee for training and coaching is included within the initial franchise fee.

#### 4.05 Training Materials.

Franchisor may, from time to time, provide or make available to Franchisee training materials and equipment for providing training for Franchisee's manager(s) and employees. Franchisor may charge a reasonable fee for such materials and equipment. Franchisee agrees that all such materials are Trade Secrets pursuant to this Agreement. Franchisee agrees to require all of its managers and employees, as applicable, to successfully complete any such training program(s) if Franchisor designates them as mandatory.

#### 4.06 No Warranty of Success.

Franchisor's determination that Franchisee or Franchisee's employee(s) have successfully completed any training shall not be a warranty or representation that the person can or will successfully operate the Licensed Business or any aspect thereof.

### **Article 5 - Trade Secrets and Confidentiality**

Franchisee will have access during the course of this Agreement to trade secrets that are the property of Franchisor. "Trade Secrets" include, but are not limited to, the System, the Manuals, formulas, methods, customer lists and related information, vendor and pricing lists and policies, the Training, and other programs, techniques and policies as they may be developed by Franchisor from time to time. Franchisee acknowledges that the Trade Secrets derive independent economic value from not being generally known to, and not readily ascertainable by proper means by, other persons who could obtain economic value from their disclosure or use. Franchisee agrees to not disclose or in any way make available to any unauthorized person(s) any Trade Secret(s) or any information regarding any Trade Secret(s) or any proprietary information made available to Franchisee by Franchisor. Franchisee shall hold all such information in complete confidence. Franchisee will not disclose any Trade Secrets whatsoever to any person(s) not employed by or under contract with Franchisee. Franchisee will disclose Trade Secrets only to those employees and agents of Franchisee with a legitimate need to know, each of whom Franchisee warrants



will be subject to this article. Franchisee shall cause every manager, employee, and independent contractor who has access to Trade Secrets to sign a Confidentiality and Nondisclosure Agreement in the form prescribed by Franchisor, the current form of which is Exhibit G hereto. Franchisee agrees that Franchisor shall have sole discretion in determining what items or information are Trade Secrets and that any items or information designated Trade Secrets by Franchisor in the Manuals or otherwise in writing shall be treated as Trade Secrets under this Agreement whether or not such items or information would be trade secrets under any other applicable legal or other definition(s), including any applicable statutes. In addition to all other remedies available to Franchisor, upon proof of violation of this Article by Franchisee, Franchisee agrees that Franchisor shall be entitled to liquidated damages in an amount equal to the greater of: (a) the sum of the average monthly Production Royalty Fees and the average monthly Area Marketing Fees paid or payable by Franchisee during the preceding 12 months, multiplied by 3 or (b) 100% of the gross revenues received or receivable by Franchisee or any transferee of any Trade Secrets during every day, or portion thereof, during which Franchisee was in violation of this Article. Franchisee acknowledges and agrees that, in the event of Franchisee's violation of this Article, proof of actual damages would be difficult and that the formula for calculating liquidated damages contained herein is a reasonable estimate of what actual damages would be and that the foregoing formula does not result in a penalty.

## **Article 6 - Pre-Opening Obligations**

### **6.01 Approved Location and Lease.**

6.01.01 Franchisee shall be solely responsible for selecting the location for the Licensed Business that complies with the Manuals (hereinafter the "Approved Location"). Franchisee, within 90 days after signing this Agreement, shall select a location, subject to Franchisor's approval. Once the single location for the Licensed Business is approved by Franchisor in writing, it shall be referred to as the Approved Location. Franchisee is authorized to conduct business at the Approved Location in the Awarded Area and no other location. Franchisor shall strive to locate Franchisee's Approved Location approximately one-half mile away from other franchisee's Approved Location, but there may be instances in which Approved Locations are closer than one-half mile from each other. Franchisor will attempt to provide to Franchisee any information in its possession regarding the Approved Location, proposed Approved Location and any known alternative Approved Location within Franchisee's Awarded Area. Such information is provided by Franchisor without warranty as to its accuracy or completeness or otherwise. Franchisor has no special expertise in such matters. Franchisee shall not sign a lease, sub-lease or other obligation until after Franchisee has received Franchisor's approval of the Approved Location and lease or sub-lease in writing, which approval shall be deemed to have been given if Franchisor has not notified Franchisee within 10 business days following Franchisor's receipt from Franchisee of a copy of the proposed lease or sub-lease and such other information about the proposed Approved Location as Franchisor may require. Approval of the Approved Location or the lease or sub-lease by Franchisor does not constitute a representation or warranty by Franchisor that the Approved Location will be good and does not constitute a legal or other opinion as to any term of the lease or sub-lease. Franchisor may, in Franchisor's discretion, condition approval upon execution of the Lease Conditional Assignment Agreement by Franchisee and Franchisee's landlord in the form of Exhibit H, attached. If Franchisee fails to select an approved location within 180 days, Franchisor shall have the option of terminating this Agreement. Franchisee acknowledges and agrees that failure to select an approved location within 180 days is cause for Termination of this Agreement. Notwithstanding Franchisor's right to terminate for failure to select an approved location within 180 days, Franchisor will reasonably extend the selection period if Franchisee has made best efforts to select a location and for valid reasons has been unsuccessful.

6.01.02 If Franchisee requests Franchisor to send a person to Franchisee's Awarded Area to assist in identifying, selecting or negotiating the terms of a lease or purchase of or otherwise in connection with

Franchisee's selection of Approved Location, upon Franchisor's request, Franchisee shall arrange for appropriate transportation, hotels and meals and reasonable expenses all at Franchisee's expense.

#### 6.02 Specifications.

Franchisee's Licensed Business shall operate only from an Approved Location meeting Franchisor's specifications, including appropriate office space. Franchisee understands and agrees that, although all Watters International Realty offices will follow a consistent theme, the details of their design will differ in many cases, based upon location requirements, landlord requests, and unique features of the community. Franchisor will consider Franchisee's requests for features for Franchisee's office, but is not obligated to follow those requests. Franchisee shall be obligated to update the design of Franchisee's office at Franchisee's expense not more than once every 3 years. Franchisee may change or update the design of Franchisee's office, subject to Franchisor's prior written approval, at any time, at Franchisee's expense. If Franchisor approves any changes in the plans or designs at Franchisee's request (or to comply with governmental codes, rules or ordinances), Franchisor shall own all rights to such plans as modified without further compensation to Franchisee or any other person. Franchisee shall sign and obtain signatures of necessary third parties on any documents requested by Franchisor to transfer any and all copyrights or other proprietary interests of any person in and to such modified plans or designs.

#### 6.03 Appearance of Approved Location.

Franchisee acknowledges that not every WIR Systems Inc. d/b/a Watters International Realty office will be required to have identical decor, color schemes and layout. Franchisee agrees to accept Franchisor's subjective evaluation as to what would keep the Approved Location in compliance with Franchisor's standards. Franchisee agrees, at Franchisee's sole cost and expense, to maintain the Approved Location, including, but not limited to equipment, displays, fixtures, and interior and exterior decor in accordance Franchisor's standards throughout the term of this Agreement.

#### 6.04 Required Equipment.

Franchisee shall acquire install and use, at Franchisee's sole expense the Required Equipment, and described in the Manuals. Franchisee understands that the specific list of Required Equipment may be different for Franchisee's Licensed Business than for other franchisees or company-owned offices on account of differences in the Approved Location, lease terms, demographics or otherwise and that Franchisor shall have the right to modify the list of Required Equipment in the Manuals or otherwise in writing. All Required Equipment shall meet or exceed Franchisor's specifications. Franchisee shall purchase the Required Equipment only from vendors approved by Franchisor.

### **Article 7 - Operation of Licensed Business**

#### 7.01 Independent Contractor.

Each party to this Agreement is and shall remain an independent contractor and shall control the manner and means of operation of its respective business and shall exercise complete control over and responsibility for all labor relations and the conduct of its agents and employees. Neither party shall be considered or held out to be agent(s), joint venturers, partners or employee(s) of the other, except as specifically authorized by this Agreement. Neither party shall negotiate or enter into any agreement or incur any liability in the name of or on behalf of the other unless, and to the extent, specifically authorized by this Agreement. Franchisee shall prominently display signs at all times in the manner specified by Franchisor, indicating the name of the Franchisee and stating that the Licensed Business is independently owned and operated. Franchisee's business forms that bear the Marks shall contain Franchisee's name and a statement that the Licensed Business is independently owned and operated in such form as Franchisor may specify.

## 7.02 Personal Participation.

Throughout the term of this Agreement, Franchisee shall either devote Franchisee's full time and effort to actively managing the Licensed Business or delegate its management to a full time Designated Broker. Notwithstanding any delegation of authority hereunder, Franchisee shall reserve and exercise ultimate authority and responsibility with respect to the operation and management of the Licensed Business. If Franchisee employs a Designated Broker to run the day-to-day operations, Franchisee shall still be required to successfully attend and complete Franchisor's training program, and the Designated Broker shall also be required to attend and successfully complete Franchisor's training program prior to taking over full day-to-day responsibilities. Such training shall be at Franchisee's sole cost and expense. Franchisee shall devote such time and effort to the Licensed Business as Franchisee determines, but shall reserve and exercise ultimate authority and responsibility with respect to the operation and management of the Licensed Business.

## 7.03 Compliance With Laws.

Franchisee shall be solely responsible, at Franchisee's sole cost and expense, for obtaining and maintaining a real estate broker's license for Franchisee's primary owner or Designated Broker and all necessary or required permits and licenses in order to operate the Licensed Business. Franchisee is solely responsible for strictly complying with each and every law, ordinance and regulation applicable to the Licensed Business, including, but not limited to, licensing, health, safety, environmental, consumer and labor regulations. Franchisee shall timely pay all applicable taxes as they come due, but may challenge the amount or applicability thereof; provided, that Franchisee hereby agrees to indemnify, hold harmless and defend Franchisor from any and all liabilities for taxes based upon Franchisee's operations.

## 7.04 Franchisee Business Operation.

Franchisee understands and acknowledges that every detail of the System and of the operation of the Licensed Business is important to Franchisee, Franchisor and other Watters International Realty franchisees in order to maintain and further develop high and uniform operating standards, to increase the demand for real estate services provided by all Watters International Realty franchisees, to enhance the image of Franchisor and the Marks, and to protect Franchisor's reputation and goodwill. Therefore, Franchisee agrees that:

7.04.01 Compliance with Manuals. Franchisee shall operate the Licensed Business in conformity with such uniform methods, standards and specifications as Franchisor may prescribe, in the Manuals or otherwise, to insure that the highest degree of quality and service is uniformly maintained. Franchisee shall acquire and maintain, at all times, all equipment and software required by Franchisor for operation of the Licensed Business. Franchisee shall offer all of the services designated by Franchisor and no others without the written consent of Franchisor, which consent Franchisor may withhold for any reason.

7.04.02 Image. Franchisee shall, at all times, work to protect and enhance Franchisor's image and, specifically, shall maintain employees or workers in the Licensed Business whose appearance, attire, attitude, reputation and demeanor are consistent with Franchisor's image. Franchisee acknowledges and agrees that Franchisor shall have sole discretion in determining what constitutes Franchisor's image, and further acknowledges that said image is constantly evolving as markets change and evolve.

7.04.03 Business Dealings. Franchisee shall not, at any time, engage in any business dealings in relation with the Licensed Business or the Franchise which are unethical, dishonest or otherwise could cause harm to the Marks, Franchisor, the goodwill associated with the Marks, or to any customer or vendor of Franchisee.

7.04.04 Maintenance. Franchisee shall, at Franchisee's sole cost and expense, maintain the Approved Location, inside and out, in the highest degree of sanitation, repair and condition, and in



connection therewith shall make such additions, alterations, repairs and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose, including without limitation, such periodic cleaning, repainting, repairs to impaired equipment and replacement of obsolete signs and equipment as Franchisor may reasonably direct.

7.04.05 Advisory Committees. Franchisee shall participate, at Franchisee's sole expense, in any local, regional and national franchisee advisory committees or councils if established or sanctioned by Franchisor.

#### 7.05 Restrictions on Sources Of Products and Services.

7.05.01 Specifications. As to all equipment, fixtures, supplies and inventory ("Items") necessary to operate the Licensed Business, except as otherwise specified herein, Franchisee may purchase them from the vendor of Franchisee's choice, but the Item(s) must meet Franchisor's specifications, if any. The current list of Items subject to specifications is included in the Manuals. Franchisor reserves the right to change the list of Items that Franchisee must purchase in accordance with specifications described in the Manuals. Franchisor reserves the right to require Franchisee to purchase only from suppliers that Franchisor has approved.

7.05.02 Items Bearing Marks and Proprietary Items. Franchisee shall purchase only from Franchisor or a supplier approved by Franchisor all Items used to start or operate the Licensed Business that contain or bear the Marks or that are proprietary to Franchisor. In addition, Franchisee shall purchase from a supplier approved by Franchisor, all signs used to identify the Licensed Business.

7.05.03 Other Suppliers. Franchisor will approve other suppliers of non-proprietary items if Franchisee or the supplier request the approval in writing and if the supplier demonstrates to the satisfaction of Franchisor that it is financially capable and can provide Item(s) or service(s) that meet Franchisor's standards and that it is willing and able to protect Franchisor's proprietary information. Franchisor may charge a reasonable fee to cover its costs in evaluating a proposed supplier. Franchisor will normally make its decision within 30 days after it receives all of the requested information and any requested samples. Franchisor reserves the right to withdraw approval of any supplier whose performance falls below Franchisor's standards.

7.05.04 Unspecified Products. Franchisee may obtain any Item used in the Licensed Business that Franchisee is not required to purchase in accordance with specifications or from an approved supplier from any source, so long as the Item is consistent with Franchisor's image. Should Franchisor later publish specifications or require use of an approved supplier, Franchisee shall comply with that requirement.

7.05.05 Training and Other Services. Certain services may be available to Franchisee only through Franchisor or an affiliate, including mandatory training. Franchisee will be required to pay the usual price for any of these services, unless otherwise provided in this Agreement.

7.05.06 Proprietary Items. Proprietary Items are Items that contain one or more unique characteristics or ingredients which are either not known to the general public or which are subject to protection as intellectual property or Trade Secrets, and can include packaging, trademarks or containers. Patented or patentable Items are Proprietary Items. Franchisor or its Affiliate(s) may develop Proprietary Items. Franchisor or an Affiliate will (i) manufacture, supply and sell Proprietary Items to franchisees of Franchisor, and/or (ii) disclose the formulae for and methods of preparation of the Proprietary Items to one or more supplier(s) who will be authorized by Franchisor to manufacture Proprietary Items to Franchisor's precise specifications and sell Proprietary Items to franchisees of Franchisor and/or (iii) license Franchisee to use them pursuant to this Agreement. If required, Franchisee shall purchase and use Proprietary Items from Franchisor or from supplier(s) so authorized by Franchisor. Franchisor or its Affiliate(s) will derive revenue and profits from Franchisee's purchases of any Proprietary Items. Franchisor or its Affiliate(s)

may distribute Proprietary Items through alternative channels of distribution, including near Franchisee's location.

7.05.07 Proprietary Code. Franchisor will license you to use the proprietary code developed by Franchisor to integrate with Salesforce and other software systems ("WIR Code"). The WIR Code, and any additions or modifications or further developments are and will be Trade Secrets of Franchisor. Franchisee shall comply with Franchisor's requirements and specifications regarding the WIR Code and any other proprietary code. Franchisor will license the WIR Code to Franchisee at its current rates. Franchisor may require Franchisee to sign a separate license agreement for some software, including but not limited to Salesforce and other third-party applications and software. Franchisor or its Affiliate(s) may distribute the Proprietary Code through alternative channels of distribution, including near Franchisee's location and to competitors of Franchisee.

#### 7.06 Minimum Hours.

Franchisee shall keep the Approved Location open to the public or have personnel available by phone every week day (or at a minimum, Monday through Friday) except for national holidays unless otherwise specified by Franchisor or agreed in writing by Franchisor or unless required by law or by a lease approved pursuant to this Agreement. Franchisee may choose to open the Approved Location on the weekend at Franchisee's option. The normal hours of operation shall be from 8:00 a.m. to 5:00 p.m., every day, subject to seasonal adjustments. The dates and hours of operation may not be the same for all Licensed Businesses or all franchisees, even in the same general area, because of local conditions.

#### 7.07 Signs.

Franchisee agrees to obtain, install and maintain on the Approved Location used in the Licensed Business, appropriate signs bearing the Marks as specified by Franchisor. Any deviation from the required signage shall be subject to Franchisor's prior written approval. Franchisee's real estate agents shall be required to use signs that bear appropriate Marks. Franchisee must obtain prior written approval to cause the Marks to be used in any other context.

#### 7.08 Computer System.

Franchisee shall purchase specified computer hardware and software ("Computer System") for use in operation of the Licensed Business as required by Franchisor. In addition, Franchisee may be required, from time to time, to purchase replacement hardware or software or software upgrades, all of which Franchisee shall install and use as required by Franchisor, including, without limitation, Customer Relationship Management ("CRM") software, and communications software and hardware. If required, Franchisee will install and maintain and use, at Franchisee's expense, a dedicated telephone or other data line or transmission facility as specified by Franchisor. Franchisee may obtain a Computer System and related components and services from any source as long as the equipment, software and service meets or exceeds Franchisor's specifications. Franchisee shall be solely responsible for maintenance, repair and replacement of the Computer System. Without limiting the applicability of this paragraph, Franchisee shall, at all times, use and maintain the software as required by Franchisor. Franchisee shall not block or attempt to block or limit Franchisor's access, including electronically, to any data or programs contained on Franchisee's Computer System and Franchisee shall maintain information relating to the Licensed Business only on the Computer System(s) to which Franchisor has access.

#### 7.09 Communications Equipment and Systems.

Franchisee shall purchase and use in the Licensed Business communications equipment or systems and service as required by Franchisor and shall update or replace such equipment, systems and service as required, but Franchisor will not require replacement more than once per year. Except as otherwise required or permitted by this Agreement or by applicable law, Franchisee shall use only the communications systems

designated by Franchisor in communicating with Franchisor and other franchisees relating to the Licensed Business. Franchisor shall have a proprietary interest in all communications made through any communications systems maintained or provided by Franchisor. Franchisee acknowledges that the provisions of this paragraph 7.09 are reasonable and necessary and beneficial to the Watters International Realty franchise system. Franchisee shall monitor and respond to all communications in a timely manner as specified in the Manuals.

#### 7.10 Equipment Maintenance.

Franchisee shall be solely responsible, at Franchisee's cost and expense, for maintaining, repairing, and replacing, when appropriate, all equipment required, recommended or permitted pursuant to this Agreement.

