

## FRANCHISE DISCLOSURE DOCUMENT

|                                                                                   |                                                                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p><b>FRANCHISOR</b><br/>Pronto Franchise, L.L.C.<br/>A Texas limited liability company<br/>805 Media Luna Drive, Suite 300<br/>Brownsville, Texas 78520<br/>(956) 574-9787<br/>prontoinsurance.com<br/>franchise@prontoinsurance.com</p> |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

We offer franchises for the establishment and operation of businesses which offer, sell and service insurance policies, and which operate at locations under the mark “Pronto,” and other related names, marks and slogans.

The total investment necessary to begin operation of a Pronto franchised business is from \$45,325 to \$114,750 for a new business, and from \$26,600 to \$91,800 for a converted business. This includes \$10,000 to \$30,000 that must be paid to us as the franchisor or our affiliate.

We may offer to enter into area development agreements to establish and operate a certain number of Pronto franchised businesses at specific locations within a specific development area pursuant to individual franchise agreements. The area development fee is \$5,000 multiplied by the number of Pronto franchised businesses to be developed, and is paid entirely to us. Your estimated initial investment will vary based on the number of Pronto franchised businesses to be developed.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Rex Martin, Pronto Franchise, L.L.C., 805 Media Luna Drive, Suite 300, Brownsville, Texas 78520, (956) 574-9787, [rex.martin@prontoinsurance.com](mailto:rex.martin@prontoinsurance.com).

The terms of your contract will govern your franchise relationship. Don’t rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

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

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

**Issuance Date: April 19, 2024**

## 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 and Exhibits 6 and 7. |
| <b>How much will I need to invest?</b>                                                   | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.                                                                          |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit 8 includes financial statements. Review these statements carefully.                                                                                                                                                                            |
| <b>Is the franchise system stable, growing, or shrinking?</b>                            | Item 20 summarizes the recent history of the number of company-owned and franchised outlets.                                                                                                                                                                      |
| <b>Will my business be the only Pronto® 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 Pronto® franchisee?</b>                                        | Item 20 and Exhibits 6 and 7 list current and former franchisees. You can contact them to ask about their experiences.                                                                                                                                            |
| <b>What else should I know?</b>                                                          | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.                                                           |

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

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

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

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

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

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

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

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

## **Some States Require Registration**

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit 1.

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 be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in 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. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **Turnover rate.** During the last 3 years, a high percentage of franchised outlets (more than 30%) were terminated, not renewed, or re-acquired. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” to see whether your state requires other risks to be highlighted.

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## EXHIBITS

- Exhibit 1 – State Administrators/Agents for Service of Process
- Exhibit 2 – State Specific Addenda
- Exhibit 3 – Franchise Agreement
- Exhibit 4 – Area Development Agreement
- Exhibit 5 – Table of Contents of Confidential Operating Manual
- Exhibit 6 – Lists of Franchisees and Area Developers
- Exhibit 7 – List of Franchisees and Area Developers Who Have Left the System
- Exhibit 8 – Financial Statements

## RECEIPTS

**Item 1**  
**THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

**The Franchisor**

Pronto Franchise, L.L.C. (“we” or “us” or “our” or “Pronto Franchise, L.L.C.”) is the franchisor. We are a Texas limited liability company. Our principal place of business, as well as the principal place of business of a number of our parents and affiliates, is 805 Media Luna Drive, Suite 300, Brownsville, Texas 78520. We were formed on January 16, 2009. We conduct business under the name and mark “Pronto” and related names, marks and slogans.

We are a franchising company which promotes and sells franchises for the operation of Pronto businesses. We do not own or operate a business of the type being franchised, although we have an affiliate that does, as described below. We have not offered franchises in any other line of business, and we are not engaged in any business other than selling franchises for Pronto businesses. We have offered franchises for Pronto businesses since March 1, 2009.

Our agent for service of process is CT Corporation System, whose principal business address is 701 Brazos Street, Suite 720, Austin, TX 78701. If we have an agent for service of process in your state, we disclose that agent in Exhibit 1.

**Our Parents, Affiliates and Predecessors**

We have no predecessors. Our parent, until December 12, 2022, was Pronto Holdco, Inc. (“Pronto Holdco”), a Delaware corporation formed on September 11, 2014. Our previous parent, Pronto Holdco, LLC, a Delaware limited liability company also formed on September 11, 2014, acquired us on September 30, 2014. Following the execution of the stock purchase agreement described in the paragraph below, on September 28, 2018, Pronto Holdco, LLC was merged with and into Pronto Holdco, and Pronto Holdco (our parent) is the surviving entity. After December 12, 2022, our parent is Risk Placement Services, Inc. (“RPS”).

Under a stock purchase agreement dated June 4, 2018, Risk Placement Services, Inc. (“RPS”), an Illinois corporation, acquired all of the ownership interest in Pronto Holdco. RPS is a Managing General Agent/Underwriting Manager and nationally focused wholesale insurance broker. RPS offers property and casualty insurance services in the United States. RPS is a wholly-owned subsidiary of Arthur J. Gallagher & Co. (“AJG”), a publicly traded entity (symbol “AJG”). AJG is a U.S.-based global insurance brokerage and risk management services firm. The principal business address of RPS and AJG is 2850 Golf Road, Rolling Meadows, Illinois 60008. Our parents are not offering, and have never offered, franchises in any line of business. We have no other parents required to be disclosed in this Disclosure Document.

Under an asset purchase agreement dated August 31, 2017, our affiliates acquired assets from several California entities engaged in the business of selling, servicing, producing, placing, and marketing certain automobile insurance policies and related services in California. Specifically, (i) our affiliate Pronto California General Agency, LLC acquired certain assets and properties of, and assumed certain liabilities and obligations of, H&H Agency, Inc.; (ii) our affiliate Pronto California Agency, LLC, acquired certain assets and properties of, and assumed certain liabilities and obligations of, Dashers Insurance Services, Inc.; and (iii) our affiliate Pronto California Claims, LLC acquired certain assets and properties of, and assumed certain liabilities and obligations of, D&H Claims Services, Inc.

Pronto California General Agency, LLC, doing business as (dba) Pronto General Insurance Agency, is the general agent that has obtained appointments through various insurance carriers, with a primary focus on automobile coverage, and extends those appointments to franchisees, so they can broker insurance in California. Some of these appointments include products underwritten and serviced by Pronto

California General Agency, LLC dba Pronto General Insurance Agency, LLC. Pronto California General Agency, LLC dba Pronto General Insurance Agency, LLC currently underwrites with various A.M. Best rated insurance carriers, and reserves the right to change insurance companies with which it underwrites at any time, in its sole discretion. Pronto California General Agency, LLC dba Pronto General Insurance Agency is the exclusive insurance supplier to our franchisees in California.

Pronto California Agency, LLC dba Pronto Insurance Agency, is a Delaware limited liability company formed on July 13, 2016. Pronto California Agency, LLC dba Pronto Insurance Agency is the agent that offers and sells insurance policies directly to customers through retail locations in California. As of the issuance date of this Disclosure Document, Pronto California Agency, LLC dba Pronto Insurance Agency operated 39 Pronto Insurance retail locations in California, and one Pronto franchised business. We and Pronto California Agency, LLC dba Pronto Insurance Agency anticipate that some of these retail locations may be converted to franchised or affiliate-owned Pronto businesses. Pronto California General Agency, LLC is the entity that administers claims for Pronto California Agency, LLC's insurance products.

Our affiliate, Pronto General Agency, Inc., a Texas corporation initially formed as a limited partnership on November 14, 2006, and converted to a Texas corporation on August 5, 2022, is also a subsidiary of our parent and is a managing general agent which presently offers, sells and services insurance policies in Texas through (i) retail outlets it owns and operates, (ii) independent agencies, and (iii) franchisees. This affiliate sells personal lines of insurance in Texas with a primary focus on automobile coverage, and currently underwrites with various A.M. Best rated insurance carriers and other third party-carriers. This affiliate reserves the right to change insurance companies with which it underwrites at any time, in its sole discretion. Pronto General Agency, Inc. is the exclusive insurance supplier to our franchisees in Texas.

Under a stock purchase agreement dated February 1, 2018, one of our former affiliates acquired all of the issued and outstanding stock of two California entities engaged in the business of selling, servicing, producing, placing, and marketing certain non-standard automobile insurance policies and related services in California and Texas. Specifically, our affiliate Pronto Holding California LLC (now dissolved, and its assets acquired by our then parent, Pronto Holdco, Inc-- RPS now owns those assets) (i) acquired all of the issued and outstanding capital stock of Premier Insurance Services, Inc. ("Premier"), and (ii) indirectly acquired Big Savings Insurance Agency, Inc. ("BSIA") by virtue of the fact that Premier holds all of the issued and outstanding capital stock of BSIA. The BSIA retail location in Houston, Texas has been converted to a Pronto captive under Pronto General Agency, Inc., and Premier had 44 retail locations in California, which have all been rebranded.

Prior to its stock purchase agreement by Pronto Holding California, LLC, Premier Insurance Services, Inc. offered and sold insurance policies directly to customers through retail locations in California. All of these retail locations have been converted to Pronto-named businesses.

Under an asset purchase agreement dated February 1, 2018, our affiliates acquired assets from several California entities engaged in the business of selling, servicing, producing, placing, and marketing certain non-standard automobile insurance policies and related services in Florida. Specifically, (i) our affiliate Pronto Florida General Agency, LLC acquired certain assets and properties of, and assumed certain liabilities and obligations of, Pro General Insurance Solutions, Inc.; and (ii) our affiliate Pronto Florida Claims, LLC acquired certain assets and properties of, and assumed certain liabilities and obligations of, Pro General Claims Administrators, Inc.

In anticipation of this acquisition our parent (Pronto Holdco) formed the entity Pronto Holding Florida, LLC, a Delaware limited liability company on June 30, 2017, which is the parent of Pronto Florida General Agency, LLC, a Delaware limited liability company formed on June 30, 2017. Pronto Holding Florida, LLC has been dissolved and its assets and liabilities acquired by our parent, Pronto Holdco, Inc.

Pronto Florida General Agency, LLC was a managing general agent which has offered, sold and serviced insurance policies in Florida through (i) independent agents, and (ii) franchisees. On December 21, 2022, this entity was merged into our affiliate, Pronto General Agency, Inc. Pronto Holdco, Inc. was also the parent of Pronto Florida Claims, LLC, a Delaware limited liability company formed on June 30, 2017. Pronto Florida Claims, LLC was merged into our affiliate, Pronto General Agency, Inc. on December 21, 2022. Pronto's business was started in December 1997 by Juan Varela. The original Pronto business expanded primarily through PRONTO MGA, LTD. (a Texas limited partnership formed on November 19, 2004, subsequently dissolved) and the efforts of the brothers Carlos Varela, Juan Varela, Rafael Varela, Jose Varela and Esteban Varela, and ultimately through our affiliates at the time, Pronto General Agency, Ltd. in Texas, Pronto Florida General Agency, LLC in Florida, and Pronto California General Agency, LLC dba Pronto General Insurance Agency and other affiliates in California.

In January 2023, our parent, RPS, purchased the assets of Remco Insurance Agencies, Inc., ("Remco") based in Austin, Texas. Remco's business model is very similar to ours, focused on auto insurance and operates through retail locations primarily in Central and North Texas. Our affiliate, Pronto General Agency, Inc., has taken over the direct operations of Remco. Remco is not offering and has never offered franchises in any line of business.

Our affiliate and also a subsidiary of our parent, Pronto General Agency, Inc., is the supplier of the Pronto business proprietary computer software used by all Pronto businesses.

Our affiliates are not offering, and have never offered, franchises in any line of business. We have no other affiliates required to be disclosed in this Disclosure Document.

### **The Franchise Offered**

We are offering new and conversion franchises for businesses that operate under the name "Pronto," and related names, marks and slogans (each a "Pronto Business" or "Pronto business"). Each Pronto Business is established and operated using the format and system we developed (the "System"), and presently offers, sells and services insurance policies, as a full-service retail insurance agency displaying our interior and exterior trade dress. Pronto Businesses feature and operate under the Proprietary Marks (as defined below). Our interior and exterior trade dress is designed to make Pronto Businesses easily identifiable for clients.