#### 7.11 Warranties.

Franchisee shall not represent to any customer or the public that Franchisor provides any warranty as to the quality of any product or service, unless Franchisor has specifically authorized such warranty in writing. If Franchisee offers any warranties, they shall be in writing and shall clearly state, both in the warranty and in any promotional or advertising materials, that the warranty is available and will be honored only by Franchisee. Franchisee hereby indemnifies, holds harmless and agrees to defend Franchisor, its related companies and all other Watters International Realty franchisees from any and all claims of whatever nature arising from any such additional warranties made by Franchisee. Franchisee shall participate in and comply with any warranty program that Franchisor may adopt from time to time.

#### 7.12 No Pirating of Personnel.

During the term of this Agreement and for a period of 2 years following Termination or Nonrenewal of this Agreement for any reason whatsoever, Franchisee shall not: (a) induce, or attempt to induce any employee of Franchisor, an Affiliate or of any other franchisee to leave their current employer; (b) without the prior written approval of Franchisor (which may be conditioned upon the prior written approval of another franchisee and other proper conditions) hire or associate or offer to hire or associate any employee of Franchisor, an Affiliate, or of any other franchisee; or (c) without the prior written approval of Franchisor (which may be conditioned upon the prior written approval of another franchisee and other proper conditions) hire or associate or offer to hire or associate any former employee of Franchisor, an Affiliate, or of any other franchisee, who has, voluntarily or otherwise terminated his or her relationship with Franchisor, an Affiliate, or any other franchisee during the prior 18 calendar months. The terms of this paragraph 7.12 shall survive termination or nonrenewal of this Agreement for any reason. Any waivers of this paragraph 7.12 must be in writing and signed by the Franchisor.

#### 7.13 Marketing.

Franchisee shall, at all times, comply with the Manuals in all advertising.

#### 7.14 Leads and Service Area.

There are no restrictions on where Franchisee may provide services, provided Franchisee is in full compliance with all applicable laws, ordinances and regulations, for customers who may contact Franchisee directly. Franchisor may adopt and follow non-discriminatory policies for distributing calls and leads if Franchisee does not respond or perform in compliance with the Manuals which may result in another franchisee being permitted to perform work in Franchisee's Awarded Area.

#### 7.15 New Developments.

Franchisor shall be the sole and exclusive owner of all new developments, including inventions, methods, products, ideas, formulas, research results, equipment, and otherwise, that Franchisee develops or has any role in developing that relate to the Licensed Business. Franchisee shall immediately disclose any



and all such new developments to Franchisor and shall execute any documents necessary, in Franchisor's opinion, to consummate the transfer of all ownership rights therein. The mutual covenants of this Agreement are sufficient consideration for such transfers. Franchisor shall not, otherwise, be required to compensate Franchisee for such new developments.

#### 7.16 Staffing Requirements.

Franchisee shall, at all times, comply with the minimum staffing requirements specified in the Manuals, which shall be not less than one Designated Broker. Each Designated Broker shall, at all times meet or exceed the qualifications set forth in the Manuals.

### **Article 8 - Indemnity and Insurance**

#### 8.01 Indemnity.

Franchisee shall defend, hold harmless and indemnify Franchisor, its officers, directors, shareholders, agents, employees, landlords and related companies from any and all losses, claims, damages, liabilities, or expenses of any kind or nature, including fines, penalties, interest, attorneys' fees, and all other types of costs or expenses, arising directly or indirectly from the acts or omissions (whether or not negligent or wrongful) of Franchisee or of any of Franchisee's broker(s), employees or agents in connection with the performance or breach of any obligation under this Agreement. Franchisor shall indemnify and hold harmless Franchisee, its officers, directors and shareholders from any losses, claims, damages, liabilities or expenses of any kind or nature, arising from the wrongful acts or omissions of Franchisor in connection with the performance or breach of any obligation under this Agreement.

#### 8.02 Insurance.

Before beginning operations under the Franchise Agreement, Franchisee must obtain and maintain in full force and effect during the term of the Franchise Agreement, at Franchisee's expense, the specified insurance coverages. The insurance coverages must be obtained from an admitted, responsible carrier or carriers acceptable to use, with a rating of at least "A" by Standard and Poor, Moody's and A.M. Best, and must include, at a minimum, the following:

Comprehensive general liability insurance, including broad form contractual liability, broad form property damage, personal injury, completed operations, fire damage, advertising and products liability coverage, in the amount of \$1,000,000 per occurrence for bodily injury and property damage.

Automobile liability coverage, including coverage of any owned, non-owned and hired vehicles, in amounts not less than \$1,000,000 combined single limit/\$2,000,000 annual aggregate.

Errors and omissions liability insurance in the minimum amount of \$1,000,000 Franchisee shall provide Franchisor with one or more certificates of insurance evidencing such coverages and naming Franchisor as an additional insured as to each applicable policy. Such certificate(s) of insurance shall provide that the coverage's under the respective policy(ies) may not be modified (except to increase coverage) or canceled until at least 30 days prior written notice of such cancellation or modification has been given to Franchisor. Upon request by Franchisor, Franchisee shall provide Franchisor with a true copy of any insurance policy, including all endorsements. Every insurance policy of Franchisee required by this Agreement shall provide that coverage is primary/non-contributory. Every insurance policy shall be with an insurance company that meets Franchisor's criteria as set forth in the Manuals.

## **Article 9 - Renewal**

### **9.01 Conditions of Renewal.**

After expiration of the term of this Agreement, if Franchisor has made a business decision, in Franchisor's sole discretion, to continue the Watters International Realty Franchise System in Franchisee's area, Franchisee will be permitted to renew Franchisee's Franchise Agreement, but only upon the following terms and conditions:

9.01.01 Franchisee must be current in payment of all fees and charges to Franchisor and any of its related companies and must not have made more than 2 late payments within the last 3 years for which Franchisor gave written notice(s) of breach, which notice(s) were not withdrawn by Franchisor;

9.01.02 Franchisee must not be in material breach of this Agreement or of any other agreement between Franchisor and Franchisee and must have substantially complied with the operating standards and other criteria contained in the Manuals or otherwise communicated in writing by Franchisor;

9.01.03 Franchisee shall pay a renewal fee as established at the time by Franchisor, but which shall be not more than \$5,000, and pay the WIR Code and Software License Renewal and Upgrade Fee of up to \$1,000, payable in full at the time of execution of the Franchise Agreement referred to in sub-paragraph 9.01.04;

9.01.04 Franchisee shall execute the then-current form of Franchise Agreement, which may differ in material ways that are not reasonably foreseeable at this time, but may include material differences in Awarded Areas, services provided, and economic terms, including the amount of Production Royalty and Area Marketing Fees, or entirely new categories of fees or mandatory expense;

9.01.05 Franchisee must maintain possession of the Approved Location identified in Exhibit A for the renewal term or obtain substitute premises approved by Franchisor;

9.01.06 In some instances Franchisor may require Franchisee, at Franchisee's sole cost and expense, shall remodel or refurbish the Approved Location and otherwise modernize and renovate the Approved Location, signs and equipment to be consistent with the then current image of the System and to meet Franchisor's then current specifications;

9.01.07 Franchisee shall give written Notice to Franchisor at least 13 months, but not more than 18 months, prior to the end of the term of this Agreement of Franchisee's desire to renew; and

9.01.08 Franchisee must not, during the preceding term, have engaged in any business dealings in relation with the Licensed Business or the Franchisee which are unethical, dishonest or otherwise could cause harm to the Marks, Franchisor, any other franchisee, the goodwill associated with the Marks, or to any customer, client or vendor of Franchisee, Franchisor or of another franchisee.

## **Article 10 - Continuation**

If, following the termination or expiration of this Agreement for any reason, whether voluntary or involuntary, Franchisee continues to operate the Licensed Business or occupy the Approved Location with the express or implied consent of Franchisor, but without a renewal franchise agreement, such continuation shall constitute a month-to-month extension of this Agreement and shall be terminable by either party upon the lesser of (a) 30 days written notice or (b) such shorter notice by Franchisor as would otherwise be applicable in a termination for cause. Franchisee acknowledges and agrees that such continuation shall be good cause for termination of this Agreement. Both parties shall continue to be subject to all terms of this Agreement during any such continuation period.

## **Article 11 - Entity Franchisee**

### **11.01 Entity Definition.**

An "Entity" is any form of business organization except for a sole proprietorship and includes all kinds of corporations, limited liability companies, limited partnerships and general partnerships and any other form of business organization involving either multiple equity owners or which attempts to provide limited liability.

### **11.02 Founding Document Restriction.**

If Franchisee is an Entity or becomes an Entity or if Franchisee transfers Franchisee's interest under this Agreement or any interest in the Licensed Business to an Entity, the founding document(s) of the Entity must provide as follows:

This [insert type of Entity] shall not enter into any agreement or undertaking which would, directly or indirectly, limit any of the rights or obligations of the [insert type of Entity] or of any owner of the [insert type of entity] under the WIR Systems Inc. d/b/a Watters International Realty Franchise Agreement dated \_\_\_\_\_, 20 \_\_\_\_.

Any such agreement or undertaking is void.

### **11.03 Liability of Owner(s).**

The Owner/Rainmaker and Designated Broker and every owner of an equity or other interest [of 10% or more] in any Entity franchisee (and any individual person who is an owner of an Entity which owns any equity interest of [10% or more] in any Entity franchisees), including shall personally guaranty this Agreement in accordance with Exhibit I. Any change in or addition of equity or other owner(s) shall be subject to the Assignment and Death and Incapacity provisions of this Agreement.

### **11.04 Restriction on Certificates of Ownership.**

Each and every document, if any, issued by any Entity franchisee evidencing ownership of an equity or other interest in the Entity must provide as follows:

Ownership of this [insert type of Entity] is restricted and cannot be transferred, assigned, sold or encumbered except in strict compliance with the WIR Systems Inc. d/b/a Watters International Realty Franchise Agreement dated \_\_\_\_\_, 20 \_\_\_\_.

Any other transfer or attempted transfer is void.

### **11.05 Additional Requirements of Entity Franchisee.**

Franchisee shall, upon Franchisor's request, provide Franchisor or its designee with true copies of such of Franchisee's Entity records and documents as Franchisor shall designate. An Entity Franchisee shall, at all times, have one individual person who shall be the designated principal who shall have authority to act on behalf of the Entity in all respects under this Agreement. The designated principal shall be the individual who is responsible for assuring compliance by the Entity with all of the terms of this Agreement. Notwithstanding the requirement of a designated principal, Franchisor shall be entitled to rely upon the acts or words of any principal, employee or agent of an Entity Franchisee whom Franchisor understands to be acting or speaking on behalf of the Entity.

## **Article 12 - Assignment or Transfer**

### **12.01 Prior Consent.**

Franchisee shall not assign, transfer, sell, sublease, sublicense or encumber (hereinafter collectively referred to as "Assign" or "Assignment"), in whole or in part this Agreement, the Franchisee, the Licensed Business, any option or first right of refusal relating to this Agreement, the Franchisee or the Licensed

Business, the assets of the Licensed Business or the leasehold of the Licensed Business or represent to any person that such an Assignment has been made without Franchisor's prior written approval. For purposes of this Paragraph 12.01, the terms "Assign" or "Assignment" shall include any assignment, transfer, sale or encumbrance of any shares of stock of a Franchisee that is a corporation, any partnership interest of a Franchisee that is a partnership, any membership interest of a Franchisee that is a limited liability company, and any equity or ownership interest or rights in any other form of entity. Any attempted Assignment without Franchisor's prior written consent shall be void and a breach of this Agreement.

#### 12.02 Conditions of Assignment.

As preconditions for obtaining Franchisor's consent to an Assignment, at least the following terms and conditions must be met:

12.02.01 Franchisee must be current in payment of all fees and charges to Franchisor and any of its related companies;

12.02.02 Franchisee must not be in material breach of this Agreement or of any other agreement between Franchisor and Franchisee;

12.02.03 Franchisee must have paid in full all debts in connection with the Licensed Business;

12.02.04 The assignee must have agreed to assume all of the obligations of the Licensed Business;

12.02.05 The assignee must execute a disclosure form containing a waiver and release of any claim against Franchisor for any amount(s) paid to, or representation(s) made by Franchisee or any omission by Franchisee to disclose facts, material or otherwise;

12.02.06 Franchisee must execute, at Franchisor's option, a mutual termination of this Agreement and a general release, or an assignment of this Agreement and a general release, and an agreement to defend, hold harmless and indemnify Franchisor from any claim by the assignee in form specified by Franchisor, the current version(s) of which are attached as Exhibit J;

12.02.07 The assignee must pay to Franchisor a Transfer Fee in the amount of \$7,500 and execute, at Franchisor's option, the then current form of Franchise Agreement or an assumption of this Agreement (in any event providing for the same royalty and Area Marketing Fees as contained herein, for the balance of the term hereof);

12.02.08 The assignee must, in the sole opinion of Franchisor, successfully complete the then current initial training program at the assignee's sole cost and expense;

12.02.09 The assignee must have met the then current standards of Franchisor for experience, financial strength, reputation and character required of new or renewal Franchisees;

12.02.10 The assignee must obtain such approvals as may be required to assume occupancy and possession and the continuing obligations relating to the lease or possession of the Approved Location, unless a new location has been approved in writing by Franchisor; and

12.02.11 Franchisor must have been given at least 30 business days written first right of refusal by Franchisee, upon the same terms as those agreed upon by Franchisee with any proposed assignee; provided, however, Franchisor may substitute cash of equivalent value for any non-cash term. In the event Franchisor waives or fails to exercise its right of first refusal, if Franchisee thereafter agrees to accept a revised offer, regardless of the nature of the revision, Franchisor shall have a new right of first refusal hereunder on the new terms.



### 12.03 Assignment to an Entity.

Notwithstanding the foregoing, if Franchisee is an individual, Franchisee may assign this Agreement to an Entity, as defined in Article 11, formed under the laws of the state where the Licensed Business is located, which is wholly owned by Franchisee; provided that the individual Franchisee shall first provide written notice of the assignment to Franchisor and shall personally guarantee the performance of this Agreement. If Franchisee is an Entity, Franchisee may assign this Agreement to another Entity, formed under the laws of the state where the Licensed Business is located, of the same or different form, which has exactly the same ownership, including percentages of ownership as Franchisee; provided that each of the individual equity or other owners of the new Entity shall personally guarantee the performance of the Agreement. The personal guarantee shall be in the form of Exhibit I hereto. No assignment under this paragraph shall change or limit the liability of any person or entity under this Agreement. Franchisee shall pay to Franchisor a processing fee of \$500.00 for an assignment pursuant to this paragraph 12.03.

### 12.04 Approval Process.

Franchisor may use its own discretion in approving or rejecting prospective transferees in the same manner as if it was approving or rejecting any other new prospective franchisee, taking into consideration such factors as their financial ability, character, business reputation, experience and capability to conduct the type of business involved. The approval of one Assignment does not obligate Franchisor to approve any other or subsequent Assignment. If Franchisee is an Entity, notwithstanding any statute or agreement to the contrary, the addition, withdrawal or expulsion of any equity or other owner or the transfer, encumbrance or assignment of any equity or ownership or control interest of any equity or other owner or the dissolution or reorganization of the Entity for any reason is subject to the same considerations as any other Assignment.

### 12.05 Transfer by Franchisor.

There shall be no restriction upon Franchisor's right to encumber, transfer or assign this Agreement or the System. Following such a transfer or assignment, Franchisor shall have no further obligation or liability to Franchisee hereunder or otherwise so long as the assignee or transferee agrees to assume all of Franchisor's liabilities and obligations to Franchisee. Upon Franchisor's request, Franchisee shall execute and deliver a certificate to Franchisor, as described in Paragraph 21.05, in connection with an anticipated transfer or financing procedure by Franchisor. Franchisee agrees to accept any transferee of Franchisor, including any subfranchisor and perform for such transferee the same as for Franchisor.

### 12.06 No Sublicensing.

Franchisee shall not, directly or indirectly, sublicense or attempt to sublicense the Marks or the System or any part thereof to any person or entity for any purpose. Any attempted or purported sublicense shall be void.

## **Article 13 - Death or Incapacity**

### 13.01 Alternatives Upon Death or Incapacity.

In the event of the death or incapacity of an individual franchisee, or of any individual equity or other owner of an Entity franchisee, the heirs, beneficiaries, devisees or legal representatives of said individual shall, within 90 days of such event:

13.01.01 Apply to Franchisor for the right to continue to operate the franchise and the Licensed Business for the duration of the term of this Agreement and any renewals hereof, which right to continue to operate will be granted upon the fulfillment of all of the conditions set forth in Article 12 of this Agreement (except that no transfer fee shall be required);

13.01.02 Sell, transfer or convey Franchisee's interest to a third party in compliance with the provisions of Article 12 of this Agreement; provided, however, in the event a proper and timely application for the right to continue to operate has been made and rejected, the 90 days to sell, transfer or convey shall be computed from the date of said rejection. For purposes of this paragraph, Franchisor's silence on an application to continue to operate through the 90 days following the event of death or incapacity shall be deemed a rejection made on the last day of such period.

13.01.03 Grant Franchisor the first right of refusal to purchase the franchise for the purchase price of 1x Franchisee's Gross Revenues for the most recent 12 months, to be paid by Franchisor over the following 10 years at interest rate not to exceed prime +1%. Prime is defined as the rate posted by Bank of America on the day notice is sent by Franchisor.

### 13.02 Effect of Failure to Comply.

In the event of the death or incapacity of an individual franchisee, or any owner of an equity or other interest in an Entity franchisee where the provisions of this Article have not been fulfilled within the time provided, all rights granted to Franchisee under this Agreement shall, at the option of Franchisor, terminate and the parties shall proceed according to and have the rights provided for in Articles 17 and 18.

### 13.03 Incapacity Defined.

For purposes of this Agreement, "incapacity" is the inability of Franchisee to operate or oversee the operation of the Licensed Business on a regular basis and in the usual manner by reason of any continuing physical, mental or emotional disability, chemical dependency or other similar limitation which has continued or will more likely than not continue for a period of 60 consecutive days or more. Franchisee shall advise Franchisor in writing, immediately, upon receipt of advice from any physician or other professional that Franchisee or a principal of an Entity franchisee has an incapacity. However, Franchisee's failure or inability to advise Franchisor of Franchisee's incapacity shall not limit Franchisor's rights under this sub-paragraph. Any dispute as to the existence of an incapacity as defined herein shall be resolved by majority decision of 3 licensed medical physicians practicing in the state in which the Licensed Business is located, with each party selecting 1 physician, and the 2 physicians so designated selecting the third physician. The determination of the majority of the 3 physicians shall be binding upon the parties and all costs of making said determination shall be borne by the party against whom it is made. Notwithstanding the foregoing, if any insurance company pays to the Franchisee or Franchisee's Entity any disability benefits for 60 consecutive days, or more, of disability, the Franchisor may regard that as conclusive evidence of incapacity.