Each Pronto franchised business will have access to an entire suite of insurance products available through us and our parents RPS and Arthur J. Gallagher & Co. (AJG). Pronto franchised businesses focus on offering and selling products and services in the following three primary areas: (1) auto insurance, (2) commercial and small business insurance, and (3) personal property insurance and other insurance products.

All products and services offered for sale at a Pronto Business are subject to our approval, and the products and services offered for sale at Pronto Businesses may vary from state to state.

Pronto Businesses are characterized by our System. Some of the features of our System include (a) distinctive exterior and interior design; (b) uniform standards, specifications, and procedures for operations; (c) training and operational assistance; and (d) marketing and promotional programs. We may periodically change and improve the System.

You must operate your Pronto Business in accordance with our standards and procedures, as set out in our Confidential Operations Manuals (the "Manuals"). We have the right to vary our standards, specifications and procedures from state to state. We will lend you a copy of the Manuals for the duration of the Franchise Agreement (or, at our option, we may make these available to you electronically). In addition, we will grant you the right to use marks licensed to us from our affiliate, Pronto General Agency,

Inc., including the marks “Pronto,” “Pronto and Design” and “Pronto Insurance and Financial Services,” and any other trade names and marks that we designate in writing for use with the System (the “Proprietary Marks”). We may modify the Proprietary Marks or substitute new Proprietary Marks.

We have the right to vary from state to state our standards, specifications and procedures for the development and operation of Pronto Business and the System to take into account laws that regulate the selling, servicing and marketing of insurance products in each state and for other reasons. For example, in order to comply with the laws in California that govern the sale, servicing and marketing of insurance, we have adopted a different commission structure for franchised Pronto Businesses in California. We offer franchises for Pronto Businesses outside of California through a separate disclosure document.

### **Franchise Agreement**

We offer to enter into a franchise agreement (“Franchise Agreement”) (included as Exhibit 3 to this Disclosure Document) with qualified legal entities and persons (“you”) that wish to establish and operate Pronto Businesses. (In this Disclosure Document “Franchise Agreement” means the agreement and all related exhibits and addendum.) (In this Disclosure Document, “you” means the person or legal entity with whom we enter into an agreement. The term “you” also refers to the direct and indirect owners of a corporation, partnership, limited liability company, or limited liability partnership that signs a Franchise Agreement as the “franchisee.”)

Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate a Pronto Business at an agreed-upon specified location (the “Franchised Location”) within an Area of Primary Responsibility, as defined in Item 12. (In this Disclosure Document, the term “Franchised Business” means the Pronto Business franchised to you under a Franchise Agreement.) We offer both new and conversion franchises. A conversion franchise means a franchise for the conversion of an existing independent insurance agency to a Pronto Business. Upon signing the Franchise Agreement for a conversion franchise, you also must execute the Conversion Franchise Addendum attached as Exhibit G to the Franchise Agreement.

If you are not an individual, then you must designate one of your owners, who must be an individual person with: a) at least a ten percent (10%) ownership interest in the franchisee legal entity; and b) who is reasonably acceptable to us; to assume the responsibilities of general oversight and management of your Franchised Business (the “Designated Principal”). You must also designate either the Designated Principal or a general manager (the “General Manager”) to assume the full-time responsibility for daily supervision and operation of the Franchised Business.

### **Area Development Agreement**

We may also offer to enter into an area development agreement (the “Area Development Agreement”) (included as Exhibit 4 to this Disclosure Document) with qualified legal entities and persons (an “Area Developer”), which grants the right to establish and operate a specified number of Pronto Businesses in a specified area (the “Development Area”) at specific locations that must be approved by us, and shall each operate under a separate Franchise Agreement. We will enter into Area Development Agreements under which a minimum of three Pronto Businesses will be developed by an Area Developer.

Area Developers must open each Pronto Business in accordance with an agreed upon opening schedule (the “Development Schedule”). The Development Schedule will be set forth in Exhibit A of the Area Development Agreement. The Area Developer exercises its right to open Pronto Businesses by entering into a separate Franchise Agreement for each Franchised Business opened.

## **The Market and Competition**

The market for insurance services, including related products and services, is well developed and competitive. You will serve the general public and will compete with a variety of businesses, from locally owned to regional and national businesses. These will include, without limitation, insurance agencies and other businesses that offer similar products and services. These businesses compete on the basis of factors such as price, service, and location. These businesses are often affected by other factors as well, such as changes in consumer preferences, economic conditions, and population and travel patterns.

We may establish other Pronto Businesses in your area (if permitted under the Franchise Agreement) and/or sell or license others to sell any products or services in your area through any distribution channels we think best. To the extent your Franchised Business may be located near another Pronto franchised or company-owned or affiliate-owned business, you may appear to or actually compete with other Pronto businesses. As further described above, you also may compete with Dashers Insurance and Premier Insurance retail locations in California owned and operated by our affiliates.

## **Industry Specific Regulations**

The offering of insurance is regulated by each state and you and all of your employees and agents/brokers who are required to be licensed must be licensed to sell insurance policies in your state. Your license must remain in good standing throughout the term of your Franchise Agreement. You must also file all notices that your state may require as notice that you are acting as our agent in the operation of the Franchised Business. If your license is revoked, suspended or restricted, or if an action to do so is begun by a governmental agency, you must immediately notify us. If you do not maintain your license in good standing throughout the term of your Franchise Agreement, we may terminate your Franchise Agreement. If your license is not in good standing, you cannot earn commissions from the sale of insurance.

In California, a franchisee must be licensed both as a Property Broker-Agent and as a Casualty Broker-Agent, and all of its sales employees must be licensed appropriately by the California Department of Insurance. Once the California Department of Insurance has processed a license application (and it shows up on their website) a Broker-Agent can start writing business and signing applications. There must be an appropriately licensed agent employed and on site at all times at the Franchised Business.

You must also comply with all local, state and federal laws that apply to your Franchised Business operations, including all laws and regulations relating to no smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disabilities Act of 1990 (ADA) requires readily accessible accommodations for disabled people and may affect your building construction, site design, entrance ramps, doors, bathrooms, etc. You must also obtain real estate permits, licenses and operational licenses. In addition, you must comply with all local, state and federal laws applicable to the computer system, payment processing or other technology used in the operation of the Franchised Business, including the Telephone Consumer Protection Act, (TCPA) the National Automated Clearinghouse Association (NACHA) operating rules and all related and associated regulations as well as any other applicable federal, state and local laws related to privacy, data security, data protection, direct marketing, consumer protection, and workplace privacy laws, along with the rules requirements, and regulations of any applicable jurisdiction, including without limitation the California Consumer Privacy Act of 2018, state data breach notification laws, information security requirements, and all similar federal, state, and local laws and all applicable industry standards concerning privacy, confidentiality, and data security.

The United States enacted the “Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001” (the “USA Patriot Act”). We are required to comply with the USA Patriot Act. To help us comply with the USA Patriot Act, we ask you in the Franchise Agreement to confirm for us that neither you nor your directors, officers, shareholders, partners, members, employees, or agents are suspected terrorists or persons associated with suspected terrorists or are under

investigation by the U.S. government for criminal activity. You may review the Patriot Act and related regulations at: <http://www.treasury.gov/offices/enforcement/ofac/sdn>.

**Item 2.**  
**BUSINESS EXPERIENCE**

**Chief Executive Officer: Jorge Barcena**

Mr. Barcena has been our Chief Executive Officer since May 2018. He also has served as the Chief Executive Officer of our affiliates, including Pronto General Agency, Inc. (formerly Pronto General Agency, Ltd.), since May 2018. From 2010 to May 2018, Mr. Barcena served as our President, as well as the President of our affiliates, including Pronto General Agency, Ltd.

**Director of Franchise: Rex Martin**

Mr. Martin joined Pronto Insurance in March 2018, and has served as the Franchise Director since February 2022. His diverse experience at Pronto Insurance spans various roles, which include Underwriting, Auditing, Franchise Training, and Franchise Business Consulting.

**Vice President, Franchising and Sales: Jorge Garcia**

Mr. Garcia has been our Vice President, Franchising and Sales since August 2013.

**General Counsel: William Schreiner**

Mr. Schreiner has been our General Counsel since January 2019. Before joining us, he served as Executive Vice President and General Counsel at Assure Holding Corporation in New Orleans, Louisiana from July 2014 to December 2018.

**Controller: Elias “Lou” Georgopoulos**

Mr. Lou Georgopoulos has been our Controller since October 2020, has over 25 years of operational experience in the Property and Casualty and Life and Health insurance industries, and is a licensed certified public accountant. He served as Vice President of Finance and Controller at BCS Financial Corporation in Oak Brook, Illinois from 2009 through September 2018. In this role, Mr. Georgopoulos had primary responsibility for the timely and accurate preparation of financial statements and reporting to management, auditors, regulators and the audit committee of the BCS Financial Corporation Board of Directors.

**Item 3**  
**LITIGATION**

No litigation is required to be disclosed in this Item.

**Item 4**  
**BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

## **Item 5**

### **INITIAL FEES**

#### **Franchise Agreement**

When you sign the Franchise Agreement for any markets within the State of California, you must pay us an initial franchise fee of \$30,000 for one location, \$15,000 each for 3 locations and \$10,000 each for 5 locations (the “Franchise Fee”). The Franchise Fee is the same for a new franchise and a conversion franchise.

Currently, we provide a 50% discount of the Franchise Fee to our qualified employees and qualified employees of our affiliates. In order to qualify for this discount, employees must meet all qualifications and requirements we may establish from time to time in our Manuals. For employees who wish to become franchisees, we may impose additional requirements which we may change from time to time and we reserve the right to discontinue the employee discount program at our sole discretion at any time in the future.

Currently, we also provide a 25% discount of the Franchise Fee to qualified U.S. military service personnel and U.S. military veterans.

In the case of granting franchises to employees of ours (or an affiliate of ours) or U.S. military service personnel and U.S. military veterans, each individual must meet the franchisee requirements we establish from time to time for all franchisees. The employee Franchise Fee discount and the U.S. military service personnel/veteran Franchise Fee discount may not be combined, meaning a franchisee may only qualify for one or the other discount.

In any case, the Franchise Fee will be fully earned when paid and non-refundable in consideration of administrative and other expenses we incur in entering into the Franchise Agreement and for our lost or deferred opportunities to enter into the Franchise Agreement with others, or through another entity as we in our sole discretion may from time to time direct.

Currently, in some cases, we pay referral fees to existing franchisees who provided us with prospective franchisee leads or provide references for a Pronto Business to prospective franchisees. The amount of the referral fee, and to whom it is paid, is determined on a case by case basis.

#### **Area Development Fee**

If you are going to be an Area Developer, then you will sign an Area Development Agreement and pay us an area development fee (the “Area Development Fee”). An Area Development Agreement is based on the development of a minimum of three Pronto Businesses, each under a separate Franchise Agreement. The amount of the Area Development Fee is calculated by multiplying \$5,000 by the number of Pronto Businesses to be developed and opened in the Development Area. The Area Development Fee is in addition to the Franchise Fee you will pay under each separate Franchise Agreement you will sign for each Franchised Business developed. Additionally, if you are in compliance with the Area Development Agreement, then as you sign a Franchise Agreement for each Franchised Business that you develop to satisfy the Development Schedule, the Franchise Fee for those Franchised Businesses will be the amount specified in the Area Development Agreement (currently either \$15,000 each for 3 locations or \$10,000 each for 5 locations) regardless of whether our standard Franchise Fee is higher at the time you sign the Franchise Agreements for each Franchised Business. The Area Development Fee will be due in a lump sum payment upon the signing of an Area Development Agreement, and is fully earned and non-refundable in consideration of administrative and other expenses we incur in entering into an Area Development Agreement, and for our lost or deferred opportunities to enter into the Area Development Agreement with

others, regardless of whether you enter into any Franchise Agreements for Franchised Businesses to be developed.

In 2023 we did not sign any Area Development Agreements, and therefore did not collect any Area Development Fees.

**Item 6  
OTHER FEES**

| <b>Name of Fee<br/>(Note 1)</b>                                      | <b>Amount</b>                                                                                                                                                                                                                                                                                                                                                                   | <b>Date Due</b>                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>Remarks</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Advertising Obligation                                               | The greater of \$500 per month or 1% of Gross Franchise Revenue, which you will be required to contribute to the “System Ad Fund,” a regional “Cooperative Ad Fund,” and/or spend on local advertising (together the “Advertising Obligation”). Our current allocation of the Advertising Obligation is 100% spent directly by you toward local advertising. See Notes 2 and 3. | By the 10 <sup>th</sup> day of each month. Any amount of the Advertising Obligation payable to the System Ad Fund will be withheld from the Sales Commissions payable to you each month (as described in Item 11). If this amount is greater than the Sales Commissions payable to you for any given month, we reserve the right to require that you pay us the balance owed toward the Advertising Obligation by the 15 <sup>th</sup> day of the month. | We may change the allocation between the System Ad Fund, the amount spent on local advertising, and a regional Cooperative Ad Fund, as described in Item 11. We have the option to require our franchisees to form regional advertising cooperatives in their local markets and contribute into a Cooperative Ad Fund. If this is done, your Cooperative Ad Fund contribution will be credited against the local advertising requirement. We further reserve the right to audit advertising obligations on a quarterly basis. See Notes 3 and 4 and Item 11 under the heading “Advertising.” |
| Franchise Conference, Meeting and Training Mandatory Attendance Fees | \$100 for failure to attend a mandatory regional franchise meeting; and \$500 for failure to attend our regular franchise conference.                                                                                                                                                                                                                                           | Upon demand.                                                                                                                                                                                                                                                                                                                                                                                                                                             | We may require that you or your Designated Principal and General Manager attend franchise conferences, meetings, refresher courses, seminars, and other training programs. We have the right to assess certain fees in the event you fail to attend any such meetings. The fees are prescribed in the Manuals or otherwise in writing and are subject to change.                                                                                                                                                                                                                             |

| <b>Name of Fee</b><br>(Note 1)               | <b>Amount</b>                                                                                                                                                                                                                               | <b>Date Due</b>      | <b>Remarks</b>                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Additional on-site training and assistance   | Our per-diem charge (which is currently \$250.00, plus our out-of-pocket costs), per trainer.                                                                                                                                               | Upon demand.         | If you ask that we (a) provide additional on-site training, or (b) conduct at your Franchised Business any training session that we offer at our headquarters, and we do so, then you will have to pay our then-current per-diem charge for extra training. See Note 5 and Item 11 under the heading "Training." |
| Fees related to Computer System and Software | None at this time                                                                                                                                                                                                                           |                      | We reserve the right to implement a proprietary software system for all franchisees, which may require up-front and maintenance fees. See Note 6 and Item 11 under the heading "Computer System"                                                                                                                 |
| Transfer Fee                                 | An amount equal to 50% of our then-current initial franchise fee. In addition, in the event the transferee or buyer was presented to you by us, you shall pay us a fee of Five Thousand Dollars (\$5,000) upon the closing of the transfer. | At time of transfer. | Payable only if you make a transfer (as defined in the Franchise Agreement), which includes any sale or assignment of your franchise or your company. We do not impose a fee for a transfer to a corporation you form for the convenience of ownership.                                                          |
| Area Developer Transfer Fee                  | An Area Developer will pay a transfer fee equal to \$2,500 for each Business not developed, but not less than 50% of the Area Development Fee, in addition to the transfer fee payable under each Franchise Agreement, as described above.  | At time of transfer. | Payable only if an Area Developer purchases a Business in lieu of developing a Business.                                                                                                                                                                                                                         |
| Renewal Fee                                  | \$5,000                                                                                                                                                                                                                                     | Before renewal.      | The Franchise Agreement may be renewed for 5 year successive terms after an initial term of 5 years. You will only need to pay this fee if you renew the Franchise Agreement. There is no renewal under the Area Development Agreement.                                                                          |
| Real Estate Broker Fee                       | \$2,500                                                                                                                                                                                                                                     | Upon demand.         | Payable to real estate broker.                                                                                                                                                                                                                                                                                   |

| <b>Name of Fee<br/>(Note 1)</b>           | <b>Amount</b>                                                                                                                           | <b>Date Due</b>                        | <b>Remarks</b>                                                                                                                                                                                                                                                                            |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Late Fee and Interest on Overdue Payments | A late fee equal to \$50, plus interest on your overdue amount equal to 1.5% per month (but not more than any maximum rate set by law). | At time the Overdue Payments are paid. | Only due if you don't pay us the amounts you owe on time. Interest will be charged only on overdue amounts and will start to accrue on the date when the payment was originally due.                                                                                                      |
| Business Refurbishment                    | Will vary under circumstances                                                                                                           | As agreed                              | We may require you to refurbish your Franchised Business to meet our then-current requirements for décor, layout, etc. We will not require you to refurbish the Business more frequently than every five years                                                                            |
| Audit Expenses                            | All costs and expenses associated with the audit, reasonable accounting and legal costs.                                                | Upon demand.                           | Payable only if (i) you fail to timely furnish required information or reports, or (ii) we audit and the audit discloses an understatement in any statement or report of 2% or more. (You will also have to pay the monies owed and interest on the underpayment (see "interest" above).) |
| Relocation Expenses                       | Our actual expenses.                                                                                                                    | Upon demand.                           | Payable only if you relocate your Business, in order to reimburse us for our costs and expenses related to an approved relocation of your Business.                                                                                                                                       |
| Securities Offering                       | Our actual expenses.                                                                                                                    | Upon demand.                           | Payable only if you propose to engage in a public or private securities offering, to reimburse us for our reasonable costs and expenses (including legal and accounting fees) to evaluate your proposed offering.                                                                         |
| Costs and Attorneys' Fees                 | Will vary under circumstances.                                                                                                          | Upon demand.                           | Due only if you are in default under the Franchise Agreement, in which case you must reimburse us for the expenses we incur (including reasonable attorneys' fees) as a result of your default and to enforce and terminate the Franchise Agreement.                                      |

| <b>Name of Fee<br/>(Note 1)</b> | <b>Amount</b>                                   | <b>Date Due</b>                                                                               | <b>Remarks</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------|-------------------------------------------------|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Indemnification                 | Will vary under circumstances.                  | Upon demand.                                                                                  | You must reimburse us if we are sued or held liable for claims arising from your operation of the Franchised Business, as well as your use of the Proprietary Marks in a manner inconsistent with our instructions, and any transfers or securities offerings that you propose.                                                                                                                                                                                                                                                                                     |
| Errors and Omissions Insurance  | Estimated Annual Premiums of \$1,200 to \$3,000 | Monthly premium amounts will be withheld from the Sales Commissions payable to you each month | For the first year of the term of the Franchise Agreement, we will obtain on your behalf and at your sole expense, errors and omissions insurance coverage as we require. We will only charge you the premiums for this insurance and no additional fee for obtaining such insurance. After the first year, you will have the option to renew such errors and omissions policy through us or to obtain, and maintain in effect during the remainder of the term of the Franchise Agreement, at your expense, errors and omissions insurance coverage as we require. |
| Tail Insurance Policies         | Will vary under circumstances.                  | Prior to transfer, expiration or termination; monthly premiums thereafter.                    | In the case of a transfer or the expiration or termination of the Franchise Agreement, you must, at your expense, obtain and maintain the tail insurance policies we require. See Item 11 under the heading "Insurance."                                                                                                                                                                                                                                                                                                                                            |

| Name of Fee<br>(Note 1) | Amount                                                                                                                  | Date Due                                                       | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------|-------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Early Termination Fee   | The greater of \$20,000 or the amount determined using the formula described in Section 13.6 of the Franchise Agreement | Upon effective date of termination of the Franchise Agreement. | This recognizes that we will suffer substantial damages by virtue of the early termination of your Franchise Agreement, and that these damages are extremely difficult to ascertain and/or calculate accurately, in the event we terminate your Franchise Agreement for your default thereunder, you agree to pay to us an early termination fee, which represents a fair and reasonable estimate of our foreseeable losses as a result of such termination, and which is not in any way intended to be a penalty. |

**Explanatory Notes to Item 6 Table:**

1. Except as otherwise noted in this Item 6, we impose and collect all of the fees described above. None of these fees are refundable. All of the fees described above in this Item 6 are generally uniform for all franchisees, although in certain circumstances we reserve the right to reduce any fee in our sole discretion.

2. In accordance with applicable state laws and regulations, we and our affiliates have the right under the Franchise Agreement to collect all “Insurance Premium Revenue” (revenue due from your clients under all insurance policies sold), plus certain set up fees, application fees and administrative fees, charged by us, as we determine in our sole discretion from time to time, earned by the Franchised Business (collectively the “Gross Franchise Revenue”). As indicated above, we reserve the right to charge your clients certain other permitted brokers fees, set up fees and administrative fees in our sole discretion, and such fees are included in the Gross Franchise Revenue. These fees shall be earned by us. Similarly, you may charge your clients certain set up fees, application fees or administrative fees as approved from time to time by us, and in accordance with pricing guidelines established by us. Such fees shall not be included in the meaning of Gross Franchise Revenue, shall be earned by you, and shall be paid by your clients directly to you without being deposited into our account as required of Gross Franchise Revenue.

3. The chart reflects the maximum amount (the greater of \$500 per month or 1% of Gross Franchise Revenue) which you will be required to contribute to the System Ad Fund, Cooperative Ad Fund and/or spend on local advertising. Our current allocation of the Advertising Obligation is 100% spent directly by you toward local advertising. In the event a System Ad fund is implemented, we collect Advertising Obligation contributions from commissions payable to you. With the exception described in Note 4 below, we cannot increase the Advertising Obligation. See Item 11 under the heading “Advertising.”

4. We have the option to require our franchisees to form regional advertising cooperatives in their local markets and contribute into a Cooperative Ad Fund for this purpose. If this is done, your Cooperative Ad Fund contribution will be credited against the local advertising requirement. The amount of required Cooperative Ad Fund contributions will be determined by us, unless we authorize the Cooperative Ad Fund to set the amount itself. If the Cooperative Ad Fund is so authorized, members of any Cooperative Ad Fund may agree (by a majority vote) to increase the Cooperative Ad Fund contribution to a rate in excess of the

maximum amount that we require. If we operate a company-owned or affiliate-owned Business within a region that has formed a Cooperative Ad Fund, the company-owned or affiliate-owned Business may contribute to such Cooperative Ad Fund on the same basis as franchisees within this region, each Business having one vote. At present, there are no Cooperative Ad Funds in our System. Further details about the applicable advertising, marketing and promotional requirements can be found in Item 11, under the subheading “Advertising.”

5. As part of the opening of your Franchised Business, we will conduct pre-opening and opening training and assistance at your Franchised Business. We will bear the costs associated with providing this training, exclusive of expenses related to transportation, lodging, meals, wages, and worker’s compensation insurance. However, if you request additional days of on-site training or assistance in connection with your opening, or at a later time, we may charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out of pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers. Additionally, we may require that you complete refresher and additional training programs, and we may offer the programs on a voluntary basis. If you request that we conduct any additional training sessions (required or voluntary) at your Franchised Business rather than at our headquarters or affiliate-owned Pronto Businesses, and we do so, then we may charge you our then-current per diem training fee for that training we provide, and you will also have to reimburse us for all out of pocket costs and expenses described above. Our current per diem charge is \$250 per trainer (we reserve the right to change our per diem rate in the future). See Item 11 under the heading “Training” for more detailed information.

6. As described in Item 11 under the heading “Computer System,” we may require you to use certain software, hardware and/or support services in connection with the operation of the Franchised Business. We or our affiliates may be a provider of these services or products. See Item 11 under the heading “Computer System” for more detailed information.

7. We may use an independent service to conduct a “mystery client” quality control and evaluation program. You must participate in this program, and we may require that you pay the then-current charges imposed by the evaluation service (as we direct, either directly to the evaluation service provider or to us as a reimbursement).