## **Article 14 - Successors and Assigns**

This Agreement shall bind and inure to the benefit of the successors, permitted transferees and assigns, personal representatives, heirs and legatees of the parties hereto.

## **Article 15 - Termination**

If any event or condition listed in this Article 15 occurs, Franchisee shall be in default under this Agreement, whether or not Franchisor gives notice of the default. Franchisor's failure to take prompt action with respect to a particular default shall not constitute a waiver of that or any subsequent default. Franchisor may terminate this Agreement as follows:

15.01 Franchisor may terminate this Agreement upon at least a 30-calendar day notice and opportunity to cure (or longer if required by law) if Franchisee is in breach of any term of this Agreement or of any other agreement between Franchisee and Franchisor or any affiliate of Franchisor.



15.02 Franchisor may terminate this Agreement upon at least a 14-calendar day notice and opportunity to cure (or longer if required by law) for occurrence of any one or more of the following events (each of which Franchisee acknowledges is good cause for termination and a material breach of this Agreement), notwithstanding that Franchisor may have the option to give a longer notice and cure period pursuant to other provisions of this Agreement:

- i. Franchisee fails to pay or deposit when due, and in the manner prescribed by Franchisor, Production Royalty, Area Marketing Fee, or any amounts owed to Franchisor or any of its related companies or to another Watters International Realty franchisee;
- ii. Any owner of Franchisee or member of Franchisee's group attempts to hire an employee of Franchisor or another franchisee;
- iii. Franchisee violates or attempts to violate any of the Assignment provisions of this Agreement;
- iv. Without prior written notice to the Franchisor, Franchisee vacates, deserts, or otherwise abandons all or any substantial portion of the Approved Location or equipment, or abandons the Licensed Business for more than [seventy-two (72) consecutive hours] (whether or not Franchisee intends to abandon);
- v. Franchisee makes any unauthorized use of a Mark, trademark, copyrighted material, or any other element of the System, or sublicenses or attempts to sublicense the Marks or the System in violation of this Agreement;
- vi. Franchisee is an Entity and an impasse exists between equity owners or other owners or there is any change in the ownership of any interest in the Entity without having first complied with the provisions of this Agreement;
- vii. Franchisee fails to timely permit any audit or inspection by or on behalf of Franchisor;
- viii. Franchisee violates or fails to comply with any law, rule, regulation, ordinance or order relating to the operation of the Licensed Business (including any OSHA, health codes, rules or regulations) or fails to obtain and continue any license, permit or bond necessary, in Franchisor's opinion, for Franchisee's operation of the Licensed Business;
- ix. Franchisee fails to operate the Licensed Business under the Marks or fails to properly display the Marks at all times in full compliance with this Agreement and the Manual;
- x. Franchisee engages in any business dealings in relation with the Franchise, the Licensed Business or the Franchisee which are unethical, dishonest or otherwise could cause harm to the Marks, the System, Franchisor, other franchisees, the goodwill associated with the Marks, or to any customer, client or vendor of Franchisee or any other franchisee or the Franchisor;
- xi. Franchisee fails or refuses to timely execute and deliver a truthful certificate pursuant to paragraph 21.05;
- xii. Franchisee fails to maintain insurance coverage required in this Agreement; or
- xiii. Franchisee fails to maintain Franchisor's online brand reputation management system, which includes but is not limited to participating in online reviews and

internal scoring Systems after being given a 6-month opportunity to cure deficiencies in the online brand management system.

- xiv. Any other agreement, including any other Franchise Agreement to which Franchisee is a party, between Franchisee and Franchisor or between Franchisee and any of Franchisor's related companies is terminated for cause.

15.03 Franchisor may terminate this Agreement without giving notice or opportunity to cure upon occurrence of any one or more of the following events (each of which Franchisee acknowledges is good cause for termination and a material breach of this Agreement), notwithstanding that Franchisor may have the option to give a longer notice and a cure period pursuant to other provisions of this Agreement:

- i. Upon three willful and material breaches of the same term of this Agreement occurring within a 12-month period;
- ii. Franchisee becomes insolvent, admits in writing Franchisee's inability to pay Franchisee's monetary obligations as they mature, is adjudicated a bankrupt or insolvent, voluntarily file a petition for liquidation or reorganization under any provision of the United States Bankruptcy Code, or takes any other action pursuant to any federal or state insolvency statute;
- iii. Franchisee makes an assignment for the benefit of creditors or similar disposition of the assets of the Licensed Business;
- iv. Franchisee voluntarily abandons the Licensed Business;
- v. The license of the real estate broker under whose license Franchisee operates is suspended or revoked;
- vi. Franchisee forfeits the right to transact business in the jurisdiction where Franchisee is located, or
- vii. Franchisee is convicted of or pleads guilty, "Nolo Contendere", or no contest to a charge of violating any law relating to the Licensed Business, or to any felony.

15.04 Termination Without Opportunity to Cure. The following events of default are irreversible and cannot be cured. Franchisee shall have no opportunity to cure these defaults:

- i. Franchisor receives credible evidence, which it verifies to its reasonable satisfaction, that any principal of Franchisee has sexually harassed or intimidated any individual, has intentionally engaged in racial, religious, sexual or other offensive discrimination against any individual or group; has knowingly engaged in any other activity or business practice that Franchisor reasonably considers detrimental to the reputation, brand, name or public image of Franchisor or its Affiliates or their owners, directors, officers or employees; or has knowingly engaged in conduct that is grossly unethical in relation to Franchisor's business values, whether or not the conduct constitutes a violation of federal, state or local law.

15.05 Notwithstanding any right of Franchisor to terminate this Agreement, pursuant to this Agreement or otherwise, Franchisor may, in Franchisor's sole discretion, elect to not terminate this Agreement and to, in lieu thereof, impose limitations on Franchisee, including, but not limited to, revocation of Franchisee's Territorial rights, and revocation of Franchisee's rights to acquire or offer and sell certain products and services. Franchisor's election to not terminate this Agreement pursuant to this paragraph shall not constitute an election of remedies and Franchisor may, thereafter, terminate this Agreement on account of the same or any other event(s) of default as set forth herein.

15.06 If this Agreement is terminated before the term of the Agreement expires (other than mutual termination agreed by the Parties, you will immediately pay Franchisor liquidated damages. The parties agree that it would be impracticable or extremely difficult to calculate the actual amount you would have been obligated to pay as Production Royalty, Area Marketing Fees and other fees due under this Agreement through the Expiration Date, and that the following method of calculation represents a fair and reasonable estimate of our damages: Liquidated damages will be equal to the combined monthly average of Production Royalty, Area Marketing Fees, and any other fees under this Agreement (without including any fee waivers, GRP, rebates or other reductions) paid or payable over the preceding 12 months multiplied by the months remaining under the Term of this Agreement.

## **Article 16 - Competition With Franchisor**

### **16.01 Competing Business Activities During Term.**

During the term of this Agreement, Franchisee shall not engage, directly or indirectly, either personally or as an employee, partner, member, manager, franchisor, franchisee, agent, consultant, shareholder, director, officer, advisor or otherwise, whether for payment or pro bono, in any other business the same as or similar to that defined under "Licensed Business" herein or which is or would directly or indirectly compete with the Licensed Business or otherwise with the business of Franchisor or with any other franchisee of Franchisor. This prohibition includes, but is not limited to, any business offering and selling residential and commercial real estate services. Franchisee shall not operate any other business from the Approved Location. Franchisee shall not use nor permit to be used any Trade Secret(s) of Franchisor or the Marks or anything resembling the Marks in connection with any other business, whether or not such other business is owned, controlled by or associated with Franchisee.

### **16.02 Competing Business Activities After Term.**

16.02.01 Franchisee covenants and agrees that, for a period of 24 months following the effective date of any termination, expiration or non-renewal (the "Termination Date"), Franchisee will not, individually or together with another, directly or indirectly, on its own behalf or on behalf of or through any other person, sole proprietorship, or Entity, do any of the following:

a. Compete with Franchisor or any franchisee of Franchisor within a twenty-five mile radius of any Watters International Realty's Franchisee's Approved Location, in existence immediately before the Termination Date, in the operation of any business offering and selling residential real estate services, any aspect of such Licensed Business as it exists on the Termination Date, or any business substantially similar thereto or tending to compete for the same customers as Franchisor or its Franchisees ("Prohibited Activities");

b. Solicit, take away, divert, influence or attempt to influence any customers, franchisees, vendors, clients, and/or patrons of Franchisor or of any franchisee of Franchisor, which customers, franchisees, vendors, clients, and/or patrons were served by Franchisor or a franchisee of Franchisor at any time during the 4 years preceding the Termination Date, to transfer or divert their business or patronage from Franchisor or Franchisor's franchisee(s) to any other person or Entity engaged in the Prohibited Activities or anything similar to the Licensed Business;

c. Solicit or attempt to hire any person who was an employee of Franchisor or of any other franchisee of Franchisor during the 1 year period ending on the Termination Date, or attempt to influence any such person to terminate his employment with Franchisor or Franchisor's franchisee(s).

16.02.02 Franchisee covenants and agrees that, at no time will Franchisee, directly or indirectly, disclose or cause or permit to be disclosed, sell, or otherwise transfer to any party other than Franchisor, including, but not limited to, a person or Entity, for or not for consideration, the Trade Secrets, or any part thereof;

16.02.03 Franchisee covenants and agrees that, for a period of 24 months from the Termination Date, Franchisee will not, individually or together with another, directly or indirectly, through others or on its own behalf, hold any ownership or have a financial or other interest in, be employed by, provide consulting services to, provide advice, whether for payment or pro bono, or otherwise have any ownership or management relationship with, any person or Entity, either as principal, broker, member, agent, stockholder of any class, or as a partner, officer, director, trustee, franchisee, franchisor, employee, consultant, advisor, lender, guarantor, member of a board of directors or board of trustees, or in any other capacity, which does any of the following:

- a. Competes with Franchisor or any franchisee of Franchisor;
- b. Operates a real estate related business or technology dot.com business, including but not limited to companies such as or similar to Realtor.com, Zillow, Redfin, Trulia, Nextdoor.com, Homeaway, etc.;
- c. Solicits, takes away, or diverts, and/or influences or attempts to influence any customers, clients, franchisees, vendors, and/or patrons of Franchisor or of any other franchisee of Franchisor, which customers, clients, franchisees, vendors, and/or patrons were served by Franchisor or any franchisee of Franchisor at any time during the 4 years preceding the Termination Date, to transfer or divert their business or patronage from Franchisor or any other franchisee to any other person or Entity engaged in the Prohibited Activities or anything similar to the Licensed Business;
- d. Solicits or attempts to hire any person who was an employee of Franchisor or of any other franchisee of Franchisor during the 2-year period ending on the Termination Date, or attempts to influence any such person to terminate his employment with Franchisor or any franchisee of Franchisor.

16.02.04 Franchisee covenants and agrees that, at no time will Franchisee, directly or indirectly, through others or on its own behalf, hold any ownership or have a financial or other interest in, be employed by, or otherwise have any ownership or management relationship with, any person or Entity, either as principal, broker, agent, stockholder of any class, or as a member, partner, officer, director, trustee, franchisee, Franchisor, employee, consultant, lender, guarantor, member of a board of directors or board of trustees, or in any other capacity, which, discloses or causes to be disclosed, sells, or otherwise transfers to any party other than Franchisor, including, but not limited to, a person, sole proprietorship, partnership, joint venture, firm, limited liability company, corporation, trust, or other Entity, for or not for consideration, the Trade Secrets, or any part thereof;

16.02.05 Franchisee acknowledges and agrees that the periods of time of this covenant and the geographical areas of restriction imposed by this covenant are fair and reasonable and are reasonably required for the protection of Franchisor and its franchisees. Franchisee would desire at least this same protection against competitive activities by another former franchisee whose franchise agreement was either expired, terminated or non-renewed. Franchisee agrees that, in the event a court or arbitrator should determine any part of this covenant to be excessively broad, unenforceable, and/or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof. Franchisee further agrees that, in the event that any of the provisions of this Agreement relating to the geographic area of restriction or the periods of time of the covenants shall be deemed to exceed the maximum area or periods of time which a court of competent jurisdiction would deem enforceable, the geographic area or periods of time shall, without further action on the part of any person, be deemed to be modified, amended and/or limited, to the maximum geographic area or time periods which a court of competent jurisdiction would deem valid and enforceable in any jurisdiction in which such court shall be convened. Any such modification shall apply only in the jurisdiction of the deciding court or in the state where the arbitrator made the decision.



16.02.06 It shall not be a violation of this Article for Franchisee to have or maintain a passive investment in stock of any publicly traded corporation, provided said stock holdings shall not exceed 5% of the issued and outstanding stock of such corporation.

16.02.07 For purposes of this Agreement, all references to Franchisor shall be deemed to include: (a) any corporation or entity which acquires all, or substantially all, of the assets of Franchisor, whether by statutory merger or otherwise, (b) any corporation, partnership, or other entity directly or indirectly controlled by or under common control with Franchisor or its successor, and (c) any subfranchisor or other assignee of Franchisor.

16.02.08 Franchisee agrees that it would be extremely difficult to prove with certainty the exact amount of damages caused to Franchisor by a violation of this Article 16 by Franchisee and therefore, Franchisee agrees that, upon proof that Franchisee violated this Article 16, Franchisor shall be entitled to liquidated damages in an amount calculated by multiplying the amount of Gross Revenues generated by Franchisee or a third party that benefited from the violation during the period of breach and multiplying it by 5. Franchisee acknowledges that this results in a reasonable estimate of what Franchisor's actual damages would be and is not a penalty.

16.02.09 Franchisee agrees that any violation of the covenants contained in this Article will cause irreparable harm to Franchisor and its other franchisees and may, as a matter of course, be restrained by process issued out of a court of competent jurisdiction, in addition to any other remedies provided by law. In the event of any action for a temporary or permanent injunction to enforce this Covenant, Franchisee hereby waives any requirement of a bond to the extent that any bond would exceed \$100. The substantially prevailing party in any such enforcement action shall be entitled to recover their attorneys fees and costs incurred therein in addition to any and all other remedies.

16.02.10 Nothing in this Article 16 shall obligate Franchisor to take action to enforce this or any other covenant against competition against any other franchisee or former franchisee. Nothing in this Article 16 shall entitle Franchisee to take any action to enforce this or any other covenant against competition against any other franchisee or former franchisee.

16.02.11 The terms of this Article 16 shall survive the termination or expiration of this Agreement for any reason.

## **Article 17 - Effect of Termination**

### **17.01 Loss of Rights.**

After the Termination Date, Franchisee shall have no further rights to use, in any manner, the System, the Marks, anything similar to the Marks, domain names, telephone numbers (except for cell phone numbers owned prior to the execution of this Agreement), telephone listings, any proprietary computer software, any trade secrets or the Manuals in accordance with paragraph 1.04.07 of this Agreement. Franchisee shall immediately notify such persons as Franchisor shall reasonably require of Franchisee's loss of rights thereto. All sums of money due from Franchisee to Franchisor or to any other WIR Systems Inc. franchisee as of the Termination Date shall become immediately due and payable. As between the parties hereto, whether or not a Lease Conditional Assignment Agreement has been signed, Franchisor or Franchisor's designee shall have the option, exercisable within 60 days, to assume the lease for the Approved Location. If Franchisor elects to assume the lease for the Approved Location, pursuant to the Lease Conditional Assignment Agreement attached as Exhibit H to this Agreement or otherwise, Franchisee agrees to cooperate in the transfer, to execute any documents which may be required for Franchisor or Franchisor's designee to assume the lease, and to otherwise take no actions which would interfere with the ability of Franchisor or its designee to assume the said lease. Franchisee specifically agrees to execute such document(s) as may be necessary to transfer the telephone numbers and domain names to Franchisor or

Franchisor's designee in accordance with paragraph 1.04.07 of this Agreement, including the Assignment of Telephone Numbers and Domain Names attached to this Agreement as Exhibit C.

#### 17.02 Post-Termination Assignment and Redirection of Calls and Transfer of Domain Names.

Upon termination or expiration of this Agreement, you agree to promptly assign all of the telephone numbers and domain names listed for the Licensed Business obtained on or after the date you first received a copy of Franchisor's Franchise Disclosure Document, including but not limited to main office numbers, office controlled direct dial numbers, and fax numbers, to us or to our designee, with no forwarding message or other information that would steer callers from us or our designee, and to instruct the telephone company in writing to redirect all calls thereafter going to such numbers to WIR Systems Inc. d/b/a Watters International Realty or otherwise in accordance with our directions. You further agree to instruct all domain name providers to transfer your domain names to WIR Systems Inc. d/b/a Watters International Realty or otherwise in accordance with our directions. Franchisee agrees that any and all telephone companies, directory listing agencies, and domain name providers may accept your signature on this Agreement as conclusive evidence of the rights of WIR Systems Inc. d/b/a Watters International Realty to own, control and benefit from such telephone numbers and domain names as an integral and distinguishing characteristic of the Watters International Realty System and goodwill. Franchisee hereby directs each such telephone company, and directory listing agency to accept your signature on this Agreement as your signed authorization and direction to them to assign and redirect calls to such phone numbers to Franchisor or our designee as described above, and to discontinue or modify at next printing of the yellow pages, all listings and display ads that reference the Licensed Business and include such phone numbers and domain names, as directed by WIR Systems Inc. d/b/a Watters International Realty. Franchisee hereby directs each domain name providers to accept your signature on this Agreement as your signed authorization and direction to them to assign such domain names to Franchisor or our designee as described above, and to discontinue or modify all listings and display ads that reference the Licensed Business as directed by WIR Systems Inc. d/b/a Watters International Realty.

#### 17.03 Change of Identity.

After the Termination Date, Franchisee shall immediately refrain from holding itself out to the public in any way as a Franchisee or affiliate of Franchisor or as a former Franchisee or affiliate of Franchisor. If directed by Franchisor, Franchisee shall, at Franchisee's sole cost and expense, make or cause to be made such changes in signs, telephone numbers, buildings or structures as Franchisor may direct to distinguish the Approved Location from its former appearance and from other Watters International Realty franchisees. If Franchisee fails to make such changes within 10 calendar days, then Franchisor shall have the right to enter upon the Approved Location, without liability for trespass or otherwise, and to make or cause to be made such changes at the expense of Franchisee, which expenses shall be paid by Franchisee upon demand. Franchisee shall immediately file the appropriate forms to abandon or withdraw any assumed name certificate or to change the name of its corporation or partnership to eliminate any reference to the System or the Marks. If Franchisee fails or refuses to cooperate with Franchisor, Franchisee hereby appoints Franchisor as its Attorney in Fact to complete the changeover. Franchisee shall immediately return to Franchisor the Manuals, Trade Secrets, bulletins, instruction sheets, software, forms, Marks, designs, signs, printed matter and other material containing any part of the System or the Marks together with all copies thereof (including electronic or digital copies) that are or have been within Franchisee's custody or control.

#### 17.04 Changeover Procedure.

Upon termination of this Agreement, either by expiration, non-renewal, or otherwise, if Franchisor or Franchisor's designee has indicated its intention to assume Franchisee's lease for the Approved Location and to operate a Watters International Realty business from that location, the parties agree to cooperate in the changeover of the Licensed Business to Franchisor, including by taking the steps set forth herein. If



Franchisee fails or refuses to cooperate with Franchisor, Franchisee hereby appoints Franchisor as its Attorney-in-Fact to complete the changeover. In such case, the parties shall: notify the landlord of the change of tenancy pursuant to the Lease Conditional Assignment Agreement or otherwise and Franchisor shall be entitled to take control of the Approved Location, including by changing the locks; terminate vendor accounts at Franchisor's option; conduct an inventory of all equipment, fixtures, tenant improvements, and supplies (if Franchisee elects to not participate in the inventory, Franchisor's inventory shall be presumed accurate and complete); Franchisor shall have the right to use Franchisee's equipment, furniture, fixtures and related items for up to 60 days and shall pay or credit Franchisee with the fair market rental value of that use; Franchisor shall be entitled to communicate directly with Franchisee's agents, employees, independent contractors, customers and vendors in order to facilitate a smooth transition to ownership by Franchisor or Franchisor's designee; In addition to the Lease Conditional Assignment, Franchisee agrees that Franchisee's landlord and any and all service providers may accept your signature on this Agreement as conclusive evidence of the rights of WIR Systems Inc. d/b/a Watters International Realty to take control of the Approved Location; Franchisor or it's designee shall be entitled to all Gross Revenues received after the date of termination as Franchisee's Attorney-in-Fact; Franchisor may choose, in its sole discretion to offer positions to Franchisee's employees and independent contractors, or may designate its own broker, employees and independent contractors. No action taken pursuant to this paragraph shall constitute a waiver by Franchisor of any claims against Franchisee for any reason. The parties agree that there are no circumstances justifying a stay or delay in implementation of the terms of this paragraph and the parties specifically agree that any claims, including, but not limited to, allegations of wrongful termination, can be separately resolved and that an award of damages would be an adequate remedy.

#### 17.05 Continuing Production Royalties.

Franchisor shall be entitled to receive Production Royalties on all Gross Revenues received or receivable by Franchisee as of the Termination Date. All such royalties shall be due and payable on the Termination Date.

#### 17.06 Option to Purchase Certain Assets.

Franchisor shall have and is hereby granted an exclusive option for a period of 60 days from and after the Termination Date, to purchase from Franchisee all of Franchisee's right, title and interest in all or any part of the franchise, Franchisee's Licensed Business and business assets and/or the Approved Location, if applicable, at the fair market value, except as otherwise specifically provided herein, of all assets purchased, but excluding any value for purported "goodwill" or "blue sky". Franchisee acknowledges that Franchisor already owns the "goodwill" or "blue sky," which is attached to the Marks and the Licensed Business. Franchisor's notice exercising the option granted herein shall contain a list, at least by major category, of the assets Franchisor is purchasing. Franchisor shall not be obligated to assume any liabilities of Franchisee.

#### 17.07 Payment and Terms.

Franchisor shall pay to Franchisee all sums due pursuant to this Article, and any other sums required by this Agreement or by law, over a period of 60 months, or such shorter period as Franchisor, in its sole discretion, shall elect, with interest thereon at the prime interest rate as published by Bank of America or its successor, if applicable, determined as of the end of the calendar quarter immediately preceding the Termination Date.

#### 17.08 Survival of Terms.

The terms of this Article 17 shall survive the termination, non-renewal or expiration of this Agreement for any reason.

## **Article 18 –Arbitration of Disputes.**

### **18.01 Agreement to Arbitrate.**

Except as provided in paragraph 18.04, any controversy or claim or dispute between the parties hereto or between any party hereto and any other person arising out of or relating to this Agreement, the negotiation thereof, the offer or acceptance thereof, or the performance or breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. This Article shall be governed by the Federal Arbitration Act. Any arbitration shall be before a panel of three arbitrators and shall take place in Austin, Texas. No party shall join or attempt to join their claims in a single proceeding with the claims of any other party, person or entity even if similarly situated. The parties shall bear their own expenses, including their own attorney's fees and costs and shall share equally all expenses of the arbitrator.

### **18.02 Conduct of Arbitration.**

Unless otherwise specifically required by applicable law, demand for arbitration or proceedings in arbitration, or court proceedings shall not operate to stay, postpone, prohibit or rescind any expiration, termination or non-renewal of this Agreement as provided in this Agreement, and the parties will be limited to their remedy in damages, as determined by the court or arbitrator, for non-renewal or termination found by the arbitrator to be wrongful. Damages would be an adequate remedy for any such wrongs. The court or arbitrator shall not extend, modify or suspend any of the terms of this Agreement or the reasonable standards of business performance set by Franchisor. The arbitrators shall permit discovery between the parties pursuant to the Federal Rules of Civil Procedure.

### **18.03 Conditions Precedent to Arbitration.**

As conditions precedent to commencing an arbitration proceeding pursuant to this Agreement, the parties shall first comply with the terms of this paragraph 18.03. Failure to comply with this paragraph shall be a material breach of this Agreement and shall entitle the non-defaulting party to an award of all of their attorney's fees and costs reasonably expended in enforcing the terms of this paragraph. Such award of attorney's fees shall be made by the court enforcing this paragraph and shall be paid by the breaching party before and as a condition precedent to further proceeding in accordance with this Article. For the limited purpose of enforcing this paragraph 18.03, each party hereby waives arbitration and the matter shall be heard in District Court in Travis County, Texas. Within not more than 60 days following the date on which the aggrieved party first discovered or reasonably should have discovered the facts of a dispute between the parties, but not more than 1 year after the date of the events or facts which gave rise to the dispute, the aggrieved party shall give a Notice to the other party (and any involved other persons) of the existence of the dispute, and shall set forth, in writing, a detailed description of the relevant facts together with a reasonably detailed description of the legal basis of the claim. The Notice shall include a detailed description by the aggrieved party of the remedy or outcome desired. The non-aggrieved party shall respond to the Notice within 30 days following its receipt. If the Notice and response does not resolve the dispute, the parties shall meet, in person, within 60 days following the date of the non-aggrieved party's response, in the corporate offices of the Franchisor, and attempt to informally resolve the matter. If the informal meeting does not resolve the matter, the parties shall, within 60 days following the date of the informal meeting, submit to non-binding mediation in Austin, Texas with a mediator selected according to the rules of the American Arbitration Association. If the dispute is not resolved through mediation, then either party may commence an arbitration proceeding, but must do so within 90 days following the date that either party or the mediator has declared the mediation terminated. The demand for arbitration shall contain a certificate by the party commencing arbitration that the party has fully complied with every provision of this paragraph

18.03. Copies of the Notice and the response thereto exchanged pursuant to this paragraph shall be attached to the demand for arbitration and the issues in the arbitration shall be limited to matters contained therein.

18.04 Limited Exceptions to Arbitration and Mediation.

The requirements of paragraphs 18.01, 18.02, and 18.03 shall not apply to actions for the sole purpose of collecting unpaid money, including franchise fees, royalties or Marketing Fees pursuant to this Agreement or to actions for the sole purpose of enforcing Franchisor's rights in the Marks (both for injunctive relief and damages), the Trade Secrets or the covenant against competition. Such actions and claims are not submitted to arbitration. Any such actions and claims shall be brought in Travis County District Court in Austin, Texas. Any counterclaims to such actions and claims are submitted to arbitration and shall be subject to paragraphs 18.01, 18.02, and 18.03.

**Article 19 - Representations of Franchisee**

19.01 Representations

Franchisee represents and warrants as follows:

19.01.01 Franchisee is not currently a party to or subject to any contract or agreement, including any other franchise agreement, employment agreement or any covenant not to compete which would directly or indirectly be breached by entering into this Agreement or which would directly or indirectly prohibit or restrict Franchisee's signing of this Agreement or performance thereunder;

19.01.02 Franchisee is executing this Agreement and purchasing the license herein for Franchisee's own account and not as an agent or representative of another (unless for an Entity otherwise named herein and in compliance herewith);

19.01.03 Franchisee intends to be actively involved in the Licensed Business for the entire term of this Agreement, although Franchisee may appoint a Designated Broker to conduct the day-to-day business operations of the Licenses Business.

19.01.04 Franchisee is basing Franchisee's decision to purchase this license, in full, upon statements and representations contained in this Agreement and the Watters International Realty Franchise Disclosure Document and upon facts obtained pursuant to Franchisee's own investigation. Franchisee is not relying upon any statements or any information received either directly or indirectly from Franchisor or any person acting or purporting to act on behalf of Franchisor which information or statements are not contained in this Agreement or the Watters International Realty Franchise Disclosure Document or otherwise in writing and signed by an officer of Franchisor. Franchisee has not received any earnings claims or financial performance information, directly or indirectly, from Franchisor excepting only such information as may be contained in Item 19 of the Watters International Realty Franchise Disclosure Document.

19.01.05 Franchisee has not terminated and will not terminate Franchisee's existing employment or cease any other income-producing activity until after Franchisee has an approved location, has successfully completed the Initial Training, and is open for business. If Franchisee elects, notwithstanding this subparagraph to terminate employment or income-producing activity, Franchisee knowingly assumes the risk of loss of income and does so contrary to Franchisor's advice.

**Article 20 - Miscellaneous Provisions**

20.01 Nonwaiver.

No act or omission or delay in enforcing a right by either party shall waive any right under or breach by the other of this Agreement unless such party executes and delivers a written waiver. The waiver by

either party of any right under or breach of this Agreement shall not be a waiver of any subsequent or continuing right or breach.

#### 20.02 Attorneys' Fees.

In the event that legal action is properly commenced in court by either party to enforce this Agreement or to determine the rights of any party, as permitted by paragraph 19, including any appeal proceeding, the substantially prevailing party, in addition to any other remedy, shall be entitled to receive its reasonable actual attorneys' fees and costs, including expert fees and fees on appeal.

#### 20.03 Severability.

In the event that any of the provisions, or portions thereof, of this Agreement are held to be unenforceable or invalid by any court of competent jurisdiction or by an arbitration panel, the validity and enforceability of the remaining provisions, or portions thereof, shall not be affected thereby, and full effect shall be given to the intent manifested by the provisions, or portions thereof, held to be enforceable and valid, unless such invalidity shall pertain to the obligation to pay fees, in which event this Agreement shall terminate.

#### 20.04 Warranty of Authority.

Each person signing this Agreement for or on behalf of any party to this Agreement warrants that he or she has full authority to sign and to legally bind the party.

#### 20.05 Estoppel Certificate.

In the event that Franchisor is considering transferring, assigning or encumbering this Agreement, the System, or any other of Franchisor's rights or assets, or upon request by Franchisor at any time, Franchisee shall, within 10 calendar days after Franchisor shall request the same, execute, acknowledge and deliver to Franchisor, a written certificate that (a) this Agreement is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Agreement as so modified is in full force and effect); (b) the date to which royalties or other charges have been paid in advance, if any; (c) there are not, to Franchisee's knowledge, any uncured defaults on the part of Franchisor or Franchisee hereunder, or specifying such defaults if any are claimed; (d) setting forth the dates of commencement and expiration of the term of this Agreement; (e) Franchisee has and knows of no basis for any claims of any kind against Franchisor (or, if Franchisee has or knows of any such claims, a detailed statement of all such claims and a statement that Franchisee has and knows of no other claims); and (f) any other matter upon which certification is requested by Franchisor or a prospective assignee or encumbrancer. Franchisor may rely upon any certificate given pursuant to this sub-paragraph as may any prospective purchaser or encumbrancer of all or any portion of Franchisor's rights hereunder. Any failure or refusal to timely execute a truthful certificate pursuant to this sub-paragraph shall be a material breach of this Agreement.

#### 20.06 Paragraph Headings.

The various paragraph headings are for convenience of reference only and shall not affect the meaning or interpretation of this Agreement or any portion thereof.

#### 20.07 Recitals.

The recitals preceding the first numbered paragraph of this Agreement are hereby made part of this Agreement as if set forth within the numbered paragraphs. All references to "Franchisee" shall include all owners, parents and subsidiaries of Franchisee if Franchisee is an entity.

#### 20.08 No Third Party Beneficiary.

Nothing in this Agreement shall be construed to give Franchisee any rights as a third party beneficiary or otherwise arising out of any similar or other agreement(s) between Franchisor and any other



franchisee(s). Nothing in this Agreement shall be construed to give to any other franchisee or any other person any rights arising out of this Agreement. Any action or inaction by Franchisor with regard to any other franchisee's performance or non-performance as to any term of this or any similar agreement shall not give rise to any claims or rights in favor of Franchisee under this Agreement.

#### 20.09 Choice of Law.

Except as otherwise specified herein, this Agreement shall be governed by and construed under the laws of the state of Texas (except for Texas choice of law rules).

#### 20.10 Notices.

All notices required or permitted by this Agreement ("Notice" or "Notices") shall be sent to the respective parties at the addresses set forth herein. The place of Notice may be modified by appropriate Notice to the other party. All Notices shall be sent by certified mail, return receipt requested, postage prepaid, personally delivered, or by facsimile, or overnight delivery. Notices shall be deemed given at the earlier of (a) receipt by the addressee, including by facsimile or electronic mail, (b) 2 days following deposit with the United States Postal Service or its successor, with postage prepaid, or (c) immediately upon refusal of delivery by the addressee.

#### 20.11 Entire Agreement.

This document, together with any exhibits and addenda appended hereto, constitutes the full and complete agreement between the parties hereto with respect to the subject matter hereof. There are no verbal or other agreements that affect or modify this Agreement. Any prior or contemporaneous representations, promises, contracts or agreements not contained in this Agreement or the Franchise Disclosure Document presented herewith are hereby fully superseded.

#### 20.12 Modification.

This Agreement shall not be modified or changed except by a written agreement executed by an officer of Franchisor. No approval of a deviation from the terms of this Agreement shall be valid unless signed by an officer of Franchisor.

#### 20.13 Effective Date.

This Agreement shall have no force or effect unless and until signed by an authorized representative of Franchisor. The Effective date shall be the date indicated in the Information Summary. Notwithstanding the order of signatures, this Agreement shall be deemed made and entered into in the state where the Licensed Business is located.

#### 20.14 Time of Essence.

Time is of the essence of this Agreement.

### **Article 21 - Business Risk.**

#### 21.01 No Promises.

Franchisee has been informed by Franchisor, realizes and acknowledges that the business venture contemplated by this Agreement involves business risks and its success or failure will be largely dependent upon Franchisee's abilities in operating and managing the Licensed Business. Except to the extent expressly set forth in the Watters International Realty Franchise Disclosure Document, neither Franchisor nor anyone acting or purporting to act on behalf of Franchisor has made any promises or warranties, expressed or implied, as to Franchisee's potential sales, profits or success. As to those issues, Franchisee has made its own investigation and evaluation.



21.02 Receipt For Disclosure Document.

Franchisee has received a copy of this Agreement and the WIR Systems Inc. d/b/a Watters International Realty Franchise Disclosure Document at least 10 days before signing this Agreement or paying any fee to Franchisor. Franchisee has received a complete copy of this Agreement and all exhibits and addenda, with all material blanks filled in, at least 5 days before signing this Agreement. Franchisee has been encouraged and provided ample opportunity to consult an attorney or other advisor(s) of its own choosing before entering into this Agreement.

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the day and year indicated below.

Dated: \_\_\_\_\_

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

**FRANCHISOR:**  
WIR Systems Inc.

**FRANCHISEE:**

By \_\_\_\_\_  
\_\_\_\_\_, Authorized

Representative  
3307 Northland Drive, Suite 100  
Austin, Texas 78731  
Phone: (512) 956-7900

\_\_\_\_\_  
Franchisee

Address: \_\_\_\_\_

Phone: \_\_\_\_\_

## **EXHIBIT A**

### **Approved Location of Licensed Business**

The approved location of Franchisee's WIR Systems Inc. d/b/a Watters International Realty Licensed Business Approved Location shall be:

Street Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_

Franchisee shall not operate at any other locations without Franchisor's prior written consent.

## **EXHIBIT B**

### **Awarded Area**

Franchisee's designated, non-exclusive Awarded Area shall be defined as follows:

The geographic boundaries consisting of the city, county or unincorporated area of:

---

Franchisor may award franchises to other Franchisee's in your Awarded Area up to one franchise for each 50,000 people. If the population grows in Franchisees Awarded Area, the number of other Watters International Realty franchises in the Awarded Area may grow.

## EXHIBIT C

### Assignment of Telephone Numbers and Domain Names

Franchisee/Assignor, in consideration of Franchisor/Assignee granting an **WIR Systems Inc.** franchise contemporaneously herewith, and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, hereby assigns to **WIR Systems Inc.** all telephone numbers and listings, and domain names, belonging to or registered to Franchisee on or after the day Franchisee first received WIR Systems Inc.'s Franchise Disclosure Document, and utilized or to be utilized by Franchisee/Assignor in the operation of Franchisee/Assignor's **WIR Systems Inc.** Licensed Business. The Assignee hereby assumes the performance of all of the Terms, Covenants, and Conditions of the agreement(s) with the telephone company and domain name providers, with respect to such telephones, telephone numbers, telephone listings and domain names with the same force and effect as if Assignee had been originally issued such telephone, telephone numbers, telephone listings, and domain names, and the usage thereof. This Assignment is valid on the effective date and is irrevocable. It applies equally to any numbers first used after the effective date. The telephone company and domain name providers are authorized to rely upon this Assignment at any time that it is delivered to the telephone company or domain name provider by Franchisor/Assignee. Assignee and Assignor each agree to hold harmless and indemnify the telephone company and domain name providers from any claims based upon the telephone company's reliance upon this Assignment. Assignee and Assignor each agree to sign any other documents necessary in the opinion of the telephone company and domain name providers to give effect to this Assignment.