## **Item 7**

### **ESTIMATED INITIAL INVESTMENT**

#### **YOUR ESTIMATED INITIAL INVESTMENT**

The following two tables describe the estimated initial investment for (i) a single new Pronto Business and (ii) a single existing independent insurance agency converted to a Pronto Business. We have not included a separate table for the initial investment if you sign an Area Development Agreement. As described in Item 5, upon execution of an Area Development Agreement you must pay us an Area Development Fee calculated by multiplying \$5,000 by the number of Pronto Businesses to be developed and opened in the Development Area. The Area Development Fee is in addition to the Franchise Fee you will pay under each separate Franchise Agreement you will sign for each Franchised Business developed. Other than the Area Development Fee, the following estimated initial investment expenditures will apply.

**For a New Pronto Business:**

| <b>Expenditure<br/>(Note 1)</b>                       | <b>Amount</b>                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Method of<br/>Payment</b>                                                 | <b>When<br/>Due</b>                   | <b>To Whom<br/>Paid</b>                                                                 |
|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|---------------------------------------|-----------------------------------------------------------------------------------------|
| Initial Franchise Fee<br>(Note 2)                     | \$10,000 per location (if you have signed an Area Development Agreement for 5 locations); \$15,000 per location (if you have signed an Area Development Agreement for 3 locations); and \$30,000 per location (if you have not signed an Area Development Agreement). This Initial Franchise Fee does not include the separate Area Development Fee you will pay to us if you sign an Area Development Agreement. | Lump sum                                                                     | When you sign the Franchise Agreement | Us                                                                                      |
| Business Licenses & Permits (Note 3)                  | \$0 to \$3,000                                                                                                                                                                                                                                                                                                                                                                                                    | As arranged                                                                  | As incurred                           | Local and other state government agencies                                               |
| Leasehold Improvements (Note 4)                       | \$5,000 to \$15,000                                                                                                                                                                                                                                                                                                                                                                                               | As arranged                                                                  | As arranged                           | Independent contractors, Lessor                                                         |
| Fixtures, Furnishings & Equipment (Note 5)            | \$10,850 to \$32,600                                                                                                                                                                                                                                                                                                                                                                                              | As arranged                                                                  | As incurred                           | Approved Suppliers                                                                      |
| Computer System (Note 6)                              | \$1,000 to \$2,500                                                                                                                                                                                                                                                                                                                                                                                                | As arranged                                                                  | As incurred                           | Approved Suppliers                                                                      |
| Architect/Engineering Fees (Note 7)                   | \$0 to \$250                                                                                                                                                                                                                                                                                                                                                                                                      | As arranged                                                                  | As arranged                           | Independent contractors, Approved Suppliers                                             |
| Rent, Security Deposits and Utility Deposits (Note 8) | \$3,000 to \$5,000                                                                                                                                                                                                                                                                                                                                                                                                | As arranged                                                                  | As arranged                           | Lessor, Utility companies                                                               |
| Professional Fees and Real Estate Broker Fee (Note 9) | \$2,500 to \$4,000                                                                                                                                                                                                                                                                                                                                                                                                | \$2,500 to our designated real estate broker; additional fees as you arrange | As arranged                           | \$2,500 to our designated real estate broker; various service providers and contractors |
| Insurance Deposit (Note 10)                           | \$225 to \$400                                                                                                                                                                                                                                                                                                                                                                                                    | As arranged                                                                  | As arranged                           | Insurance providers                                                                     |

| <b>Expenditure</b><br>(Note 1)                                | <b>Amount</b>         | <b>Method of Payment</b> | <b>When Due</b>                                          | <b>To Whom Paid</b>                          |
|---------------------------------------------------------------|-----------------------|--------------------------|----------------------------------------------------------|----------------------------------------------|
| Initial Inventory of Operating Supplies                       | \$250 to \$500        | As arranged              | As incurred                                              | Us and Approved Suppliers                    |
| Training Expenses (Note 11)                                   | \$0 to \$1,500        | As arranged              | Payment terms arranged with suppliers and your employees | Suppliers and your employees                 |
| Grand Opening Advertising (Note 12)                           | \$2,500 to \$5,000    | As arranged              | As arranged                                              | Us and Suppliers                             |
| Additional Funds (for initial period of operations) (Note 13) | \$10,000 to \$15,000  | As arranged              | As needed                                                | Us, Suppliers, employees and other creditors |
| <b>TOTAL ESTIMATED INITIAL INVESTMENT</b>                     | \$45,325 to \$114,750 |                          |                                                          |                                              |

**For a Conversion Pronto Business:**

| <b>Expenditure</b><br>(Note 1)             | <b>Amount</b>                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Method of Payment</b> | <b>When Due</b>                       | <b>To Whom Paid</b>                       |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------|-------------------------------------------|
| Initial Franchise Fee (Note 2)             | \$10,000 per location (if you have signed an Area Development Agreement for 5 locations); \$15,000 per location (if you have signed an Area Development Agreement for 3 locations); and \$30,000 per location (if you have not signed an Area Development Agreement). This Initial Franchise Fee does not include the separate Area Development Fee you will pay to us if you sign an Area Development Agreement. | Lump sum                 | When you sign the Franchise Agreement | Us                                        |
| Business Licenses & Permits (Note 3)       | \$0 to \$3,000                                                                                                                                                                                                                                                                                                                                                                                                    | As arranged              | As incurred                           | Local and other state government agencies |
| Leasehold Improvements (Note 4)            | \$0                                                                                                                                                                                                                                                                                                                                                                                                               | As arranged              | As arranged                           | Independent contractors, Lessor           |
| Fixtures, Furnishings & Equipment (Note 5) | \$10,850 to \$32,600                                                                                                                                                                                                                                                                                                                                                                                              | As arranged              | As incurred                           | Approved Suppliers                        |
| Computer System (Note 6)                   | \$0                                                                                                                                                                                                                                                                                                                                                                                                               | As arranged              | As incurred                           | Approved Suppliers                        |

| <b>Expenditure</b><br>(Note 1)                                      | <b>Amount</b>        | <b>Method of Payment</b>                                                     | <b>When Due</b>                                          | <b>To Whom Paid</b>                                                                     |
|---------------------------------------------------------------------|----------------------|------------------------------------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Architect/<br>Engineering Fees<br>(Note 7)                          | \$0                  | As arranged                                                                  | As arranged                                              | Independent contractors,<br>Approved Suppliers                                          |
| Rent, Security<br>Deposits and Utility<br>Deposits<br>(Note 8)      | \$0                  | As arranged                                                                  | As arranged                                              | Lessor, Utility companies                                                               |
| Professional Fees and<br>Real Estate Broker<br>Fee<br>(Note 9)      | \$2,500 to \$4,000   | \$2,500 to our designated real estate broker; additional fees as you arrange | As arranged                                              | \$2,500 to our designated real estate broker; various service providers and contractors |
| Insurance Deposit<br>(Note 10)                                      | \$0 to \$200         | As arranged                                                                  | As arranged                                              | Insurance providers                                                                     |
| Initial Inventory of<br>Operating Supplies                          | \$250 to \$500       | As arranged                                                                  | As incurred                                              | Us and Approved Suppliers                                                               |
| Training Expenses<br>(Note 11)                                      | \$500 to \$1,500     | As arranged                                                                  | Payment terms arranged with suppliers and your employees | Suppliers and your employees                                                            |
| Grand Opening<br>Advertising (Note 12)                              | \$2,500 to \$5,000   | As arranged                                                                  | As arranged                                              | Us and Suppliers                                                                        |
| Additional Funds (for<br>initial period of<br>operations) (Note 13) | \$0 to \$15,000      | As arranged                                                                  | As needed                                                | Us, Suppliers, employees and other creditors                                            |
| <b>TOTAL ESTIMATED INITIAL INVESTMENT</b>                           | \$26,600 to \$91,800 |                                                                              |                                                          |                                                                                         |

**Explanatory Notes to Item 7 Tables:**

1. **General** – We do not impose or collect the fees or costs described in this Item, except for the items noted with “Us” in the column labeled “To Whom Paid.” Except as described below, all fees and amounts that you must pay to us are non-refundable. For any amounts paid to third parties, the availability and conditions under which you may obtain refunds will depend on the terms offered by those third-party suppliers. We do not offer our franchisees financing for any part of the initial investment (see Item 10 for additional information). Our estimates in this Item 7 are based on our current prototype for Pronto Businesses, our experience in developing and operating our direct parent and affiliate-owned Pronto Businesses, and our knowledge of business practices and conditions in the general marketplace. They are, however, only estimates. The figures do not provide for your cash needs to cover financing incurred by you or your other expenses. Currently, our minimum franchisee qualifying financial requirements for granting a franchise are \$300,000 in net worth and \$100,000 in liquid capital. These amounts are subject to change and we reserve the right, in our sole discretion, to grant franchises at lower qualifying amounts.

2. **Franchise Fee** – When you sign the Franchise Agreement, you must pay us an initial Franchise Fee of \$10,000, \$15,000 or \$30,000 based upon the number of Franchised Businesses purchased, as described in Item 5. If you sign an Area Development Agreement, you will have to pay an Area Development Fee, which is described in Item 5. Currently, we provide a 50% discount of the Franchise Fee to our qualified employees and qualified employees of our affiliates. In order to qualify for this discount, employees must meet all qualifications and requirements we may establish from time to time in our Manuals. Currently, we also provide a 25% discount of the Franchise Fee to U.S. military service personnel and U.S. military veterans. In the case of granting franchises to employees of ours (or an affiliate of ours) or U.S. military service personnel and U.S. military veterans, each individual must meet the franchisee requirements we have established for all franchisees. See Item 5 for further details regarding the Franchise Fees and Area Development Fees. We do not provide financing for any of these fees.

3. **Business Licenses and Permits** – These are general estimates for permits and licensing that may be required by local and state governments. Local, municipal, county and state regulations vary on the licenses and permits you will need to operate a Pronto Business. You will pay these fees to governmental authorities before starting business. You are solely responsible for obtaining all appropriate licenses and permits.

4. **Leasehold Improvements** – You are responsible for obtaining any architectural and engineering services required for the development of your Pronto Business and for ensuring its compliance with local law. You must also comply with any standards, specifications and other requirements that we provide for design, decoration, layout, equipment, furniture, fixtures, signs and other items for your Pronto Business. Our estimates are based on the assumption that the location will be approximately 800 to 1,500 square feet. Among other things, you will probably need to arrange for the following items to meet our standard plans and specifications: proper wiring and plumbing, lighting and fixtures, bathroom facilities, demising walls, wall covering, painting, business front modifications, and the like. Costs will vary depending upon various factors, including: the geographic location of your business; the size of the premises; the availability and cost of labor and materials; and the condition of the premises and the work that the lessor will do as a result of the lease negotiations. Lessors may, instead of constructing or installing some of the improvements itself, provide you with credits towards your future rent payments and/or a tenant improvement allowance. Our estimates do not account for any rental credits or tenant improvement allowance.

5. **Fixtures, Furnishings & Equipment** – As described in Item 8, you must purchase all fixtures, furnishings, equipment (including computer equipment), signage and supplies that we specify as required for a Pronto Business. *Fixtures, Furnishings and Equipment*: The estimate includes the cost of your office furniture, filing cabinet and miscellaneous office supplies and equipment, among other things. *Signage*: You must purchase your signage from a local supplier approved by us. The estimate includes the costs for interior and exterior signage, as well as interior marketing décor items such as proprietary fixtures. The cost of signage may vary significantly depending on the location of your Franchised Business, market conditions and local codes. In some instances, the use of additional or larger signage may be possible, with our prior written approval. The costs of these optional items are not included in the line item total above.

6. **Computer System** – You must purchase specified computers and related hardware, along with required third party and proprietary software necessary to operate the Franchised Business. The estimate includes the costs for the items that we currently require. We may periodically require franchisees to update their computer systems to our then-current standards. See Item 11 under the heading “Computer System” for additional information.