Dated: \_\_\_\_\_ [effective date]

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

**WIR SYSTEMS INC.**  
(Franchisor/Assignee)

**FRANCHISEE**  
(Assignor)

By \_\_\_\_\_  
\_\_\_\_\_, Authorized Representative

3307 Northland Drive, Suite 100  
Austin, Texas 78731  
Phone: (512) 956-7900

\_\_\_\_\_  
Franchisee

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Phone: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Subject telephone number(s):** \_\_\_\_\_

**Subject domain name(s):** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(as of date of this document)

## EXHIBIT D

### ELECTRONIC DEBIT/CREDIT AUTHORIZATION Authorization Agreement for Direct Withdrawals (ACH Debits) & Deposits (ACH Credits)

Company Name: <b>WIR Systems Inc.</b> <b>3307 Northland Drive, Suite 100</b> <b>Austin, Texas 78731</b>	Franchisee:
--	-------------

I (we) hereby authorize WIR SYSTEMS INC. D/B/A WATTERS INTERNATIONAL REALTY hereinafter called **COMPANY**, to initiate debit entries or credit adjustments for any debit entries in error to my (our) ☐ **Checking** ☐ **Savings** Account (select one) indicated below at the Financial Institution named below, and to debit or credit the same to such account. I (we) acknowledge that the authority will remain in effect until I have (or either of us has) cancelled it in writing and that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. law.

Financial Institution Name:		Branch:
City:	State:	Zip Code:
ACH Routing Number:		Account Number:
Account Name:		Tax ID Number:

This authority is to remain in full force and effect until **COMPANY** has received written notification from me (or either of us) of its termination in such time and in such manner as to afford **COMPANY** and Financial Institution a reasonable opportunity to act on it.

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Printed Name

**\*\*Warning:** Incorrect **ACH** Routing number and Account number are common errors when completing this form. PLEASE verify both numbers with your financial institution before submitting the completed form to WIR SYSTEMS INC. An "**ACH**" routing number can be different than a "Wire" routing number and a "Paper Deposit" routing number.



**EXHIBIT E**

**AUTHORIZATION AND CONSENT TO RELEASE BUSINESS RECORDS  
TO WIR SYSTEMS INC.**

\_\_\_\_\_ ("Franchisee"), a licensed Franchisee of WIR Systems Inc. d/b/a Watters International Realty, does hereby consent and authorize you to release information to WIR Systems Inc. d/b/a Watters International Realty and give WIR Systems Inc. d/b/a Watters International Realty information and business records related to all real estate transactions, financial and bank accounts, and business dealings involving Franchisee's business. This Consent shall constitute Franchisee's express authorization for Watters to obtain information directly for the purpose of verifying the accuracy of any information submitted by Franchisee to Watters. This Authorization is effective during the term of the Franchise Agreement and remains effective for 10 years from the date my signature is acknowledged below.

AGREED:

FRANCHISEE: \_\_\_\_\_

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

**ACKNOWLEDGMENT**

STATE OF \_\_\_\_\_) §

COUNTY OF \_\_\_\_\_) §

On this day personally appeared before me \_\_\_\_\_, to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged that \_\_\_\_\_ signed the same as \_\_\_\_\_ free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_.

\_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_  
residing at \_\_\_\_\_

My appointment expires: \_\_\_\_\_

## EXHIBIT F

### CONSENT, WAIVER AND RELEASE FOR TRAINING

This Consent, Waiver and Release is entered into by and between \_\_\_\_\_  
\_\_\_\_\_(Franchisee) and **WIR Systems Inc.** (Franchisor) and shall also be for the benefit of any franchisee of **WIR Systems Inc.** in whose office or premises Franchisee receives any part of his training under Franchisee's Franchise Agreement (Trainer).

Franchisee acknowledges and agrees that Franchisee is required to adhere to all national, state and local laws and regulations, including real estate licensing laws, and that Franchisee will abide by all laws and regulations applicable to their individual location and that these laws take precedent over any training provided by Franchisor. Franchisee recognizes and acknowledges the value of receiving part of Franchisee's training (or Franchisee's employees' training, if appropriate) under the **WIR Systems Inc.** Franchise Agreement in an actual **WIR Systems Inc.** office owned and operated by another **WIR Systems Inc.** franchisee. At least some of the training will be "hands-on," actually operating the Licensed Business or some aspect of the Licensed Business on a day-to-day basis. In some cases, Franchisee may be left solely in charge of the **WIR Systems Inc.** office of the Trainer for some periods of time. "Franchisee" as used in this agreement shall include any employee(s) of franchisee who obtain training.

In consideration of the value of the hands-on, on-location training, Franchisee covenants and agrees:

Franchisee is not and will not be or become an employee of Trainer unless by a separate written agreement.

Franchisee covenants and agrees to not sue or make any claim, including under any federal, state or local statute or ordinance, for any compensation for services or for any benefits.

Franchisee shall not make any statement(s) or representation(s) inconsistent with this agreement.

Franchisee hereby assumes the risk of injury arising out of Franchisee's presence on the Licensed Business premises of Trainer and agrees to defend, hold harmless and indemnify Franchisor and Trainer from and against all claims, demands, damages, injuries or settlements arising out of or related to Franchisee's training on the premises of Trainer, excepting only for intentional or grossly negligent acts of Franchisor or Trainer.

Franchisee hereby assumes the risk of injury to others arising out of any negligent or intentional acts of Franchisee while on the Licensed Business premises of Trainer and agrees to defend, hold harmless and indemnify Franchisor and Trainer from and against all claims, demands, damages, injuries or settlements arising out of or related to Franchisee's training on the premises of Trainer caused in whole or in part by Franchisee's negligent or intentional acts.

Franchisee consents to having some or all of Franchisee's training occur under the guidance and on the premises of Trainer. Franchisee's training will take approximately 2 weeks or until Franchisee has achieved a level of competency as determined by Franchisor.

Franchisee understands and acknowledges that each **WIR Systems Inc.** franchisee conducts the Licensed Business slightly differently and that Franchisee is advised to consider Trainer's methods and procedures, in light of Franchisee's own study of the Manuals, as one way of operating the Licensed Business. Franchisee is solely responsible for Franchisee's conduct of Franchisee's Licensed Business. If Franchisee is in doubt as to the appropriateness of a procedure or manner of operating the Licensed Business, Franchisee shall obtain clarification from the Franchisor directly. Franchisee understands that it would not be a defense to a later breach of contract notice that he/she acted consistently with what Trainer did.

Trainer covenants and agrees as follows:

Trainer shall not be or become an employer of Franchisee, unless by separate written agreement.

Trainer covenants and agrees to not sue or make any claim, including under any federal, state or local statute or ordinance, for any compensation for services or for any benefits to Trainer.

Trainer shall not make any statement(s) or representation(s) inconsistent with this agreement.

Trainer hereby assumes the risk of injury or death arising out of Franchisee's presence on the Licensed Business premises of Trainer and agrees to defend, hold harmless and indemnify Franchisor from and against all claims, demands, damages, injuries or settlements arising out of or related to Franchisee's training on the premises of Trainer, excepting only for intentional or grossly negligent acts of Franchisor.

Trainer hereby assumes the risk of injury or death to others arising out of any negligent or intentional acts of Trainer and agrees to defend, hold harmless and indemnify Franchisor from and against all claims, demands, damages, injuries or settlements arising out of or related to Franchisee's training on the premises of Trainer caused in whole or in part by Trainer's negligent or intentional acts.

Trainer consents to having some or all of Franchisee's training occur under the guidance and on the premises of Trainer. Franchisee's training will take approximately 2 weeks or until Franchisee has achieved a level of competency as determined by Franchisor.

Trainer will make best efforts to teach Franchisee the operation of the Licensed Business in accordance with the current version of the Manual(s) and to remind Franchisee that, if Franchisee has questions about the proper procedure under the Manual(s) to obtain clarification from the Franchisor. If Franchisor requests it, Trainer will immediately modify the training to comply with the Manual(s).

Franchisor undertakes as follows:

Franchisor will be responsible for determining whether Franchisee has achieved a level of competency sufficient to satisfy the training requirement under the Franchise Agreement.

By signing below, the parties each hereby agree to be bound by this Consent, Waiver and Release for Training Agreement.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

Trainer:  _____	Franchisee  _____
Franchisor: <b>WIR Systems Inc.</b>  By: _____ Christopher Watters, CEO	

## EXHIBIT G

### TRADE SECRETS AND CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (the "Agreement") is made and entered into \_\_\_\_\_, 2017, between \_\_\_\_\_ ("Franchisee") and \_\_\_\_\_ ("Recipient"). WIR SYSTEMS INC., ("WIR") shall be a third-party beneficiary of this Agreement with full right and authority to enforce its terms against Franchisee and Recipient.

#### RECITALS

WHEREAS, WIR has developed, is using and is the owner of all rights in a distinctive system ("the System") for the development and operation of real estate brokerage offices under the name and mark WIR SYSTEMS INC. and related names and marks ("WIR Franchisees"); and

WHEREAS, the System includes but is not limited to the proprietary names, marks, designs and colors used in connection with the WIR Franchisees and procedures and compilations of confidential information described in Paragraph 1 of this Agreement regarding, among other things, the inventory and financial control techniques, uniform standards and specifications, quality and uniformity of products and services, operating methods and training used by WIR in the operation of the System ("WIR Trade Secrets"); and

WHEREAS, WIR's Trade Secrets provide economic advantages to WIR and are not generally known to, and are not readily ascertainable by proper means by WIR's competitors who could obtain economic value from knowledge and use of WIR's Trade Secrets; and

WHEREAS, WIR has taken, and intends to take all reasonable steps to maintain the confidentiality and secrecy of WIR's Trade Secrets; and

WHEREAS, WIR has granted Franchisee a limited right to operate a WIR Franchise using the System and WIR's Trade Secrets for the period defined in the license agreement made and entered into on \_\_\_\_\_, 20\_\_ ("License Agreement") between WIR and Franchisee; and

WHEREAS, WIR and Franchisee have agreed in the License Agreement on the importance to WIR and to Franchisee and other licensed users of the System of restricting use, access and dissemination of WIR's Trade Secrets; and

WHEREAS, it shall be necessary for certain employees, associates, agents, independent contractors, officers, directors and interest holders of Franchisee, or any entity having an interest in Franchisee, ("Recipients") to have access to and to use some or all of WIR's Trade Secrets in the management and operation of Franchisee's Market Center using the System; and

WHEREAS, Franchisee has agreed to obtain from those Recipients written agreements protecting WIR'S Trade Secrets and the System against unfair competition; and

WHEREAS, Recipient wishes to remain, or wishes to become, employed by or associated with Franchisee; and

WHEREAS, Recipient wishes and needs to receive and use WIR's Trade Secrets in the course of his employment or association in order to effectively perform his services for Franchisee; and

WHEREAS, Recipient acknowledges that receipt of the right to use the Trade Secrets constitutes independent valuable consideration for the representations, promises and covenants of Recipient herein;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

1. WIR or Franchisee shall disclose to Recipient some or all of WIR's Trade Secrets relating to the System. All information and materials, including, without limitation, the WIR Systems Inc.'s Market Center Management and Operational Manuals (the "Manuals") described in paragraph 1.36 of the License Agreement and any information, drawings, knowledge, know-how, specifications, techniques and compilations of data (including, but not limited to, information concerning the finances, operating results and expiration dates of license agreements between WIR and other WIR Franchisees) which is communicated to Recipient by Franchisee or WIR shall be deemed WIR's Trade Secrets for the purposes of this Agreement.

2. Recipient shall receive WIR's Trade Secrets in confidence and shall, at all times, maintain them in confidence, and use them only in the course of his or her employment by, or association with, Franchisee and then only in connection with the development or operation by Franchisee of its WIR Franchise using the System for so long as Franchisee is licensed by WIR to use the System.

3. Recipient shall not, at any time, make copies of any documents or compilations containing some or all of WIR's Trade Secrets without WIR's prior express written permission.

4. Recipient shall not, at any time, disclose or permit the disclosure of WIR's Trade Secrets except to other employees of, or persons associated with, Franchisee and only to the limited extent necessary to train or assist other employees or associates of Franchisee in the operation or development of the WIR Franchise.

5. Recipient shall surrender the Manuals and any other material containing some or all of WIR's Trade Secrets to Franchisee or to WIR, upon request, or upon termination of employment by, or association with, Franchisee, or upon conclusion of the use for which the Manuals or other information or material may have been furnished to Recipient.

6. Recipient shall not, directly or indirectly, do any act or omit to do any act, which would or would be likely to be injurious or prejudicial to the goodwill of the System.

7. In order to protect the goodwill and unique qualities of the System and the confidentiality and value of WIR's Trade Secrets, and in consideration for the disclosure to Recipient of WIR's Trade Secrets, Recipient further agrees and covenants that, during the time Recipient is employed by or associated with Franchisee and the License Agreement and any renewal terms thereof continue to be in effect, Recipient shall not:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of a WIR Franchise using the System to any competitor.



b. Except as permitted under the License Agreement, employ or seek to employ any person who is at the time employed by WIR or any WIR Franchisee, or otherwise directly or indirectly induce any such person to leave his or her employment. This subsection shall not apply to any employee transfer between Franchisee and WIR.

c. Directly or indirectly, for himself or through, on behalf of or in conjunction with any person, partnership or corporation, without the prior written consent of WIR, own, maintain, operate, engage in, or have any interest in any real estate business in the United States that competes directly with WIR, including any real estate business that involves (i) the real estate brokerage business; or (ii) the offer, sale or operational support of businesses in the real estate brokerage business (whether as a franchisor, licensor or other similar service provider capacity).

8. In further consideration for the disclosure to Recipient of WIR's Trade Secrets and to protect the uniqueness of the System, Recipient agrees and covenants for 2 years following the earlier of the termination, cancellation, expiration or transfer of all of Franchisee's interest in the License Agreement or the termination of his employment by, or association with, Franchisee, the Recipient shall not, without the prior written consent of WIR:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of a WIR Franchise using the System to any competitor.

b. Employ or seek to employ any person who is at the time employed by WIR or any Franchisee or regional representative of WIR, or otherwise directly or indirectly induce any such person to leave his or her employment.

c. Directly or indirectly, for himself or through, on behalf of or in conjunction with any person, partnership or corporation, without the prior written consent of WIR, own, maintain, operate, engage in, or have any interest in any real estate brokerage business located within the applicable Awarded Area or within a ten (10)-mile radius of any other WIR Franchise in existence or under construction as of the earlier of (i) the termination, cancellation, expiration or transfer of all of Franchisee's interest in the Franchise Agreement; or (ii) the date the Recipient ceases to be employed by or associated with Franchisee.

9. Franchisee undertakes to use its best efforts to ensure that Recipient acts as required by this Agreement.

10. Recipient agrees that in the event of a breach of this Agreement, WIR would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, WIR shall be entitled to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies that are made available to it at law or in equity, including the right to terminate the Franchise Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm, and without being required to furnish a bond or other security.

11. Recipient agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by WIR and Franchisee in enforcing this Agreement.

12. Any failure by WIR or Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Recipient shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Recipient.

13. **EXCEPT AS STATED BELOW, RECIPIENT HEREBY IRREVOCABLY SUBMITS HIMSELF OR HERSELF TO THE JURISDICTION OF THE STATE COURTS OF TRAVIS COUNTY, TEXAS AND THE FEDERAL DISTRICT COURT FOR THE WESTERN DISTRICT OF TEXAS, AUSTIN DIVISION. RECIPIENT HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. RECIPIENT HEREBY IRREVOCABLY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. RECIPIENT FURTHER AGREES THAT VENUE FOR ANY LEGAL PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE TRAVIS COUNTY, TEXAS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF, WIR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY STATE OR FEDERAL DISTRICT COURT WHICH HAS JURISDICTION. WITH RESPECT TO ALL CLAIMS, CONTROVERSIES, DISPUTES, OR ACTIONS, THIS AGREEMENT SHALL BE INTERPRETED AND CONSTRUED UNDER TEXAS LAW (EXCEPT FOR TEXAS CHOICE OF LAW RULES).**

14. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which WIR or Franchisee is a party, Recipient 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 a part of this Agreement.

15. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

16. All notices and demands required to be given hereunder shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid or email (provided that the sender confirms the email by sending an original confirmation copy thereof by certified or registered mail or expedited delivery service within three business days after transmission thereof), to the respective parties. "Business day" means any day other than Saturday, Sunday or a day on which federally chartered banks are authorized by law to close.

Notices to WIR: WIR SYSTEMS INC.  
3307 Northland Drive, Suite 100  
Austin, Texas 78731

Notices to Franchisee: \_\_\_\_\_

Notices to Recipient: \_\_\_\_\_

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by email shall be deemed given upon transmission, provided confirmation is made as provided above. Any notices sent by expedited delivery service or certified or registered mail shall be deemed given three business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving 15 days written notice of such change to the other party.

1. The rights and remedies of WIR under this Agreement are fully assignable and transferable and shall inure to the benefit of its successors, assigns and transferees. The respective obligations of Franchisee and Recipient hereunder are personal in nature and may not be assigned by Franchisee or Recipient, as applicable.

2. WIR shall have the right to execute this Agreement as a party, but in all cases WIR shall be a third party beneficiary of this Agreement with full right and authority to enforce the terms of this Agreement against Recipient regardless of whether WIR executes this Agreement.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISEE:

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

RECIPIENT:

\_\_\_\_\_

## EXHIBIT H

### Lease Conditional Assignment Agreement

This Rider is attached to and is part of that certain Lease, by and between: \_\_\_\_\_  
Lessor) and \_\_\_\_\_ (Lessee) dated \_\_\_\_\_ for the premises  
located at: \_\_\_\_\_, legally described in  
Attachment A hereto.

**A. CONDITIONAL ASSIGNMENT:** Lessee hereby conditionally assigns all of the Lessee's right, title and interest in this lease to **WIR Systems Inc.** (hereinafter, "Franchisor"). This assignment shall become effective only upon occurrence of both of the following conditions:

1. Termination of the **WIR Systems Inc.** Franchise Agreement between Franchisor and Lessee as Franchisee for the operation of an **WIR Systems Inc.** franchise within the leased premises, and

2. Exercise by Franchisor of its option to assume the obligations of and to replace Lessee as the lessee under this lease as provided in the said Franchise Agreement within 15 days after termination of said Franchise Agreement.

**B. Lessor** hereby consents to the said conditional assignment and hereby agrees that if said conditional assignment becomes effective, Franchisor shall thereafter be substituted for Lessee as the Lessee in this lease, Lessee shall be relieved of all liability accruing under this lease after the effective date of the assignment and Franchisor shall have the right to reassign this lease to a new Franchisee of Franchisor without the prior consent of Lessor. In the event of such reassignment, Franchisor shall be relieved of all liability accruing under this lease after the date of said reassignment.