7. **Architect/Engineering Fees** – You are responsible for obtaining any architectural and engineering services required for the development of your Pronto Business and for ensuring its compliance with local law. You must also comply with any standards, specifications and other requirements that we provide for design, decoration, layout, equipment, furniture, fixtures, signs and other items for your Pronto Business. (See Item 11 under the subheading “Construction and Layout of Business” for additional information). As

described in Item 11, we may from time to time develop or approve variations with respect to our prototype locations and plans.

8. **Rent, Security Deposits and Utility Deposits** – If you do not own a location for your Franchised Business, you must purchase or lease a space. Pronto Businesses will typically need approximately 800 to 1,500 square feet. The estimate in the chart above includes your first month's rent payment, security deposits and utility deposits (for example, telephone, electricity, gas and water). We have assumed the security deposit to your landlord will equal one month's rent, although this may vary from landlord to landlord. The estimates assume that rent commences upon the Franchised Business' opening. You, however, will need to lease a space in advance to build-out the Franchised Business. However, you may attempt to negotiate an abatement from the lessor for this period.

We anticipate that Pronto Businesses will typically be located in in-line retail shopping centers, preferably with drive-thru capabilities, and other types of locations which are compatible with the Pronto Business concept, which are in high traffic urban and suburban areas. Rent varies considerably from market to market, and from location to location within each market. Rents may vary beyond the range that we have provided, based on factors such as market conditions in the relevant area, the type and nature of improvements needed to the premises, the size of the site for the Franchised Business, the terms of the lease, the desirability of the location, and your ability to negotiate with your lessor.

The estimates assume that you will lease the premises for your Franchised Business and, therefore, do not include costs related to the purchase of land or the construction of any buildings. If you decide to purchase the property for the location of your Franchised Business, you will incur additional costs that we cannot estimate.

9. **Professional Fees** – The estimate includes: 1) \$2,500 to our designated real estate broker to assist you in site selection; and 2) an assumption that you may employ an attorney to help you negotiate your lease for the Franchised Business premises. In addition, you may choose to employ an attorney, accountant, and other consultants to help you evaluate our franchise offering and your establishment of a new business, and in obtaining all required permits and licenses to establish and operate the Franchised Business. In addition, you may also form a corporation or other entity to operate the business. Your actual costs may vary substantially, for example, depending on the degree to which you rely upon your advisors and upon the licensing requirements that may apply to your Franchised Business.

10. **Insurance Deposit** – The estimate represents an initial deposit for the coverage necessary to operate the business and represents approximately three months of coverage. Insurance costs will vary depending upon factors such as the size and location of the Franchised Business. Your obligations with respect to insurance are more fully described in Item 8.

11. **Training Expenses** – You will incur expenses associated with our training program. For this training program, we provide instructors and instructional materials at no charge for up to three persons, but you must pay for transportation, lodging, meals, wages, and worker's compensation insurance (if you send any employees) for your trainees. As to the amounts shown, the low end of the estimate assumes that the trainees are within driving distance to the training location, and the high end assumes that other travel will be needed, and includes travel expenses, although these may vary significantly depending upon factors such as the distance traveled and mode of transportation. Your costs will also vary depending on the nature and style of accommodations, and the number of persons who will attend training. See Item 11 under the heading "Training" for additional details regarding the program.

12. **Grand Opening Advertising** – This advertising and marketing promotion is intended to provide initial awareness and momentum for your new Franchised Business. You must spend a minimum of \$2,500 on grand opening advertising. We reserve the right to have you purchase certain Grand Opening Advertising Program materials from us. This advertising package will be determined by us in our sole

discretion, and may differ from franchisee to franchisee. Additional details regarding advertising and promotion can be found in Item 11, under the heading “Advertising.”

13. **Additional Funds** – You will need additional capital to support on-going expenses, such as payroll, rent and utilities, to the extent that these costs are not covered by sales revenue. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of the business, which we calculate to be three months. Such amounts are the minimum recommended levels and are only estimates. Your actual costs may vary considerably, depending, for example, on factors such as: local economic conditions; the local market for the insurance; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and your management and training experience, skill, and business acumen. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

## **Item 8**

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

To ensure that the highest degree of quality and service is maintained, you must operate the Franchised Business in strict conformity with the methods, standards, and specifications as we may from time to time prescribe in the Manuals or otherwise in writing.

#### **Products and Services; and Other Purchases**

All products and services sold or offered for sale at the Franchised Business must meet our then-current standards and specifications, and be approved by us.

The Franchised Business currently focuses on three key sectors of insurance and additional products:

1. **Non-Standard Auto Insurance** – Offering auto insurance in underserved markets through multiple programs.
2. **Commercial and Small Business Insurance**
  - a. We are an authorized wholesaler with United States Liability Insurance (USLI), a Berkshire Hathaway company, and are able to offer our franchisee direct access to over 150 commercially focused products through our agent website.
  - b. Our relationship with RPS and Arthur J. Gallagher & Co. (AJG) allows our franchisees significant access to additional commercial products to service a variety of products for the consumer.
3. **Personal Property Insurance and other products**
  - a. Homeowners, rental and mobile home insurance.
  - b. Other products that are developed.

You may only solicit the sale of insurance exclusively on our behalf, and may only sell policies with insurance carriers we approve. We select approved insurance companies at our discretion. In selecting insurance companies, we consider a number of factors including: the insurance companies' product lines; the geographic regions in which the insurance companies transact business; the need for the insurance companies' products by our franchisees; the insurance companies' production and/or loss ratio requirements; the compensation programs offered by the insurance companies; the services offered by the insurance companies to us and our franchisees; and the insurance companies' financial strength. We may change your

list of approved insurance companies at any time for any reason including: to accommodate our insurance companies; to reduce insurance companies' risk concentration; to match insurance companies with the types of volumes of purchases that you make; because we may discontinue doing business with an insurance company and because we or an affiliate may offer the same service. Any change to your list of approved insurance companies will be effective immediately upon written notice to you. Your list of approved insurance companies will include guidelines that we have developed for contacting insurance companies, obligating insurance companies and for distributing insurance companies' manuals or materials. We will negotiate all contracts with approved insurance companies, including compensation paid by insurance companies for the sale, renewal, service or delivery of policies. Although we attempt to negotiate favorable terms with approved insurance companies, we cannot guarantee that we will obtain a contract with any particular insurance company, nor can we guarantee that it will be under the most favorable terms offered by an insurance company.

You must purchase, install, and use all fixtures, furnishings, equipment, décor, supplies, computers and communications hardware and software, signs, services and products, and materials as we may reasonably require in the Manuals or other written materials (collectively, "Business Items"). You must purchase all Business Items solely from manufacturers, distributors, and suppliers who demonstrate to our continuing reasonable satisfaction the ability to meet our standards and specifications, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manuals or otherwise in writing. Currently, you must use our designated real estate broker to assist you in site selection. You may not purchase, offer or sell any products or services, including all insurance products, or use at your Franchised Business any products and services, that we have not previously approved as meeting our standards and specifications. We have the right to be an approved supplier of some of these items. We may disapprove of any products or services and suppliers based on our desire to consolidate System purchases through fewer suppliers. We may designate a single supplier, which may be us or one of our affiliates, for any products, equipment, supplies, or services, in which event you must purchase such items exclusively from the designated supplier.

If you desire to purchase unapproved products or services or Business Items from other than approved suppliers, you must submit to us a written request to approve the proposed product or supplier, together with such evidence of conformity with our specifications as we reasonably require. If we do not give our written approval within 90 days, we will be deemed to have disapproved the proposed new supplier. We may, from time to time, revoke our approval of a particular product or service, Business Item or supplier if we determine, in our sole discretion, that the product or service or supplier no longer meets our standards. Upon receipt of written notice of such revocation, you must cease to sell any disapproved product or service and/or cease to purchase from any disapproved supplier.

Our specifications either: (1) are contained in the Manuals; or (2) will be provided to you upon request. We, however, have no obligation to make available to prospective suppliers the standards and specifications that we deem confidential. When approving suppliers, we consider whether they demonstrate the ability to meet our standards and specification and whether they possess adequate quality controls and capacity to supply your needs promptly and reliably. However, our approval may be withheld for any reason.

We and/or our affiliates may receive payments, such as rebates, or other compensation from suppliers on account of the suppliers' dealings with us, you, or other Pronto Businesses in the System. If we do receive such payments from suppliers, we may use the amounts that we receive for any purpose that we deem appropriate.

If you desire to recommend an insurance company with whom we currently do not conduct business, you must submit a written request to us for approval of the proposed insurance company, together with all other information that we may reasonably require, or shall request the insurance company itself to do so. We may inspect and evaluate the insurance company's products before we approve or disapprove

your proposed insurance company, and you must pay all of our reasonable costs and expenses incurred in doing so. An insurance company must demonstrate to our reasonable satisfaction that it is in good financial standing in the business community and that its products are reliable. We will provide you with our standards and our criteria for approval of the insurance company upon request and will approve or disapprove a proposed insurance company within 90 days. We will notify you if and when we no longer approve a previously approved insurance company. An insurance company must continually adhere to our standards and specifications to maintain its approval.

Currently, our affiliate, Pronto California General Agency, LLC dba Pronto General Insurance Agency, is the exclusive insurance supplier for our franchisees in California, and underwrites insurance on behalf of Sterling Casualty Insurance Company and other insurance companies. Our affiliate reserves the right to change insurance companies with which it underwrites at any time, in its sole discretion. Our California franchisees must sell insurance products exclusively through Pronto California General Agency, LLC dba Pronto General Insurance Agency, and may not offer or sell any insurance products to their clients from any other insurance company.

All insurance policies, whether new or renewal policies, must be written under the Pronto name and brand through our affiliate, Pronto California General Agency, LLC dba Pronto General Insurance Agency. Pronto California General Agency, LLC dba Pronto General Insurance Agency will own a 100% interest in the book of business that you develop.

However, in the case of a conversion franchise, all insurance policies sold by you prior to the date of the Franchise Agreement will not be subject to the Franchise Agreement, except that all such policies must be resold under the Pronto name and brand through our affiliate upon each such policy's expiration, at which time such policies will become subject to the Franchise Agreement. If the policy which is expiring is of an insurance product not currently approved for sale by us, you may renew such policy as previously written and such policy will not be subject to the Franchise Agreement. Note that this is only in the case of a conversion franchise. If you are purchasing a franchise for a new Pronto Business, you may not sell unapproved insurance products without prior written approval.

Currently, our affiliate, Pronto General Agency, Inc., is the exclusive insurance supplier for our franchisees in Texas, and if your Franchised Business is located in Texas, you may only solicit the sale of insurance exclusively on our affiliate's behalf to your clients. Prior to May 1, 2013, this affiliate underwrote with Old American County Mutual Fire Insurance Company. Also, prior to May 1, 2016, this affiliate underwrote with Lyndon Southern Insurance Company. Currently, this affiliate underwrites insurance as a Managing General Agent for Redpoint County Mutual Insurance Company, and has agency agreements with several other insurers. Our affiliate reserves the right to change insurance companies with which it underwrites at any time, in its sole discretion. Texas franchisees must sell insurance products exclusively through Pronto General Agency, Inc., and may not offer or sell any insurance products to their clients from any other insurance company.

We, Pronto California General Agency, LLC dba Pronto General Insurance Agency and/or our parent, RPS, will earn revenue as a result of our California franchisees selling insurance products through Pronto California General Agency, LLC dba Pronto General Insurance Agency to their clients. In addition, Pronto General Agency, Inc. and/or our parent, RPS, will earn revenue as a result of our Texas franchisees selling insurance products through Pronto General Agency, Inc. to their clients. For the period from January 1, 2023 through December 31, 2023, total revenues of Pronto Holdco, Inc. from all sources was \$109,549,170 of which \$433,086, or approximately 0.0039534%, was attributable to franchisee sales and purchases of insurance products, which includes \$0 in revenue Pronto California General Agency, LLC earned from franchisee sales or the purchases of insured products. For the same period, our total revenues were \$447,426, based on our audited financial statements included as Exhibit 8 to this Disclosure Document, of which none of it, or 0%, was attributable to franchisee sales and purchases of insurance products.