**C. Lessee** agrees that at such time as Franchisor exercises its option to become the Lessee under this lease, Lessee will immediately vacate the demised premises without removing any fixtures, parts, or accessories except as authorized in the Franchise Agreement and Lessor will permit Franchisor to enter upon and take possession of the demised premises. Lessor will cooperate in all legal action necessary to remove lessee if lessee refuses to vacate premises.

**D. Lessor** is hereby authorized and directed to rely solely upon written notice by Franchisor of the termination of the said **WIR Systems Inc.** Franchise Agreement and exercise by Franchisor of its option to become the Lessee under this lease and is hereby relieved of any and all liability to Lessee for any action it takes in so relying.

**E. DEFAULT BY LESSEE:** Lessor agrees to give Franchisor 30 days prior written notice of its intention to reenter and repossess the premises and to cancel the lease on account of Lessee's default of any of the terms, conditions or provisions thereof. During the 30 day period Franchisor may cure such default or otherwise exercise its rights under the conditional assignment.

**F. OPTION TO RENEW:** In the event that Lessee fails to exercise any option which he might have under the lease to renew same prior to the expiration thereof, Lessor agrees to notify Franchisor in writing of lessee's failure to renew the lease and Franchisor shall then have 15 days from the receipt of such notice to exercise any option to renew and replace Lessee as the lessee under the lease.

Dated: \_\_\_\_\_ [effective date]

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

WIR Systems Inc.  
(Franchisor/Assignee)

**FRANCHISEE**

By \_\_\_\_\_,  
\_\_\_\_\_, Authorized Representative  
3307 Northland Drive, Suite 100  
Austin, Texas 78731  
Phone: (512) 956-7900

\_\_\_\_\_  
Franchisee  
Address: \_\_\_\_\_  
\_\_\_\_\_  
Phone: \_\_\_\_\_

LESSOR:

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

## ACKNOWLEDGMENTS

STATE OF \_\_\_\_\_) §  
COUNTY OF \_\_\_\_\_) §

On this day personally appeared before me \_\_\_\_\_, to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged that \_\_\_\_\_ signed the same as \_\_\_\_\_ free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_  
residing at \_\_\_\_\_

My appointment expires: \_\_\_\_\_

\* \* \*

STATE OF \_\_\_\_\_) §  
COUNTY OF \_\_\_\_\_) §

On this day personally appeared before me \_\_\_\_\_, to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged that \_\_\_\_\_ signed the same as \_\_\_\_\_ free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_  
residing at \_\_\_\_\_

My appointment expires: \_\_\_\_\_

\* \* \*

STATE OF \_\_\_\_\_) §  
COUNTY OF \_\_\_\_\_) §

On this day personally appeared before me \_\_\_\_\_, to me known to be the \_\_\_\_\_ [Title], of \_\_\_\_\_, a \_\_\_\_\_ [Type of Entity and State of Organization], the Entity that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned and on oath stated that \_\_\_he\_\_\_ is/are authorized to execute the said instrument on behalf of said Entity.

WITNESS my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_  
residing at \_\_\_\_\_

My appointment expires: \_\_\_\_\_



## EXHIBIT I

### PERSONAL GUARANTY

IN CONSIDERATION of and to induce the consent by WIR Systems Inc., a Delaware corporation ("Franchisor") to the assignment of all right, title, and interest in and to the **WIR Systems Inc.** Franchise Agreement dated \_\_\_\_\_ to \_\_\_\_\_, a \_\_\_\_\_ [Type of Entity and State of organization] ("Franchisee"), [or alternatively, in consideration of and to induce Franchisor's consent for the undersigned to enter into the Franchise Agreement in the Entity form], and for other good and valuable consideration, I/we, and each of us jointly, severally, absolutely and unconditionally guarantee to Franchisor:

#### 1.01 Payment of Obligations.

The punctual payment and satisfaction of each and every claim, demand, default, liability, indebtedness, right or cause of action of every nature whatsoever, including expenses, damages and fees, now or hereafter existing, due or to become due, or held by Franchisor, its subsidiaries, divisions, or related companies, together with any interest as it may accrue, and all costs, expenses and attorney's fees paid or incurred by Franchisor or its subsidiary, division, or related company in collecting or attempting to collect the obligations of the Franchisee or in enforcing or attempting to enforce this Guaranty; and

#### 1.02 Continuing Performance.

The timely performance of each term, covenant, and obligation of the license set forth in the **WIR Systems Inc.** Franchise Agreement described above. This is a continuing Guaranty which shall apply to the Franchise Agreement and any subsequent renewals, extensions, amendments or modifications thereof, and such renewals, extensions, amendments or modifications shall be conclusively presumed to be covered by this Guaranty without further notice to or acceptance by the undersigned.

#### 2.01 Execution and Delivery.

The undersigned acknowledge(s) and agree(s) that possession of this Guaranty by Franchisor constitutes true and correct execution and actual and proper delivery of same to Franchisor, and the undersigned waive notice of acceptance of this Guaranty and of the incurrence by Franchisee of any liability to which it applies or may apply, and waive presentment and demand for payment thereof, protest, notice of protest and notice of dishonor or non-payment thereof, collection thereof including any notice of default in payment thereof or other notice to, or demand of payment therefore on, any party. The undersigned further waive any right to have security applied before enforcing this Guaranty, any right to require suit against the Franchisee or any other party before enforcing this Guaranty, and any right to subrogation to Franchisor's rights against the Franchisee until the Franchisee's liabilities and obligations to Franchisor are paid and satisfied in full. Payment by the undersigned shall be made at the office of Franchisor in Austin, Texas, or such other location as Franchisor may designate in writing.

#### 3.01 Rights of Company

Franchisor may, at its option, at any time, without the consent of or notice to the undersigned, without incurring responsibility to the undersigned and without impairing or releasing the obligations of the undersigned, upon or without any terms or conditions and in whole or in part:

3.01.01 modify the terms of payment, change or extend the time of payment of, renew any obligation, liability or right of the Franchisee under the Franchise Agreement hereby guaranteed;

3.01.02 exercise or refrain from exercising any rights against Franchisee or others, or otherwise act or refrain from acting;

3.01.03 settle or compromise any liabilities hereby guaranteed or hereby incurred, and may subordinate the payment of all or any part of such liabilities to the payment of any liabilities which may be due to Franchisor or others; and

3.01.04 apply any sums paid to any liability or liabilities of Franchisee to Franchisor regardless of what liability or liabilities of Franchisee remain unpaid. Franchisor may, at its option, without the consent of or notice to the undersigned, apply to the payment of the liability created by this guaranty, at any time after such liability becomes payable, any moneys, property, or other assets belonging to the undersigned in the possession, care, custody and control of Franchisor.

#### 4.01 Irrevocable.

This agreement shall not affect in any manner the right of Franchisor to terminate the Franchise Agreement pursuant to the terms thereof, and this Guaranty shall survive the termination, expiration, or cancellation of the Franchise Agreement. Franchisor may at its option, elect to take no action pursuant to this Guaranty or the Franchise Agreement without waiving any rights under either. The undersigned do further agree that it will not be necessary for Franchisor, in order to enforce the terms of this agreement against them, to first institute suit or exhaust its remedies against the Franchisee or any others. This Guaranty shall operate as a continuing Guaranty and shall be non revocable, except with the express written consent of Franchisor.

#### 4.02 Joint and Several Liability.

The undersigned, if more than one, shall be jointly and severally liable hereunder and the term "undersigned" shall mean the undersigned or any one or more of them. Anyone signing this Guaranty shall be bound thereto at any time. Any married person who signs this Guaranty hereby expressly agrees that recourse may be had against his/her community and separate property for all obligations under this Guaranty.

#### 4.03 Successors and Assigns.

This Guaranty shall bind and inure to the benefit of the heirs, executors, administrators, successors, and assigns of Franchisor and of the undersigned.

#### 4.04 Noncompetition.

The undersigned hereby agree that they shall be individually bound by the provisions of the Franchise Agreement relating to trade secrets, confidentiality, and non-competition.

#### 4.05 Bankruptcy or Insolvency of Franchisee.

In the event that a petition in bankruptcy or for an arrangement or reorganization of the Franchisee or the Franchisee's owners listed below, under any state or federal bankruptcy law or for the appointment of a receiver for the Franchisee or any of its property is filed by or against the Franchisee, or if the Franchisee shall make an assignment for the benefit of creditors or shall become insolvent, all indebtedness and other obligations of the Franchisee shall, for purposes of this Guaranty be immediately due and payable.

WITNESS our hands at \_\_\_\_\_, on this the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_% owner of Franchisee

## EXHIBIT J

### MUTUAL TERMINATION OF FRANCHISE AGREEMENT AND RELEASE

This Mutual Termination of **WIR Systems Inc.** Franchise Agreement and Release is entered into by and between \_\_\_\_\_ (Franchisee) and **WIR Systems Inc.** (Franchisor).

WHEREAS Franchisee is a franchisee of Franchisor pursuant to a franchise agreement dated \_\_\_\_\_ (the Agreement), governing a Licensed Business located at \_\_\_\_\_;

WHEREAS Franchisee and Franchisor desire to mutually terminate the Agreement and wind up and resolve all matters between them relating to or arising out of the Agreement and their relationship as Franchisor and Franchisee; and

WHEREAS Franchisee and Franchisor each desire to be bound by the terms of this Mutual Termination of **WIR Systems Inc.** Franchise Agreement and Release,

NOW THEREFORE, the parties hereby agree as follows, acknowledging that each has received adequate consideration for this agreement.

1. Franchisee and Franchisor each acknowledge and agree that, by entering into this Agreement, all of their respective rights under the Agreement are terminated except only as specifically reserved herein.

2. Except for any remaining financial obligations of Franchisee to Franchisor for Production Royalty or Area Marketing Fees incurred by the date of this Agreement and except for any post-termination requirements of the Agreement involving competition and trade secrets, all claims, demands, rights, duties, obligations, debts, dues, sums of money, accounts, covenants, contracts, controversies, agreements, promises, torts, judgments, executions, liabilities, damages, injunctions, assignments, suits or causes of action of every kind and nature, however or wherever arising, whether known or unknown, foreseen or unforeseen, direct, indirect, contingent or actual, liquidated or unliquidated, which have arisen or which might or could arise under Federal, state or local law from any relationship under the Agreement (including any supplier-purchaser relationship) or under any agreement in connection therewith, or from the execution, operation under or termination of the Agreement and any services to Franchisee thereunder or under any prior agreement relating to the Licensed Business, existing or arising at any time prior to or at the item of the execution hereof or the Effective Date (whichever is later) are hereby mutually satisfied, acquitted, discharged and released by Franchisee and Franchisor, it being the express intention of each party that this Release is as broad as permitted by law.

3. Franchisee intends this Release to acquit and forever fully discharge Franchisor and any parent or direct or indirect subsidiary thereof, any division, affiliate or supplier who provided merchandise for Franchisee's operation of the Licensed Business, and its and their respective officers, directors, agents, employees, representatives, successors and assigns, and all other persons, firms or corporations who have acted in agreement or in concert with any of them or with Franchisee.

4. This Mutual Termination of **WIR Systems Inc.** Franchise Agreement and Release shall be binding upon Franchisee and the heirs, legal representatives, successor and assigns of Franchisee and upon Franchisor and its successors and assigns.

5. Franchisee has either been advised by independent counsel before signing this or, acknowledging the need for independent counsel, knowingly waives any such review and advice.

6. In the event of litigation or arbitration to enforce this Agreement, the substantially prevailing party shall be entitled to its reasonable attorney's fees in addition to all other sums owed pursuant to this Agreement or otherwise.

7. The Effective Date of this document shall be: \_\_\_\_\_

**Franchisee(s)**

**Franchisor**

WIR Systems Inc.

\_\_\_\_\_  
Franchisee

By: \_\_\_\_\_,  
\_\_\_\_\_, its \_\_\_\_\_

\_\_\_\_\_  
Franchisee

**WIR Systems Inc.**

**Exhibit J – Mutual Termination of Franchise Agreement and Release**

\_\_\_\_\_  
initials

## EXHIBIT K

### CONFIDENTIALITY AGREEMENT – ADDITIONAL INFORMATION

[Applicable only if additional information requested by Franchisee]

This Confidentiality Agreement is entered into by and between \_\_\_\_\_  
(Franchisee) and **WIR Systems Inc.** (Franchisor).

Whereas Franchisee is considering purchasing a **WIR Systems Inc.** Franchise;

Whereas Franchisee has requested additional information from Franchisor beyond that contained in the Franchise Disclosure Document;

Whereas the Franchisor regards the information Franchisee has requested to be proprietary, confidential information, and Trade Secrets;

Whereas, notwithstanding the foregoing, Franchisor is willing to provide certain additional information, but only upon the terms of this Confidentiality Agreement.

Therefore, the parties agree as follows, acknowledging the existence and sufficiency of consideration, and fully intending to be bound hereby.

1. Upon receipt of this Confidentiality Agreement, unaltered and fully executed by Franchisee, Franchisor will make a reasonable effort to provide to Franchisee one copy of the following information (the "Confidential Information"):

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2. Franchisee shall be entitled to review the Confidential Information and may permit Franchisee's advisors with a genuine need to know and who are disclosed herein, including attorneys, accountants and confidential business advisors, to review it. No person shall make any reproduction, photo, electronic or other copy of the Confidential Information or any part thereof for any purpose, including summaries. No person shall use the Confidential Information or any part thereof for any purposes except as specifically permitted pursuant to this Confidentiality Agreement. Franchisee warrants that every person, including attorneys, accountants and confidential business advisors, who reviews any portion of the Confidential Information shall be subject to this Confidentiality Agreement, has been informed of the contents of this Confidentiality Agreement before reviewing any of the Confidential Information and has indicated, in writing, a willingness to be bound by this Confidentiality Agreement.

Franchisee's advisors whom Franchisee may permit to review the Confidential Information on Franchisee's behalf are as follows. Franchisee shall not, directly or indirectly, permit any other person to review the Confidential Information or any part thereof:

Name	Address & Telephone	Relationship to Franchisee

[Attach and initial an additional page if necessary]

3. Franchisee agrees that, immediately upon completion of Franchisee's review of the Confidential Information, regardless of whether Franchisee ever purchases a **WIR Systems Inc.** franchise, to return the original and all copies of the Confidential Information to Franchisor, including all summaries of the information contained therein.

4. No person shall ever transfer or convey the Confidential Information or any part thereof to any person not specifically authorized to review the information pursuant to this Agreement. No person shall ever use, directly or indirectly,

the Confidential Information or any part of it for any purpose whatsoever except as specifically permitted by this Confidentiality Agreement.

5. In the event Franchisee or any person authorized or permitted by Franchisee or this Confidentiality Agreement to review or possess any of the Confidential Information violates this Confidentiality Agreement, in addition to all other remedies available to Franchisor, Franchisee agrees to defend, hold harmless and indemnify Franchisor and its officers, directors, attorneys, agents and assigns, from and against any claims and liability arising out of or resulting from the violation, including, but not limited to claims by any person that the information provided constituted earnings claims or financial performance information which was unlawfully provided to a prospective franchisee. The obligation to defend, indemnify and hold harmless contained in this paragraph shall specifically require Franchisee to pay any attorney's fees, costs and expert witness fees incurred by Franchisor and the other beneficiaries of this paragraph in defending any such claim or in monitoring Franchisee's defense of any such claim.

6. In the event Franchisee or any person authorized or permitted by Franchisee or this Confidentiality Agreement to review or possess any of the Confidential Information violates this Confidentiality Agreement, in addition to all other remedies available to Franchisor, Franchisee agrees to pay to Franchisor, as liquidated damages, an amount calculated as the greater of: (a) all gross revenues of the person or entity who improperly had any of the Confidential Information during the time the person or entity retained or used any of the Confidential Information for any purpose; or (b) \$250.00 per page, or equivalent, of Confidential Information as to which this Confidentiality Agreement is violated for each day that any provision of this Confidentiality Agreement is violated. Franchisee acknowledges and agrees that calculating actual damages would be impossible and that the liquidated damages calculated pursuant to this paragraph would be a reasonable approximation of actual damages Franchisor would sustain on account of such breach and does not constitute a penalty.

7. In the event Franchisee or any person authorized or permitted by Franchisee or this Confidentiality Agreement to review or possess any of the Confidential Information violates this Confidentiality Agreement, in addition to all other remedies available to Franchisor, Franchisor shall be entitled to obtain a temporary and a permanent injunction or similar equitable relief from any court having jurisdiction thereof and any statutory or other requirement of a bond in excess of \$100.00 as a condition of obtaining such relief is hereby waived to the extent permitted by applicable law.

8. This Agreement shall be construed under the laws of the State of Texas and jurisdiction and venue of any action brought to enforce or interpret this Agreement shall be in Travis County, Texas. Terms defined in the Franchise Agreement shall have the same meanings in this Agreement.

9. If any action is brought to enforce or interpret this Confidentiality Agreement, the substantially prevailing party, in addition to all other remedies, shall be entitled to an award of their attorney's fees and costs, including expert witness fees and any fees on appeal.

10. This Confidentiality Agreement is the complete agreement of the parties with regard to the Confidential Information and supersedes any prior or contemporaneous written or unwritten communications, representations or agreements.

11. Time is of the essence of this Agreement.

**DO NOT SIGN THIS CONFIDENTIALITY AGREEMENT UNTIL YOU HAVE HAD THE WIR SYSTEMS INC. FRANCHISE DISCLOSURE DOCUMENT FOR AT LEAST 10 BUSINESS DAYS AND UNTIL AT LEAST 5 DAYS AFTER ALL BLANKS IN THIS CONFIDENTIALITY AGREEMENT HAVE BEEN FILLED IN.**

Dated: \_\_\_\_\_

Franchisee(s)

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

Franchisor  
WIR Systems Inc.

By \_\_\_\_\_  
Christopher Watters, CEO  
3307 Northland Drive, Suite 100  
Austin, Texas 78731  
Phone: (512) 956-7900



## EXHIBIT L

### WIR CODE AND SOFTWARE LICENSE AGREEMENT

This WIR Code and Software License Agreement ("License Agreement") is entered into between WIR SYSTEMS INC. ("Company") and \_\_\_\_\_ ("Franchisee"), on the Effective Date of that certain Franchise Agreement between Company and Franchisee ("Franchise Agreement").

**NOTE: A LIMITED WARRANTY AND DISCLAIMER APPEAR IN PARAGRAPHS 5.01 AND 5.02 OF THIS LICENSE AGREEMENT.**

#### I. DEFINITIONS

- 1.1 "Manuals," and "Effective Date" have the meaning assigned in the Franchise Agreement.
- 1.2 "WIR Code" means the proprietary code and the network of applications developed by Company which integrates Salesforce with a compilation of other computer software programs that Company initially makes available to Franchisee in accordance with paragraph 7.05.07 of the Franchise Agreement, and all versions of any upgrades or modifications to, and any replacements of, such software.

#### II. SOFTWARE LICENSE; SCOPE OF USE

- 2.1 Company hereby grants to Franchisee a nontransferable, non-assignable license ("License") to use the WIR Code, solely as provided in this Software License.
- 2.2 Franchisee shall not assign or otherwise transfer the WIR Code or Franchisee's rights under this License Agreement without the express prior written approval of Company.
- 2.3 Franchisee shall not use the WIR Code in connection with the operation of any business except the business of the Franchisee, unless Company has given its prior written consent to such use.
- 2.4 Franchisee shall not make copies of the WIR Code except with Company's express written consent. The WIR Code, as well as all such copies, shall be the sole property of Company and shall remain so throughout and after the termination, cancellation, expiration or transfer of the term of this License Agreement.
- 2.5 Franchisee shall not modify or engage anyone else to modify the WIR Code in any manner whatsoever. Franchisee shall not reverse engineer or engage anyone else to reverse engineer the WIR Code in any manner whatsoever.
- 2.6 Neither Franchisee nor any other party shall install or use any software other than the Software described in Company's manuals in the operation of the Franchise without the express prior written approval of Company.
- 2.7 Upon the commencement of any renewal term granted under the Franchise Agreement and the payment by Franchisee to Company of \$1,000, this License Agreement shall be renewed for a renewal term equal to the term of the renewal term of the Franchise Agreement.
- 2.8 Upon reasonable notice, during the term of this Software License, Franchisee shall, at Franchisee's sole expense, purchase, install and maintain whatever computer hardware and other equipment as is necessary for the proper operation of the WIR Code as it may from time to time be configured by Company.

### III. DELIVERY

3.1 Company shall provide an electronic copy of proprietary documentation needed for operation and use of the WIR Code.

### IV. UPGRADES

4.1 Company may upgrade, modify or replace the WIR Code or software required to run the WIR Code from time to time in its discretion and as set forth in the Manuals. Company shall charge Franchisee a reasonable fee for any change to the WIR Code. USE BY FRANCHISEE OF THE WIR CODE, AS DEFINED IN THE MANUALS, IS MANDATORY UNDER THE FRANCHISE AGREEMENT.

### V. LIMITED WARRANTY AND DISCLAIMER OF WARRANTIES

5.1 COMPANY EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY AND SUITABILITY OR FITNESS FOR A PARTICULAR USE WITH RESPECT TO THE WIR CODE. IN CASE ANY COMPONENT OR FUNCTION OF THE WIR CODE FAILS OR MALFUNCTIONS, FRANCHISEE'S SOLE AND EXCLUSIVE REMEDY SHALL BE THE CORRECTION OF ANY VERIFIED PROGRAM ERRORS TIMELY REPORTED TO COMPANY, AND, IF UNCORRECTABLE, A REFUND OF LICENSE FEES AS PROVIDED HEREINAFTER. FOR PURPOSES OF THIS PARAGRAPH 5.01, A VERIFIED PROGRAM ERROR SHALL BE DEFINED AS AN ERROR OR "BUG" THAT CAN BE RECREATED BY COMPANY ON ITS OWN COMPUTERS USING FRANCHISEE'S DATA. COMPANY SHALL USE ITS BEST EFFORTS TO CORRECT ANY SUCH VERIFIED PROGRAM ERROR. IN THE EVENT COMPANY IS UNABLE TO CORRECT AN ERROR OR "BUG" THAT SUBSTANTIALLY IMPAIRS THE FUNCTIONALITY OF THE WIR CODE, THEN FRANCHISEE'S SOLE AND EXCLUSIVE REMEDY SHALL BE THE REFUND OF ANY FEES COLLECTED PURSUANT TO PARAGRAPH 2.07 OF THIS SOFTWARE LICENSE WITHIN THE PRECEDING YEAR.

5.2 EXCEPT AS EXPRESSLY PROVIDED IN PARAGRAPH 5.01, IN NO EVENT SHALL COMPANY BE RESPONSIBLE FOR ANY DIRECT, INDIRECT, SPECIAL, CONSEQUENTIAL, OR OTHER DAMAGES ARISING OUT OF THE DELIVERY, INSTALLATION, OPERATION, MAINTENANCE OR SUPPORT OF THE WIR CODE OR FRANCHISEE'S USE OF THE WIR CODE, WHETHER OR NOT DUE TO COMPANY'S NEGLIGENCE.

Warranty Disclaimer and Limitation of Liability Accepted

\_\_\_\_\_(Franchisee Initials)

\_\_\_\_\_

\_\_\_\_\_

### VI. MODIFICATIONS, ENHANCEMENTS, REPLACEMENTS AND CONSULTING ARRANGEMENT

6.1 During the term hereof, Company shall, on the same terms and conditions as the license of the WIR Code, make available to Franchisee, without any additional charge (except as otherwise provided in Article IV above with respect to changes, such corrections and improvements as may generally be incorporated into the WIR Code by Company. Franchisee shall use such corrections and improvements in accordance with this Agreement.

6.2 Other than under the provisions of paragraph 6.01 above, the Company is under no obligation to furnish any enhancements or modifications to Franchisee. However, it is Company's present intention to furnish such enhanced versions of the WIR Code, when available.

WIR Systems Inc.

Exhibit L- WIR Code and Software License Agreement

\_\_\_\_\_  
initials

6.3 Company shall not be responsible for any changes made without the written permission of Company to the WIR Code by any party other than itself. Any changes made without the written permission of Company shall immediately release Company from any and all obligations to correct or maintain the WIR Code, but in no way shall this alter or modify Franchisee's duty and obligation to maintain the confidentiality of the WIR Code.

6.4 Franchisee shall use the consultant designated by Company (which may be Company) for resolving all questions or problems Franchisee may have in the use of the WIR Code, whether such questions or problems shall relate to modifications, enhancements or replacements of the WIR Code or otherwise. If the consultant determines that the WIR Code malfunctioned as a result of a defect in the software, then Company shall pay the consultant his reasonable fees for correcting such error. If the consultant determines that the malfunctions resulted from any other cause, then Franchisee must pay the consultant a reasonable fee in connection with the identification and correction of the problem.

## **VII. OWNERSHIP, CONFIDENTIALITY AND NONDISCLOSURE**

7.1 The WIR Code and any and all copies thereof, whether in whole or in part, whether made by Company or Franchisee or anyone else, are the sole and exclusive property of Company.

7.2 Franchisee understands and agrees that the WIR Code constitutes a trade secret of Company and is deemed confidential in accordance with the provisions of Article 5 of the Franchise Agreement.

7.3 Without the express prior written consent of Company, Franchisee agrees not to make any copies of the WIR Code for any reason.

7.4 Franchisee agrees to take reasonable measures to maintain the security of the WIR Code and shall not allow parties other than authorized employees or associates of Franchisee to have access to the WIR Code or any of its component parts.

7.5 Franchisee agrees to notify Company immediately of the existence of any circumstances surrounding any unauthorized knowledge, possession, or use of the WIR Code or any part thereof by any person or entity.

## **VIII. TERM OF AGREEMENT**

8.1 The term of this Software License shall be concurrent with the term of the Franchise Agreement.

## **IX. TERMINATION AND TERMINATION RIGHTS**

9.1 Expiration (except for any expiration that is followed by a renewal term under the Franchise Agreement), cancellation or termination of the Franchise Agreement for whatever reason shall automatically terminate this Software License and the right granted by it to use the WIR Code, without notice to Franchisee. In addition, Company may terminate this License Agreement upon the failure by Franchisee to comply with any of the terms and conditions herein, by giving Franchisee written notice of termination stating the nature of the breach at least 15 days prior to the effective date of termination; provided that Franchisee may avoid termination by immediately initiating a remedy to cure such default and curing it to Company's satisfaction within the 15-day period and by promptly providing proof thereof to Company. If any such default is not cured within that time (or, if appropriate, substantial and continuing action to cure the default is not initiated within that time), or such longer period as applicable law may require, this Software License shall terminate without further notice to Franchisee effective immediately upon expiration of the 15-day period or such longer period as applicable law may require.

9.2 Upon the termination, cancellation, expiration or transfer of this License Agreement, Franchisee shall immediately destroy or return to Company all copies of the WIR Code and support materials.

9.3 Upon termination, cancellation, expiration or transfer of this License Agreement, Franchisee must promptly certify in writing to Company that to the best of Franchisee's knowledge, all copies of the WIR Code and support materials have been destroyed or returned to Company.

## **X. TAXES**

10.1 Franchisee agrees to pay any sales, use, ad valorem, personal property, general intangibles tax, and any registration fees arising out of this License Agreement and the transactions contemplated herein, except for any taxes imposed upon the gross income of Company.

10.2 Franchisee shall not deduct from payments to Company any amounts paid or payable to third parties, including, but not limited to, any consultants providing services hereunder.

## **XI. ASSIGNMENT**

11.01 Franchisee may not assign, sublicense, or otherwise transfer any of its rights under this License Agreement without the express prior written consent of Company; provided this restriction on transfer shall not apply to any transfer of the license to any person, firm, organization, corporation, or other entity which succeeds to the business of Franchisee pursuant to Article 12 of the Franchise Agreement.

## **XII. INDEMNIFICATION**

**12.1 COMPANY SHALL INDEMNIFY FRANCHISEE AGAINST ALL LIABILITIES AND COSTS, INCLUDING REASONABLE ATTORNEYS FEES, ARISING FROM THE DEFENSE AGAINST ANY CLAIM OR SUIT ALLEGING INFRINGEMENT BY ANY OF THE WIR CODE OF ANY UNITED STATES COPYRIGHT, PATENT, OR THE TRADEMARK, TRADE SECRET, OR UNFAIR COMPETITION RIGHTS OF A THIRD PARTY, PROVIDED FRANCHISEE PROMPTLY NOTIFIES COMPANY IN WRITING OF THE SUIT OR ANY CLAIM OF INFRINGEMENT AND THAT COMPANY IS PERMITTED TO CONTROL FULLY THE DEFENSE AND SETTLEMENT OF ANY CLAIM OR SUIT. FRANCHISEE SHALL HAVE THE RIGHT, AT ITS OWN EXPENSE, TO APPEAR THROUGH COUNSEL OF ITS OWN CHOOSING.**

**12.2 COMPANY SHALL HAVE THE RIGHT TO FULLY SETTLE ON BEHALF OF ITSELF AND FRANCHISEE ANY SUCH CLAIM OR SUIT ON ANY BASIS, INCLUDING ONE REQUIRING THE COMPANY TO SUBSTITUTE ALTERNATIVE SUBSTANTIALLY EQUIVALENT COMPUTER PROGRAMS AND SUPPORTING DOCUMENTATION.**

**12.3 COMPANY SHALL NOT BE LIABLE FOR ANY CLAIM OR SUIT BASED ON ANY UNITED STATES OR CANADIAN COPYRIGHT, PATENT, OR THE TRADEMARK, TRADE SECRET, OR UNFAIR COMPETITION RIGHTS OF A THIRD PARTY BASED ON ANY MODIFICATION DONE TO THE WIR CODE BY FRANCHISEE.**

**12.4 FRANCHISEE AGREES TO INDEMNIFY, DEFEND AND HOLD COMPANY HARMLESS FROM ANY AND ALL CLAIMS OF THIRD PARTIES RESULTING FROM OR INCIDENTAL TO THE USE OR OTHER OPERATION OF THE WIR CODE WARE IN ACCORDANCE WITH THE PROVISIONS REGARDING FRANCHISEE'S INDEMNITY IN PARAGRAPH 8.01 OF THE FRANCHISE AGREEMENT.**

## **XIII. GENERAL**

13.1 Notice under this Software License shall be in writing addressed to the parties as indicated in paragraph 21.10 of the Franchise Agreement.

13.2 Any dispute relating to the interpretation or performance of this License Agreement shall be resolved through non-binding mediation and binding arbitration conducted in Travis County, Texas, in accordance with paragraph 19.03 of the Franchise Agreement, subject to paragraph 19.04 of the Franchise Agreement.

**WIR Systems Inc.**

**Exhibit L- WIR Code and Software License Agreement**

\_\_\_\_\_  
*initials*

13.3 In the event that either party commences litigation or arbitration to enforce the provisions of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs.

13.4 If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provision shall remain in full force and effect and in no way shall be affected, impaired or invalidated.

**13.5 THIS LICENSE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED UNDER THE LAWS OF THE STATE OF TEXAS (EXCEPT FOR TEXAS CHOICE OF LAW RULES).**

13.6 The terms of this License Agreement are incorporated into the Franchise Agreement by reference. This License Agreement and related provisions of the Franchise Agreement constitute the entire agreement of the parties with respect to the subject matter hereof, and supersede all related prior and contemporaneous agreements between the parties.

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

COMPANY:

WIR SYSTEMS INC.

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

FRANCHISEE: \_\_\_\_\_

BY: \_\_\_\_\_

ITS: \_\_\_\_\_



## **ATTACHMENT C**

### **LIST OF CURRENT AND FORMER FRANCHISEES**

#### **Names, Addresses and Telephone Numbers of Current Franchisees From All States:**

Desmond Graham  
1010 W. Jasper Drive  
Suite 1  
Killeen, TX 76543  
Tel: (254) 394-3351,

Chad and Sandy Neumann  
4600 Touchton Rd. E  
Suite 1-150  
Jacksonville, FL 32246  
(904) 509-2253

Ed Prather  
1633 Fillmore St.  
Denver, CO 80206  
(303) 870-4749,

Mark Dietel  
202 West Main Street  
Greenwood, IN 46142  
(317) 886-8440

Roman Baladin  
198 US North, Suite 102  
Manapalan Township, NJ 07726  
(732) 786-3838

Kyle McLaughlin  
1378 Chesapeake Avenue  
Naples, FL 31402  
(239) 641-1892

Gilbert Lopez  
10655 Montgomery Blvd NE  
Albuquerque, NM, 87111  
(505) 235-1079

Ryan Dobbs  
3232 Rio Miranda Dr. Suite C4  
Bakersfield, CA 93308  
(661) 369-7505

Monica Benavides  
1313 E. Washington Ave  
Harlingen, TX 78550  
(956) 357-4632

#### **Names, Addresses and Telephone Numbers of Current Franchisees Outside of the United States:**

Tony Kalsi  
777 Warden Ave  
Suite 201  
Scarborough, ON, M1L4C3

(416) 939-3368

**Names, Addresses and Telephone Numbers of Former Franchises\* From All States:**

Theresa Churgin  
20405 TX-249, Suite 100  
Houston, TX 77070  
(835) 703-1900

Chris Mosier and John Anderson  
7300 Metro Blvd. Suite 635  
Edina, MN 55439  
(612) 930-4433

Dustin White  
3800 S. Caraway Road, Suite 11  
Jonesboro, AR 72404  
(870) 594-4367

**ATTACHMENT D**  
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**OPERATIONS MANUAL**  
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**ATTACHMENT E**  
**REGISTERED AGENTS**

**Registered Agents**

Franchisor's agents for service of process are as follows:

**California:**

Department of Financial Protection and Innovation  
2101 Arena Boulevard  
Sacramento, California 95834

**Connecticut:**

Securities and Business Investment Division  
Connecticut Department of Banking  
260 Constitution Plaza  
Hartford, CT 06103

**Delaware:**

Delaware Corporate Headquarters  
8 The Green, Suite A  
Dover, DE 19901

**Florida:**

Department of Agriculture & Consumer Services  
Division of Consumer Services  
P.O. Box 6700  
Tallahassee, FL 32314-6700

**Hawaii:**

Business Registration Division  
Department of Commerce and Consumer Affairs  
1010 Richards Street  
Honolulu, HI 96813

**Illinois:**

Illinois Attorney General  
Office of Attorney General  
500 S Second  
Springfield, IL 92796

**Indiana:**

Indiana Secretary of State  
201 State House  
Indianapolis, IN 46204

**Iowa:**

Director of Regulated Industries Unit  
Iowa Securities Bureau  
340 Maple  
Des Moines, IA 50319-0066

**Maryland:**

Maryland Securities Commissioner  
200 St. Paul Place, 20th Floor  
Baltimore, MD 21202-2020

**Michigan:**

Franchise Administrator  
Michigan Department of Attorney General  
670 Law Building  
Lansing, MI 48913

**Minnesota:**

Minnesota Commissioner of Commerce  
85 Seventh Place East,  
Suite 280  
St. Paul, MN 55101

**Nebraska:**

Department of Banking & Finance  
1200 N Street, Suite 311  
P.O. Box 95006  
Lincoln, NE 68509

**New York:**

New York Secretary of State  
41 State Street  
Albany, NY

**North Dakota:**

Franchise Examiner  
Office of Securities Commissioner  
600 East Boulevard, Fifth Floor  
Bismarck, ND 58505

**Oregon:**

Director  
Department of Consumer and Business Services  
Corporate Securities Section  
Labor and Industries Building  
Salem, OR 97310

**Rhode Island:**

Chief Securities Examiner  
Division of Securities  
233 Richmond Street, Suite 232  
Providence, RI 02903

**South Dakota:**

Franchise Administrator  
Division of Securities  
118 West Capitol  
Pierre, SD 57501

## **ATTACHMENT E**

### **REGISTERED AGENTS**

**Texas:**

Texan Registered Agent  
700 Lavaca St., Suite 1401  
Austin, TX 78701

**Virginia:**

Clerk  
State Corporation Commission  
1300 E Main Street, 1st Floor  
Richmond, VA 23219

**Washington:**

Director  
Department of Financial Institutions  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033

**Wisconsin:**

Franchise Administrator  
Division of Securities  
Department of Financial Institutions  
PO Box 1768  
Madison, WI 53701

**ATTACHMENT F**  
**STATE AGENCIES**

**State Agencies**

The State agencies involved with franchising are as follows:

**California:**

Commissioner of Corporations  
1515 K Street, Suite 200  
Sacramento, California 95814-4052

**Connecticut:**

Securities and Business Investment Division  
Connecticut Department of Banking  
260 Constitution Plaza  
Hartford, CT 06103-1800

**Florida:**

Department of Agriculture & Consumer Services  
Division of Consumer Services  
P.O. Box 6700  
Tallahassee, FL 32314-6700

**Hawaii:**

Business Registration Division  
Department of Commerce and Consumer Affairs  
P.O. Box 40  
Honolulu, HI 96810

**Illinois:**

Illinois Attorney General  
Office of Attorney General  
500 S Second  
Springfield, IL 92796

**Indiana:**

Franchise Section  
Secretary of State  
302 West Washington Street  
Indianapolis, IN 46204

**Iowa:**

Director of Regulated Industries Unit  
Iowa Securities Bureau  
340 East Maple  
Des Moines, IA 50319-0066

**Maryland:**

Office of the Attorney General  
Securities Division  
200 St. Paul Place, 20<sup>th</sup> Floor  
Baltimore, MD 21202-2020

**ATTACHMENT F**  
**STATE AGENCIES**

**Michigan:**

Franchise Administrator  
Michigan Department of Attorney General  
670 Law Building  
Lansing, MI 48913

**Minnesota:**

Securities Unit  
85 Seventh Place East,  
Suite 280  
St. Paul, MN 55101

**Nebraska:**

Department of Banking and Finance  
1200 N Street, Suite 311  
PO Box 95006  
Lincoln, NE 68509

**New York:**

Bureau of Investor Protection and Securities  
New York State Department of Law  
120 Broadway, 23<sup>rd</sup> Floor  
New York, NY 10271

**North Dakota:**

Franchise Examiner  
Office of Securities Commissioner  
600 East Boulevard, Fifth Floor  
Bismarck, ND 58505

**Oregon:**

Director  
Department of Consumer and Business Services  
Corporate Securities Section  
Labor and Industries Building  
Salem, OR 97310

**Rhode Island:**

Chief Securities Examiner  
Division of Securities  
233 Richmond Street, Suite 232  
Providence, RI 02903

**South Dakota:**

Franchise Administrator  
Division of Securities  
118 West Capitol  
Pierre, SD 57501

**Texas:**

Statutory Document Section  
PO Box 12887  
Austin, TX 78711

## **ATTACHMENT F**

### **STATE AGENCIES**

**Utah:**

Division of Consumer Protection  
Utah Department of Commerce  
160 East Three Hundred South  
PO Box 45804  
Salt Lake City UT 84145-0804

**Virginia:**

State Corporations Commission  
Division of Securities and Retail Franchising  
1300 E Main Street, 9<sup>th</sup> Floor  
Richmond, VA 23219

**Washington:**

Director  
Department of Financial Institutions  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033

**Wisconsin:**

Franchise Administrator  
Division of Securities  
Department of Financial Institutions  
PO Box 1768  
Madison, WI 53701

The Address of the United States Federal Trade Commission is:

Federal Trade Commission  
Washington, D.C. 20580



## ATTACHMENT G

### STATE LAW ADDENDUM

#### Addendum for State-Specific Requirements

##### California Addendum

(Applies only to California franchisees)

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination and non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER, BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

Neither We nor any person identified in Item 2 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 the persons from membership in that association or exchange.