We estimate that your purchases from approved suppliers will represent approximately 70% to 90% of your total purchases in establishing the Franchised Business, and approximately 100% in the continuing operation of the Franchised Business. We also estimate that your purchases that must conform to our specifications will represent approximately 90% to 100% of your total purchases in establishing the Franchised Business, and approximately 90% to 100% of your total purchases in the continuing operation of the Franchised Business.

We may, but are not required to, establish strategic alliances, preferred vendor programs, supply contracts or purchase arrangements with certain suppliers that will benefit us and our franchisees. If we do establish those types of alliances, programs or arrangements, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would not be in the best interests of the System or the franchised network of Pronto Businesses. There are currently no purchasing or distribution cooperatives in our System. We do not provide or withhold material benefits (such as renewal rights or the right to open additional businesses) to you based on whether or not you purchase through approved suppliers.

### **Insurance**

You also must obtain, before beginning any operations under the Franchise Agreement, and must maintain in full force and effect at all times during the term of the Franchise Agreement, at your own expense, an insurance policy or policies protecting you, us, our affiliates, and our respective officers, directors, partners, and employees. The policies must provide protection against any demand or claim relating to personal and bodily injury, death, or property damage, or any liability arising from your operation of the Franchised Business. Required insurance will include, but not be limited to, comprehensive general liability coverage, including employment practices coverage; personal injury coverage; automobile coverage, including underinsured or uninsured coverage; business interruption insurance; and property damage coverage. All policies must be written by our affiliate, Pronto California General Agency, Inc. dba Pronto General Insurance Agency, must name us and our affiliates as additional insureds, and must provide at least the types and minimum amounts of coverage specified in the Franchise Agreement or otherwise in the Manuals. This affiliate will derive revenue as a result of writing these insurance policies.

Such policy or policies include, but are not limited to: (a) broad form comprehensive general liability coverage in an amount of at least \$1,000,000 per occurrence; (b) worker's compensation and employer's liability insurance (as required by law); (c) unemployment insurance covering employees, as required by law; (d) fire, flood, and extended coverage insurance on the location and your property in an amount adequate to replace it if there is an insured loss; (e) business interruption insurance in reasonable amounts; and (f) errors and omissions insurance an amount of at least \$300,000 per location with a maximum deductible of \$2,500.

As further described in Item 6 and in Section 10.2 of the Franchise Agreement, for the first year of the 5-year term of the Franchise Agreement, we shall obtain, on your behalf and at your sole expense, errors and omissions insurance coverage as we require and from the source we designate. We shall not, however, charge you an additional fee for obtaining such insurance and shall only charge you the premium billed to us by the carrier. After the expiration of one year, you shall have the option to renew said errors and omissions policy through us or to obtain, and maintain in effect during the remainder of the term of the Franchise Agreement, at your expense, errors and omissions insurance coverage as we require, as such requirements may be revised from time to time by us in the Manuals or otherwise in writing, through other insurance companies we approve prior to your purchase of the same, with at least such minimum limits per franchised business as we require in the Manuals. You shall not allow the errors and omissions policy to lapse at any time, and it is understood that any such lapse in the errors and omissions, shall be considered a default of the Franchise Agreement and, if not cured, could result in the termination of the Franchise Agreement. If we are able to obtain group errors and omissions insurance coverage for our franchisees,

you may, but shall not be required to obtain the required errors and omissions coverage under such a group policy. Your pro-rata annual costs for the same shall equal the annual premium for the group policy divided by the number of franchisees who participate in such group policy coverage. You shall be required to provide proof of insurance at any time, as may be requested by us from time to time and shall also be required to provide proof of such insurance prior to any renewal of the Franchise Agreement.

In addition, in the case of a transfer under the Franchise Agreement or in the case of the expiration or termination of the Franchise Agreement, you will be required, at your own expense, to obtain, have in effect on the date of transfer, expiration or termination, as applicable, and maintain for a certain period thereafter additional errors and omissions, professional and general liability policies for an extended reporting endorsement, which allows an insured to extend coverage for a designated period of time after the expiration of the policy (i.e. a “tail insurance policy”), as we require.

We provide no material benefits to franchisees (for example, renewal or granting additional franchises) based on their use of an approved insurance carrier.

### **Computer System**

You will need to acquire (either by purchase or lease) the computer hardware and software system that we may specify from time to time. The computer system refers to the hardware and software requirements for management and operation of the Franchised Business and for reporting and sharing information with us, including communication systems (including modems, cables, etc.). We use a proprietary software system customized for us by our software vendor called “Pulse,” which has been licensed to our subsidiary Pronto General Agency, Inc. You are required to use this computer system in the management and operation of the Franchised Business and for reporting and sharing information with us. Currently, there is no additional fee for this software. See Item 11 under the heading “Computer System” for more information.

### **Leases**

You must, on terms that we deem acceptable, secure a lease or a binding agreement for the purchase of the approved site. Any lease or sublease for the Franchised Business must be satisfactory to us and must contain the lease terms and conditions that we may reasonably require in writing. The lease or purchase agreement must be submitted to us for approval prior to you signing such agreement. Prior to executing a lease or sublease, you must obtain consent from the landlord and sign the Collateral Assignment of Lease, which is attached as Exhibit E to the Franchise Agreement. We reserve the right to require that you provide us with the right to take assignment and possession of the Franchised Business, without the lessor’s consent or any additional consideration. The initial lease term plus any renewal options must equal or exceed the entire initial term of your Franchise Agreement.

We provide no material benefits to franchisees (for example, renewal or granting additional franchises) for leasing any particular space for the Franchised Business.

### **Design and Construction**

You must comply with any standards, specifications and other requirements that we require for design, decoration, layout, equipment, furniture, fixtures, signs and other items for the Franchised Business. You must also ensure that the Franchised Business is designed, constructed and operated in compliance with all local, state, and federal laws, including (without limitation) the Americans with Disabilities Act. See Item 11 under the subheading “Construction and Layout of Business” for additional information.

We do not derive revenue or other material consideration as a result of our franchisees using a designated architect or contractor. We provide no material benefits to franchisees (for example, renewal or granting additional franchises) based on their use of a designated architect or contractor.

## **Advertising**

As noted in Item 11 below, we will have the right to review and approve all marketing plans and promotional materials that you propose to use. Prior to opening we may provide you with an advertising package to be determined by us in our sole discretion, and may differ from franchisee to franchisee. See Item 11 under the heading “Advertising.”

We provide no material benefits to franchisees (for example, renewal or granting additional franchises) based on such purchases.

## **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 Disclosure Document.**

| <b>Obligation</b>                                           | <b>Section(s) in Franchise Agreement</b> | <b>Section(s) in Area Development Agreement</b> | <b>Item in Disclosure Document</b> |
|-------------------------------------------------------------|------------------------------------------|-------------------------------------------------|------------------------------------|
| (a) Site selection and acquisition / lease                  | 5                                        | 3.2, 3.3 and 5.1                                | 7, 8 and 11                        |
| (b) Pre-opening purchases/leases                            | 5                                        | 3.2 and 3.3                                     | 7, 8 and 11                        |
| (c) Site development and other pre-opening requirements     | 5                                        | 3                                               | 7, 8 and 11                        |
| (d) Initial and ongoing training                            | 6                                        | 5.5                                             | 6, 7 and 11                        |
| (e) Opening                                                 | 5                                        | 1.1, 3.1, 3.2, and Exhibit A                    | 7, 8 and 11                        |
| (f) Fees                                                    | 4 and 11                                 | 4 and 7.4                                       | 5 and 6                            |
| (g) Compliance with standards and policies/Operating Manual | 1.5, 3.4, 7, and 9                       | 5                                               | 8, 11, and 14                      |
| (h) Trademarks and proprietary information                  | 8 and 14                                 | 1.4                                             | 13 and 14                          |
| (i) Restrictions on products/services offered               | 7                                        | 1                                               | 5, 8 and 16                        |
| (j) Warranty and client service requirements                | 8 and 20                                 | None                                            | 16                                 |
| (k) Territorial development and sales quotas                | 1 and Exhibit A                          | 1, 3.2 and Exhibit A                            | 12                                 |
| (l) On-going product/service purchases                      | 7                                        | None                                            | 8                                  |
| (m) Maintenance, appearance and remodeling requirements     | 5 and 7                                  | None                                            | 8                                  |
| (n) Insurance                                               | 10                                       | None                                            | 7 and 8                            |
| (o) Advertising                                             | 11                                       | None                                            | 6, 7, 8, and 11                    |
| (p) Indemnification                                         | 18                                       | 12.4                                            | None                               |
| (q) Owner’s participation / management and staffing         | 6.1 and 7.3                              | 5.2                                             | 15                                 |

| Obligation                       | Section(s) in Franchise Agreement | Section(s) in Area Development Agreement | Item in Disclosure Document |
|----------------------------------|-----------------------------------|------------------------------------------|-----------------------------|
| (r) Records/reports              | 7.7                               | 5.3 and 5.4                              | 6                           |
| (s) Inspections/audits           | 3 and 7                           | 5.4                                      | 6 and 11                    |
| (t) Transfer                     | 12                                | 7                                        | 17                          |
| (u) Renewal                      | 2                                 | None                                     | 17                          |
| (v) Post-termination obligations | 14 and 15                         | 6.6                                      | 17                          |
| (w) Non-competition covenants    | 15                                | 8                                        | 17                          |
| (x) Dispute resolution           | 24                                | 16                                       | 17                          |
| (y) Liquidated Damages           | 13.5                              | None                                     | 9                           |

## **Item 10** **FINANCING**

We do not offer direct or indirect financing. We do not guarantee your notes, leases or other obligations. Our franchisees may qualify for Small Business Administration loans.

## **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**

Under the Franchise Agreement. Before you open your Franchised Business:

1. We will approve or deny your proposed site for each Franchised Business. (Franchise Agreement, Section 5.1)
2. We will provide you with our standard initial training program for up to three persons. (Training is also discussed below in this Item 11 under the subheading “Training.”) We will be responsible for the cost of instruction and materials, subject to the terms stated in the Franchise Agreement. (Franchise Agreement, Sections 3.2, 6)
3. We will, at no charge to you, provide you with design standards detailing the specifications and other requirements for the design, decoration, layout, equipment, furniture, fixtures, signs and other items necessary for the construction and development of a Pronto Business. You will be responsible for complying with these design standards, as well as complying with all local state and federal laws, including the Americans with Disabilities Act. (Franchise Agreement, Section 5.3)
4. We have the right to inspect and approve the Franchised Business for opening before the initial opening. You may not start operation of your Franchised Business until receiving our approval to do so. (Franchise Agreement, Sections 5.3 and 5.4)
5. We will provide on-site pre-opening and opening supervision and assistance. (Franchise Agreement, Section 3.3)

6. We will lend you, for the duration of the Franchise Agreement, copies of the Manuals (which is more fully described in Item 14 below). (Franchise Agreement, Section 3.4)

7. We will assist you in developing a Grand Opening Advertising Program (which is more fully described in Item 7 of this Disclosure Document and in this Item under “Advertising”); you will be responsible for the cost of this program. (Franchise Agreement, Sections 3.6, 11.5)

8. We will provide you a list of our then-current designated or approved suppliers. (Franchise Agreement, Section 3.8)

9. We will provide to you, either through the Manuals or some other means, a schedule of then-current Sales Commissions for Core Insurance Policies. (Franchise Agreement, Section 4.4)

Under the Area Development Agreement: Before you open the Franchised Business:

1. We will approve or deny your proposed site for each Franchised Business. (Area Development Agreement, Section 3.2)

2. We will provide you with site selection guidelines, including our minimum standards for business sites, and other site selection counseling and assistance as we deem appropriate. (Area Development Agreement, Section 5.1)

3. If we determine that on-site evaluation is appropriate, we will, at no charge to you, provide you with such on-site evaluations as we consider advisable for each Franchised Business to be developed under the Development Schedule. (Area Development Agreement, Section 5.1)

We are not required by the Franchise Agreement or Area Development Agreement to furnish any other service or assistance to you before the opening of your Franchised Business.