YOU MUST SIGN A GENERAL RELEASE OF CLAIMS IF YOU TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER BY THE PERSON ACQUIRING A FRANCHISE OF CERTAIN RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF CERTAIN RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

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.)

The franchise agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

You must resolve disputes through binding arbitration. The arbitration will occur at Wayne, New Jersey, USA, with the costs of arbitration being borne equally by the parties. Each party will bear its own expenses, including attorney's fees. 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.

## **ATTACHMENT G**

### **STATE LAW ADDENDUM**

The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act. As long as this represents the law of the State of California, We will not interpret the Franchise Agreement as permitting or requiring maximum price limits.

If your Licensed Business will be in California, You will not pay your Initial Fee to Us until your business is open and we have completed all of Our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time We sign the Agreement. The only condition on your obligation to pay the Initial Fee is that We must complete all of Our material pre-opening obligations to you.

#### **Hawaii Addendum**

**(Applies only to Hawaii franchisees)**

If your Licensed Business will be in Hawaii, You will not pay your Initial Fee to Us until your business is open and we have completed all of Our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time We sign the Agreement. The only condition on your obligation to pay the Initial Fee is that We must complete all of Our material pre-opening obligations to you.

#### **Illinois Addendum**

**(Applies only to Illinois franchisees)**

The receipt and the Franchise Agreement are both amended to provide that We must provide the Franchise Disclosure Document to You at least 14 calendar days before You sign any binding contract or give us any money.

The Illinois Franchise Disclosure Act, Section 4, prohibits any agreement that specifies jurisdiction or venue of any lawsuit in a place outside of the state of Illinois. The Act does permit agreements to require you to arbitrate outside the state of Illinois. The Act prohibits choice of law provisions that would require the application of any laws except the laws of the state of Illinois (Section 41). You cannot waive any of your rights given to you by the Illinois Franchise Disclosure Act (Section 41). You may have other rights under the Illinois Franchise Disclosure Act or other laws of the state of Illinois. To the extent that the Franchise Agreement is inconsistent with Illinois law, the inconsistent terms of the Franchise Agreement will not be enforced and the terms of the applicable Illinois law shall apply.

#### **Indiana Addendum**

**(Applies only to Indiana franchisees)**

## ATTACHMENT G

### STATE LAW ADDENDUM

Indiana law prohibits requiring you to prospectively agree to a release or waiver which purports to relieve any person from liability imposed by the Indiana Franchise Practices Act (IC 23-2-2.7(5)). The Franchise Agreement shall be deemed amended to the extent necessary to comply with IC 23-2-2.7(5).

Indiana law limits the parties agreement to resolve disputes in any jurisdiction outside of Indiana (IC 23-2-2.7(10)). Subject to the Federal Arbitration Act, the Franchise Agreement shall be deemed amended and the forum for any court proceedings shall be in Indiana.

#### **Maryland Addendum**

**(Applies only to Maryland franchisees)**

The Franchise Disclosure Document is amended to add the following:

Item 5 of the Franchise Disclosure Document is amended by adding the following: 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.

Item 17 of the Franchise Disclosure Document is amended to the effect that any general release required as a condition of sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the Franchise Disclosure Document is amended to state: Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Item 17 of the Franchise Disclosure Document is amended to provide as follows: 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.

Item 17 of the Franchise Disclosure Document is amended by adding the following: The provision in the Franchise Agreement that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et. seq.).

Item 17 of the Franchise Disclosure Document is amended to provide as follows: Any lawsuit permitted under this Article shall be brought in the federal or state courts located in the State of Maryland.

#### **Minnesota Addendum**

**(Applies only to Minnesota franchisees)**

## ATTACHMENT G

### STATE LAW ADDENDUM

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your 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 Minn. Stat. §80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that We give you 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the franchise agreement. In addition, We will not unreasonably withhold consent to the transfer of the franchise.

We will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name, to the extent required by Minn. Stat. §80C.12, Subd. 1(G).

To the extent governed by Minn. Rule 2860.4400J, you shall not be deemed to have waived any rights under Minnesota law. You shall not be deemed to have consented to Us obtaining injunctive relief, although We may seek injunctive relief. A Court or the arbitrators shall determine whether to require a bond as a condition of injunctive relief. In accordance with Minn. Rule 2860.4400D, We will not require You to assent to a general release.

If your Licensed Business will be in Minnesota, You will not pay your Initial Fee to Us until your business is open and we have completed all of Our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time We sign the Agreement. The only condition on your obligation to pay the Initial Fee is that We must complete all of Our material pre-opening obligations to you.

#### **New York Addendum**

#### **(Applies only to New York franchisees)**

Item 3 is amended to read as follows:

Neither We nor any person identified in Item 2 above have any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against us alleging a violation of any franchise law, antitrust or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

Neither We nor any person identified in Item 2 above have been convicted of a felony or pleaded *nolo contendere* to any felony charge or during the 10 year period immediately preceding the date of this Franchise Disclosure Document, been convicted of or pleaded *nolo contendere* to a misdemeanor charge been held liable in any other civil action by final judgment or been the subject of any other material

## ATTACHMENT G

### STATE LAW ADDENDUM

complaint or other legal proceeding where such felony, misdemeanor civil action, complaint or other legal proceeding involved violation of any franchise law, antifraud or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

Neither We nor any person identified in Item 2 above is subject to any currently effective injunctive or restrictive order or decree relating to the franchise or under any federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of 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 by 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.

Item 4 is amended to read as follows:

During the 10 year period immediately preceding the date of the Franchise Disclosure Document neither We nor any predecessor, affiliate, current officer or general partner of Us has been the subject of a bankruptcy proceeding, been adjudged bankrupt or reorganized due to insolvency or been a principal officer of a company or a general partner of a partnership at or within one year of the time that such company or partnership became the subject of a bankruptcy proceeding or was adjudged bankrupt or reorganized due to insolvency or is subject to any such pending bankruptcy or reorganization proceeding.

Item 5 is amended by adding the following: We will use the Initial Fee for the purposes of covering the costs of selling the franchise and other franchises, for your initial training, for general overhead and for profit.

Item 12 is amended by adding the following: Although We will consider many factors in determining the boundaries of your Marketing Area, it will contain a population of not less than 25,000 people.

Item 17 is amended by changing the caption and preliminary statement to read as follows:

Item 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS FRANCHISE DISCLOSURE DOCUMENT.

Item 17 D is amended by adding the following: You may terminate the agreement on any grounds available by law.

Item 17 J is amended by adding the following: We will only assign to an assignee who in Our good faith judgment is willing and able to assume Our obligations.



## **ATTACHMENT G**

### **STATE LAW ADDENDUM**

#### **North Dakota Addendum**

**(Applies only to North Dakota franchisees)**

Under North Dakota law, no modification or change We make to the Manual or method of operation may materially affect your status, rights or obligations under the Franchise Agreement.

Covenants not to compete are considered unenforceable in the State of North Dakota.

Under North Dakota law, a requirement that you consent to liquidated damages or termination penalties in the event of termination of the franchise agreement is considered unenforceable.

The North Dakota Franchise Investment Law (Section 51-19-09) requires that the laws of North Dakota, which laws will prevail, will govern the Franchise Agreement. Further, North Dakota law requires that all issues or disagreements relating to the Franchise Agreement will be arbitrated, tried, heard and decided within the jurisdiction of courts in the state of North Dakota.

Under the North Dakota Franchise Investment Law (Section 51-19-09), a North Dakota franchisee may not be required to execute a general release upon renewal of the Franchise Agreement.

#### **Rhode Island Addendum**

**(Applies only to Rhode Island franchisees)**

Item 17 is amended by adding the following: Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.

If your Licensed Business will be in Rhode Island, You will not pay your Initial Fee to Us until your business is open and we have completed all of Our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time We sign the Agreement. The only condition on your obligation to pay the Initial Fee is that We must complete all of Our material pre-opening obligations to you.

#### **South Dakota Addendum**

**(Applies only to South Dakota franchisees)**

Covenants not to compete upon termination or expiration of a franchise agreement are generally unenforceable in South Dakota, except in certain instances as provided by law.

In the event that either party shall make demand for arbitration, such arbitration shall be conducted in a mutually agreed upon site in accordance with Section 11 of the Commercial Arbitration Rules of the American Arbitration Association.

## ATTACHMENT G

### STATE LAW ADDENDUM

The law regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota; but as to contractual and all other matters, this agreement and all provisions of this instrument will be and remain subject to the application, construction, enforcement and interpretation under the governing law of the state where the franchise is located.

Any provision of the franchise agreement which requires you to agree to jurisdiction and venue outside of South Dakota is void with respect to any cause of action which is otherwise enforceable in South Dakota.

Notwithstanding any term of the franchise agreement, we will not terminate the franchise agreement upon default without first affording you 30 days notice with an opportunity to cure the default within that time.

To the extent required by South Dakota law, all provisions giving any party a right to liquidated damages are hereby deleted from the franchise agreement and the parties shall be entitled to their actual damages instead.

#### **Virginia Addendum (Applies only to Virginia franchisees)**

Item 17 of the Franchise Disclosure Document is amended by adding the following: The provision in the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et. seq.).

**The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.**

#### **Washington Addendum (Applies only to Washington franchisees)**

If any of the provisions in the Franchise Disclosure Document or franchise agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the Franchise Disclosure Document and franchise agreement with regard to any franchise sold in Washington.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

Initial Fees of new Washington franchisees are held in an escrow account until the franchisee's business is open.

**ATTACHMENT G**

**STATE LAW ADDENDUM**

The state law addendum, above, if applicable, is a part of the Franchise Agreement and supersedes any inconsistent term(s) of the Franchise Agreement.

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the day and year indicated below.

Dated: \_\_\_\_\_ [effective date]

**Date signed:** \_\_\_\_\_

**FRANCHISOR:**  
**WIR Systems Inc. d/b/a**  
**Watters International Realty**

**FRANCHISEE:**

By \_\_\_\_\_  
\_\_\_\_\_, Authorized Representative

\_\_\_\_\_  
Franchisee

3307 Northland Drive, Suite 100 Austin, Texas 78731

Address: \_\_\_\_\_  
\_\_\_\_\_

Phone: \_\_\_\_\_

**ATTACHMENT H**  
**APPLICATION FOR A WIR SYSTEMS INC. FRANCHISE (US)**

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

I/We \_\_\_\_\_ of \_\_\_\_\_ hereby submit an application to WIR Systems Inc., 3307 Northland Drive, Suite 100, Austin, Texas 78731 for a WIR Systems Inc. Franchise (the "Franchisor"):

Our Watters International Realty Franchise is to be located in: \_\_\_\_\_, in the state of \_\_\_\_\_ (the "State"). This application once submitted is subject to the following terms and conditions:

1. A non-refundable deposit of \$2,500.00 is payable in cash along with the submission of this Application.
2. Upon approval of this Application, the deposit will be credited towards the Initial Franchise Fee for this franchise and the balance is payable in cash/check as follows:  
  
Tier One: If your current Gross Revenues are between zero and \$500,000.00, You will pay an Initial Fee of **\$15,000.00** and be eligible for Production Royalty of 10%.  
  
Tier Two: If your current Gross Revenues are between \$500,000.00 and \$1,000,000.00, You will pay an Initial Fee of **\$25,000.00** and be eligible for Production Royalty of 8%.  
  
Tier Three: If your current Gross Revenues is greater than \$1,000,000.00, You will pay an Initial Fee of **\$35,000.00** and be eligible for Production Royalty of 6%.
3. I/We acknowledge that I/we have, at least 14 calendar days, prior to the signing of this Application Agreement, received Watters International Realty, Inc.'s current form of Franchise Disclosure Document applicable to the State. I/we understand that a completed form of the Franchise Agreement will be provided at least 5 business days prior to signing the Franchise Agreement, and that all other terms are to be in accordance with it.
4. I/We, have provided the information requested below and hereby affirm that the information and documents provided in response to WIR Systems Inc.'s request for information below are true and accurate, and that I/We have attached all relevant documents.
  - a. Real Estate Sales Production Information
    - i. Provide a report on total number of transaction sides for the last 3 full calendar years.
    - ii. Provide a report on total commission dollars earned for the last 3 full calendar years.
    - iii. Provide MLS reports to support your totals in Section 1.1 and 1.2. For non-MLS recorded sales, provide settlement statements for each.
  - b. Profit & Loss Information
    - i. Provide profit and loss statements for the last three full calendar years. If no profit and loss statements are available for those calendar years, Franchisor may elect, at its discretion, to accept tax returns for those years in lieu of profit and loss statements.

**ATTACHMENT H**  
**APPLICATION FOR A WIR SYSTEMS INC. FRANCHISE (US)**

- ii. Provide projected profit and loss statement for the current calendar year from January 1 to the filing date of Franchise Application.
- c. Submit a copy of your current active broker's license, or that of your Designated Broker.
- d. Submit the most recent 6 months of bank statements from all business and personal accounts.
- e. Provide the names, phone numbers and email addresses of no fewer than 6 previous clients from no fewer than 6 unique real estate transactions closed and funded in the last calendar year.

5. Complete and sign the General Release For Background Research, and the Personal Financial Statement, and return these forms with this Franchise Application and requested information and documents.

6. I/we have submitted a completed Franchise Application, General Release for Background Research, and a Personal Financial Statement on WIR Systems Inc.'s forms and I/we hereby authorize WIR Systems Inc. to conduct an investigation of my/our background(s) to verify the information submitted.

7. I/we acknowledge and understand that submission of this application does not bind or obligate WIR Systems Inc. to issue a Watters International Realty Franchise to me/us.

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(Signature)

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(Signature)

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Applicant (Printed Name)

---

Applicant (Printed Name)



**GENERAL RELEASE FOR BACKGROUND RESEARCH  
EXHIBIT A TO FRANCHISE APPLICATION**

I/We, \_\_\_\_\_, (Applicant), have submitted an Application for Franchise with WIR Systems Inc, d/b/a Watters International Realty.

The Franchisor:

*WIR Systems Inc., d/b/a Watters International Realty*  
*3307 Northland Drive, Suite 100*  
*Austin, Texas 78731*  
*512-956-7900*  
*[info@wirsystems.com](mailto:info@wirsystems.com)*

I give my permission for WIR Systems Inc. to:

- (1) obtain a copy of my/our criminal history reports and my/our consumer report (credit report) from any consumer reporting agency and to obtain background information about me;
- (2) contact current and past clients to conduct interviews about interactions with Applicant;
- (3) contact past employers and brokerages to conduct interviews about interactions with the Applicant;
- (4) contact my bank, savings and loan, or credit union to provide a verification of funds that I/We have on deposit to the above-named person.

PERMISSION GRANTED:

APPLICANT: \_\_\_\_\_

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

DATE: \_\_\_\_\_

**PERSONAL FINANCIAL STATEMENT  
EXHIBIT B TO FRANCHISE APPLICATION**

### **State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	June 21, 2023
Hawaii	
Illinois	
Indiana	April 30, 2023
Maryland	December 8, 2022
Michigan	
Minnesota	August 4, 2022
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	July 20, 2022
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**RECEIPT**  
**[Retain This Copy For Your Records]**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all Exhibits carefully.

If WIR Systems Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the Franchisor or an affiliate in connection with the proposed franchise sale.

If Watters International Realty 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 or the appropriate state agency listed in Attachment F.

The name and address of our registered agent authorized to receive service of process is shown in Attachment E.

I have received a Franchise Disclosure Document, Effective \_\_\_\_\_, \_\_\_\_\_, 2023. This disclosure document includes the following Attachments:

- A. Financial Statements
- B. Franchise Agreement
- C. List of Current and Former Franchisees
- D. Manual Table of Contents
- E. Our Agents For Service of Process
- F. State Agencies
- G. State Law Addendum
- H. Franchise Application

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
City

\_\_\_\_\_  
State

\_\_\_\_\_  
Zip

**RECEIPT**  
**[Return This Copy To Us]**

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- H. Franchise Application

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
City

\_\_\_\_\_  
State

\_\_\_\_\_  
Zip



DATE OF ISSUANCE: July 20, 2023