### **Continuing Obligations**

We are required by the Franchise Agreement to provide certain assistance and service to you. During the operation of your Franchised Business:

1. We may conduct, as we deem advisable, periodic inspections of the Franchised Business and may provide evaluations of the products and services sold and rendered at the Franchised Business. (Franchise Agreement, Section 3.7)

2. We will make available additional training programs, as we deem appropriate. (Franchise Agreement, Sections 6.4, 6.7)

3. We will give you periodic and continuing advisory assistance as to the operation of the Franchised Business, at reasonable times, upon request, as we deem advisable. (Franchise Agreement, Section 3.1)

4. Following receipt of the Gross Franchise Revenue by us or our affiliate, we calculate the amount of “Sales Commissions” due to you as follows: (i) you will receive Sales Commissions in the amount of 12% on Insurance Premium Revenue collected in connection with automobile insurance policies sold; (ii) you will receive Sales Commissions in the amount of 25% of Insurance Premium Revenue collected for roadside assistance policies; and (iii) you will receive Sales Commissions in the amount of: a) 10% on Insurance Premium Revenue collected in connection with new commercial and homeowners’ insurance policies and b) 8% on renewals of commercial and homeowners’ insurance policies, provided, however, that the amount of Gross Franchise Revenue retained by us shall in no case be less than \$150 per month. We reserve the right to increase these Sales Commissions temporarily from time to time in order

to incentivize sales of certain products or for other reasons. We will pay the Sales Commissions on the 10<sup>th</sup> day and the 20<sup>th</sup> day of each month, and in each case we will pay the Sales Commissions due on Gross Franchise Revenue that was deposited into our account(s) since the prior payment. At the end of each month, we will also pay to you policy fees charged on Pronto policies and collected through our policy system at the time of sale during the prior month. We collect Gross Franchise Revenue by Electronic Funds Transfers (“EFT”), which we initiate at times and dates we determine, in our sole discretion. To make arrangements for EFT, you must sign our current form of Authorization Agreement for Pre-Arranged Payments (Direct Debits), which is Exhibit H to the Franchise Agreement. In addition, we may retain any amount of the Gross Franchise Revenue as payment of any amounts owed to us by you under the Franchise Agreement or in connection with the Franchised Business. (Franchise Agreement, Sections 4.3 and 4.4)

5. We will have the right, in our sole discretion, to establish and administer the System Ad Fund as stated in the Franchise Agreement and as described below in this Item 11. (Franchise Agreement, Section 11.2)

6. We will account for and process the insurance premium payments that you sell to your clients. (Franchise Agreement, Section 4.4)

7. We may establish a website that we may develop to be used to provide information about us and the services we offer. We may configure the site to accommodate one or more interior pages on our website which we may dedicate to your Franchised Business. (Franchise Agreement, Section 7.17)

8. We may establish an intranet through which we may communicate with each other and through which we may disseminate the Manuals, updates and other confidential information. (Franchise Agreement, Section 7.18)

9. We will provide to you, from time to time, either through the Manuals or some other means, a schedule of then-current Sales Commissions for Core Insurance Policies. (Franchise Agreement, Section 4.4)

The Franchise Agreement does not require us to provide any other assistance or services to you during the operation of the Franchised Business. As the Area Development Agreement relates to the development of Franchised Businesses, the Area Development Agreement does not require us to provide any other assistance or services during the operation of the Franchised Business.

## **Site Selection**

### **Under the Franchise Agreement**

If you do not already possess a location that we find acceptable for a Pronto Business when you sign our Franchise Agreement, you will be given two months from the date you sign your Franchise Agreement in which to find and secure a suitable site (through lease or purchase) for your Pronto Business, and six months from the date you sign your Franchise Agreement in which to open your Pronto Business within the area that we designate as your Area of Primary Responsibility. You must use the services of a real estate broker, we designate and at your cost, to assist you in site selection. In the event you do not find and secure a suitable site within this two-month period or open within this six-month period we may terminate the Franchise Agreement and you will receive no refund of any fees paid. In order for us to review a proposed site for approval, you must submit to us a completed site approval package in a form specified by us, which includes an option contract, letter of intent or other evidence satisfactory to us that describes your favorable prospects for obtaining such site, photographs of the site, demographic statistics, and other such other information or materials that we may reasonably require (collectively, the “SAP”). We will have 20 business days after we receive the SAP from you to approve or disapprove, in our sole

discretion, the proposed location for the Franchised Business. You may not sign a lease or purchase agreement until we have approved of such a site in writing.

You must, on terms that we deem acceptable, secure a lease or a binding agreement for the purchase of the approved site. Any lease or sublease for the Franchised Business must be satisfactory to us and must contain the lease terms and conditions that we may reasonably require in writing. The lease or purchase agreement must be submitted to us for approval prior to you signing such agreement. Prior to executing a lease or sublease, you must obtain consent from the landlord and sign the Collateral Assignment of Lease, which is attached as Exhibit E to the Franchise Agreement. We reserve the right to require that you provide us with the right to take assignment and possession of the Franchised Business, without the lessor's consent or any additional consideration. The initial lease term plus any renewal options must equal or exceed the entire initial term of your Franchise Agreement.

Application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by us of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by us, could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond our control.

#### Under an Area Development Agreement

For each proposed site for a Franchised Business to be developed under the Area Development Agreement, you must also submit to us a completed SAP. You must use the services of a real estate broker, we designate and at your cost, to assist you in site selection. We will have 20 business days after we receive the SAP from you to approve or disapprove, in our sole discretion, the location for the Franchised Business. You must, on terms that we deem acceptable, secure a lease or a binding agreement for the purchase of the approved site.

Under the Franchise Agreement and Area Development Agreement, we will be deemed to have disapproved a proposed location unless we have expressly approved it in writing. In approving a location for the Franchised Business, we consider the location, neighborhood, traffic patterns, visibility, parking facilities, size, lease, and zoning. If you do not locate and secure an acceptable site within the required timeframes, you will be in default of your agreement with us for which we may terminate your agreement.

#### Construction and Layout of Business

You must comply with any standards, specifications and other requirements that we require for design, decoration, layout, equipment, furniture, fixtures, signs and other items for the Franchised Business. You must also ensure that the Franchised Business is designed, constructed and operated in compliance with all local, state, and federal laws, including (without limitation) the Americans with Disabilities Act.

In the case that your Franchised Business is located in a co-branded environment (i.e., where your Franchised Business is located within or adjacent to another business, like a supermarket, but operates separately from that business), you must ensure that our brand, represented by the Proprietary Marks through exterior and/or interior signage and trade dress, obtains equal or more representation in comparison to the other business in the premises. If we determine, in our sole discretion, that your Franchised Business is not represented equally, you must correct the situation immediately.

#### Opening of Franchised Business

We estimate that the time period between the signing of the Franchise Agreement and the start of operations will be approximately four months. Factors that may affect this time period include your ability to obtain financing or building permits, zoning and local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures and signs. Unless we agree in writing otherwise, you must

conduct the opening of your Franchised Business within six months after signing the Franchise Agreement. In the event you do not open within this timeframe we may terminate the Franchise Agreement and you will receive no refund of any fees paid.

### **Computer System**

You will need to acquire (either by purchase or lease) the computer hardware and software system (a “Computer System”) that we may specify from time to time. (Franchise Agreement, Section 7.5.) The term Computer System refers to hardware, software for the management and operation of the Franchised Business and for reporting and sharing information with us, and communication systems (including modems, cables, etc.). Our requirements may fluctuate as does the price and availability of new computer technology. For your Computer System you must maintain anti-virus software approved in advance by us.

Currently we require the following:

- 1 Dell or compatible PC desktop computer processing unit, with sufficient memory, as provided for in the Manuals
- 1 Dell or compatible PC laptop computer, with sufficient memory, as provided for in the Manuals
- Windows Operating System, in the version provided for in the Manuals
- 1 monitor
- 1 keyboard and mouse
- 1 Webcam with digital microphone, with applicable software
- 1 printer
- 1 wireless router and related equipment
- Pronto Business software

The total cost for the Computer System is approximately \$1,800 to \$2,400. We may require you to purchase additional equipment depending on the size and configuration of your Franchised Business. You will be required to maintain a high-speed internet connection at all times (i.e., T1 line, DSL, cable modem). The Computer System does not include credit card processing equipment or service. Other than the Computer System, we have not approved any hardware or software in place of these systems and programs, although we reserve the right to do so in the future.

As further described in Item 8, Pronto Business software, currently part of the Pulse licensed software system, is provided through our affiliate, Pronto General Agency, Inc. Currently, there is no additional fee for this software. See Item 8 under the heading “Computer System” for more detailed information.

In the event any documents related to the sale and service of insurance products offered, sold and otherwise provided by the Franchised Business, and any other documentation required by us, are not automatically contained in the Pulse system, then you will upload them to a designated cloud-based server within 48 hours of any transaction to which such documents relate. In that event, the documents must be uploaded in accordance with policies and procedures provided in our Manuals or otherwise in writing.

We reserve the right to require you to maintain technological support coverage for your Computer System, however, currently, we do not require such coverage.

We reserve the right to change our specifications in the future to take advantage of technological advances or to adapt the system to meet operational needs and changes. We may require you to bring any computer hardware and software, related peripheral equipment, communications systems into conformity with our then-current standards for new Pronto Businesses. We will endeavor to keep these changes infrequent and reasonable in cost, but the Franchise Agreement does not impose a limit as to the number or

cost of such changes to the Computer System. In connection with a proprietary program, we or our approved vendor may require you to sign a license or maintenance agreement in order to obtain and use the proprietary program.

You must provide us with access to your Computer System in the form and manner that we may request. We reserve the right to download sales, other data and communications from your Computer System. There is no contractual limitation on our right to receive this information. We will exclusively own all data provided by you, downloaded from your Computer System, and otherwise collected from your Computer System. We will have the right to use such data in any manner that we deem appropriate without compensation to you.

We will also have the right to establish a website or other electronic system providing private and secure communications (*e.g.*, an intranet) between us, our franchisees, and other persons and entities that we determine appropriate, which requires you to have high speed internet access at all times. If we require, you must establish and maintain access to the intranet in the manner we designate. Additionally, we may from time to time prepare agreements and policies concerning the use of the intranet that you must acknowledge and/or sign. (Franchise Agreement, Section 7.5)

If you are in default of your Franchise Agreement, we reserve the right to eliminate your access to the Computer System and the intranet portion of our website (among other remedies we have under the Franchise Agreement), until the default has been cured.

### **Advertising**

Recognizing the value of advertising, and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, we reserve the right to require you to expend on advertising and promotion, or to participate in and contribute for the purpose of advertising and promotion, each year during the term of the Franchise Agreement. As indicated in Item 6 this amount is called the Advertising Obligation, which monthly is equal to the greater of \$500 or 1% of your Gross Franchise Revenue. We have the right to require you to spend the Advertising Obligation on local advertising and promotion, contribute to the System Ad Fund, in the event it is established, and/or contribute to a Cooperative Ad Fund. See Item 6 for a summary of the Advertising Obligation. The primary source of advertising will be in-house.

We will determine what proportion of the Advertising Obligation you must: (1) contribute to the System Ad Fund for the system-wide advertising, promotion and marketing of the System; (2) contribute to a Cooperative Ad Fund for regional advertising (if one is established for your region); or (3) spend on “local advertising and promotion.” No matter how we allocate your Advertising Obligation, the total amount you must pay or spend may only exceed the Advertising Obligation, if the Cooperative Ad Fund you must contribute to chooses a contribution that would cause your Advertising Obligation to exceed such amount. (Section 11.1 of Franchise Agreement.) Our affiliate-owned Pronto Businesses may, but are not obligated to, contribute to the System Ad Fund or any Cooperative Ad Fund on the same basis as franchisees in the System, generally, are required to contribute.

### **System Ad Fund**

As of the issuance date of this Disclosure Document, we have not yet established the System Ad Fund and, therefore, we did not receive any contributions to a System Ad Fund in 2023. In the event that a System Ad Fund is implemented, we expect that we will typically disseminate advertising in one or more of print, radio, television or other electronic media.

We (or our designee, which might be a corporate subsidiary or an advertising agency or consulting firm) will maintain and administer the System Ad Fund, as follows:

- (a) We (or our designee) will direct all advertising programs, with the sole right to decide the concepts, materials, and media used in these programs and the placement and allocation of the programs. The System Ad Fund is intended to maximize general public recognition, acceptance, and use of the System. Neither we nor our designee will be obligated to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or *pro rata* from expenditures by the System Ad Fund.
- (b) The System Ad Fund, and all contributions to and earnings from the System Ad Fund, will be used exclusively to meet the costs of marketing and any other activities that we believe will enhance the System's image and, in our sole discretion, promote general public awareness of and favorable support for the System. This includes, among other things, the costs of preparing and conducting media advertising campaigns; direct mail advertising; marketing surveys and other public relations activities; developing and maintaining our Website (except for the portion, if any, specifically relating to soliciting franchisees); employing advertising or public relations agencies; purchasing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; and providing promotional and other marketing materials and services to the Pronto Businesses operated under the System.
- (c) Contributions to the System Ad Fund are withheld from the Sales Commissions payable to you by the 10th day of each month. If the Advertising Obligation is greater than the Sales Commissions payable to you for any given month, we reserve the right to require that you contribute to the System Ad Fund the balance owed toward the Advertising Obligation by the 15th day of any such month. We collect Advertising Obligation contributions by EFT. All sums you pay to the System Ad Fund will be maintained in an account separate from our other monies. The System Ad Fund is not and will not be our asset, and we or our designee will maintain separate bookkeeping accounting for the System Ad Fund. We will have the right to charge the System Ad Fund for the reasonable administrative costs and overhead that we incur in activities reasonably related to the direction and implementation of the System Ad Fund and advertising programs for you and the System (for example, salaries, costs of our personnel for creating and implementing, associated overhead, advertising, merchandising, promotional and marketing programs). The System Ad Fund and its earnings will not otherwise inure to our benefit or be used to solicit the sale of franchises.
- (d) We may make available to franchisees, from time to time, marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, and similar marketing and promotional materials produced from contributions to the System Ad Fund. Additionally, we may sell such items to franchisees in the System at a reasonable price, and any proceeds from any of those sales will be contributed to the System Ad Fund.
- (e) If all of the money in the System Ad Fund is not used in the year in which it is received, these amounts will be used in the next fiscal year. Although the System Ad Fund is intended to be of perpetual duration, we maintain the right to terminate the System Ad Fund. The System Ad Fund will not be terminated, however, until all monies in the System Ad Fund have been spent for advertising or promotional purposes.
- (f) Upon request, we will make available to you an annual accounting of the System Ad Fund receipts and disbursements. We do not audit the System Ad Fund.

### Cooperative Ad Fund

We will have the right, as we see fit, to establish a Cooperative Ad Fund for your region, or we may approve of a Cooperative Ad Fund that has been organized by franchisees in a region. The purpose of a Cooperative Ad Fund is to conduct advertising campaigns for the Businesses located in that region. The size or membership of a cooperative shall be determined by us, on a case by case basis, in our sole discretion. Factors we consider are demographic statistics and the number of Pronto Businesses operating in a particular area, among other things. Contributions to a Cooperative Ad Fund will not exceed the total Advertising Obligation unless the Cooperative votes to exceed such amount. Any amounts paid to a Cooperative Ad Fund will count as part of your local advertising and promotion requirement. As of the issuance date of this Disclosure Document, there are no Cooperative Ad Funds in existence.

If a Cooperative Ad Fund for your area was established before you began to operate your Franchised Business, then when you open your Franchised Business, you must immediately join that Cooperative Ad Fund. If a Cooperative Ad Fund for your area is established after you begin to operate your Franchised Business, then you will have 30 days to join the new Cooperative Ad Fund. An individual Pronto Business will not be required to be a member of more than one Cooperative Ad Fund. If we (or an affiliate) contribute to a Cooperative Ad Fund, we will have the same voting rights for our Businesses as do our franchisees with respect to their Businesses.

The following provisions will apply to each Cooperative Ad Fund (if and when organized):

- (a) Cooperative Ad Funds will be established, organized, and governed in the form and manner that we have approved in advance in writing. The activities carried on by each Cooperative Ad Fund shall be decided by a majority vote of its members. Any Pronto Business that we operate in the region shall have the same voting rights as those owned by franchisees. Each Pronto Business franchisee shall be entitled to cast 1 vote for each Pronto Business it operates that belongs to the Cooperative Ad Fund.
- (b) Cooperative Ad Funds will be organized according to written governing documents for the exclusive purpose of administering regional advertising programs and developing (subject to our approval) standardized promotional materials for use by the members in local advertising and promotion. Such governing documents are currently not available for review.
- (c) Cooperative Ad Funds may not use advertising, promotional plans, or materials without our prior written approval, as described below under the heading “Local Advertising and Promotion.”
- (d) You must submit your required contribution to the Cooperative Ad Fund according to the schedule we designate for the Cooperative Ad Fund. At the same time, you will have to submit the reports that we or the Cooperative Ad Fund require. We may require you to submit this payment by EFT or by check. We also may require that your payments and reports to the Cooperative Ad Fund be made to us for distribution to the Cooperative Ad Fund. The Cooperative shall be required to prepare annual financial statements available for our and member’s review.
- (e) We maintain the right to terminate any Cooperative Ad Fund. A Cooperative Ad Fund will not be terminated, however, until all monies in that Cooperative Ad Fund have been expended for advertising or promotional purposes; unless there are no remaining Pronto Businesses in the Cooperative Ad Fund, in which event, we will transfer the remaining monies to the System Ad Fund.

### Local Advertising and Promotion

Certain criteria will apply to any local advertising and promotion that you conduct. All of your local advertising and promotion must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You, or any Cooperative Ad Fund, may not use any advertising or promotional plans that we have not approved in writing. If you wish to use your own advertising materials or promotional plans, you must submit to us samples of all proposed plans and materials. If we do not give our written approval within five days, we will have been deemed to have disapproved the plans or materials.

All copyrights in and to advertising and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents (and, if necessary, require your independent contractors to sign the documents) that we deem necessary to implement this provision. (The requirements in this paragraph, as well as in the previous paragraph, will also apply to any Cooperative Ad Funds.)

As discussed in Item 7, in addition to (and not in place of) the Advertising Obligation, you must prepare and conduct a grand opening advertising program (the “Grand Opening Advertising Program”), in accordance with our specifications for that program. All materials used in the Grand Opening Advertising Program will be subject to our prior written approval, as described above. The Grand Opening Advertising Program is considered “local advertising and promotion” and is therefore subject to the restrictions described below. We will work with you to develop your Grand Opening Advertising Program for your market. We, our affiliates or approved suppliers may periodically make available to you, for purchase, certain advertising plans and promotional materials for your use in local advertising and promotion.

Prior to opening we may provide you with an advertising package to be determined by us in our sole discretion, and may differ from franchisee to franchisee.

As used in the Franchise Agreement, the term “local advertising and promotion” refers to only the costs of purchasing and producing advertising materials (such as camera-ready advertising), media (space or time), promotion, and your direct out-of-pocket expenses related to costs of advertising and sales promotion in your local market or area. Local advertising and promotion also includes associated advertising agency fees and expenses, postage, shipping, telephone, and photocopying costs. “Advertising and sales promotion” does not, however, include any of the following: salaries and expenses of your employees; charitable, political, or other contributions or donations; and the value of discounts given to clients.

### **Training**

Before your Franchised Business opens, you must complete all of our initial training requirements. You (or, if you are other than an individual, your Designated Principal) and, if applicable, the General Manager, and up to one additional person as Franchisor may require (not to exceed a total of 3 persons) must attend and successfully complete, to our satisfaction, the initial training program that we offer at a location designated by us. (See Item 15 for details regarding our requirements for the management and operation of the Franchised Business.) We will bear the cost of all training (instruction and required materials) for the initial training program and all other training, except as described below regarding additional training and assistance that we provide at your Franchised Business. You will bear all other expenses incurred in attending training, such as the costs of transportation, lodging, meals, wages, and worker’s compensation insurance (see Items 6 and 7 of this Disclosure Document).

If you (or the Designated Principal) or the General Manager cease active employment in the Franchised Business, then you must enroll a qualified replacement (who must be reasonably acceptable to us) in our initial training program promptly following cessation of employment of said individual, provided

that you may train General Managers in accordance with Section 6.3 of the Franchise Agreement. You must maintain a minimum of one certified manager in the Franchised Business at all times. The replacement Designated Principal and any required managers shall complete the initial training program as soon as is practicable, but in no event later than any time periods we specify from time to time in the Manuals and otherwise in writing. Replacement managers must be trained according to our standards and you may be permitted to provide such training directly, provided you meet our then-current standards for qualifying as a training facility. We have the right to review any personnel you trained and to require that such persons attend and complete, to our satisfaction, our initial training program.

As part of the opening of your Franchised Business, we will conduct pre-opening training and opening assistance at your Franchised Business. We will bear the costs associated with providing this training. We will provide one or more of our representatives for the purpose of facilitating the opening of your Franchised Business. Prior to the time our representative(s) arrives at your Franchised Business, you must have hired and substantially completed the training of your initial staff of employees. During this pre-opening training and opening assistance, our representative will assist you in establishing and standardizing procedures and techniques essential to the operation of a Pronto Business and will assist in training personnel. We will not be responsible for training or offering guidance with respect to compliance with any laws, ordinance or other legal matters. If you request additional days of on-site training in connection with your opening, or at a later time, we may charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out of pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers. (See Item 6 regarding the costs.)

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

The subjects covered in the initial training program are described below. We currently anticipate that you, or the Designated Principal, and, if applicable, your General Manager will receive a minimum of two weeks of training. The materials for the training will be provided through our Manuals, handouts and use of other presentation tools. Initial training programs are scheduled throughout the year on an as needed basis. Training programs can be held live and/or virtually/remotely. We have the right to change the location, duration and content of our initial training program.

### **TRAINING PROGRAM**

| <b>Subject</b>                | <b>• Hours of Classroom Training</b> | <b>Hours of On-The-Job Training</b> | <b>Location</b>                                        |
|-------------------------------|--------------------------------------|-------------------------------------|--------------------------------------------------------|
| Pre-Opening Training          | .50 hour                             |                                     | Designated Company-owned Pronto Business in California |
| Staffing your Pronto Business | 1 hour                               |                                     | Designated Company-owned Pronto Business in California |
| Customer Service              | 1 hour                               | 1 hour                              | Designated Company-owned Pronto Business in California |

| <b>Subject</b>                           | <b>• Hours of Classroom Training</b> | <b>Hours of On-The-Job Training</b> | <b>Location</b>                                        |
|------------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------------------------|
| Insurance Terms                          | 3 hours                              | 2 hours                             | Designated Company-owned Pronto Business in California |
| Underwriting Guidelines and Compliance   | 3 hours                              | 2 hours                             | Designated Company-owned Pronto Business in California |
| Using the Pronto system                  | 4 hours                              | 8 hours                             | Designated Company-owned Pronto Business in California |
| Sales Process and Training               | 4 hours                              | 8 hours                             | Designated Company-owned Pronto Business in California |
| Homeowners and Additional Products       | 4 hours                              | 4 hours                             | Designated Company-owned Pronto Business in California |
| Deposit/Cash Procedures                  | 1 hour                               | 1 hour                              | Designated Company-owned Pronto Business in California |
| Filing Procedures                        | 1 hour                               | 1 hour                              | Designated Company-owned Pronto Business in California |
| Creating a GrassRoots Campaign/Marketing | 4 hours                              | 10 hours                            | Designated Company-owned Pronto Business in California |
| Licensing Modules – Self Study           | 8 hours                              |                                     | Designated Company-owned Pronto Business in California |
| Additional Products                      | 4 hours                              |                                     | Designated Company-owned Pronto Business in California |
| <b>TOTAL</b>                             | <b>38.5 hours</b>                    | <b>37 hours</b>                     |                                                        |

Currently, our training program will be directed by Jorge Garcia, whose biography is contained in Item 2. We may use additional instructors on our training staff to conduct our training programs.

Additionally, we may require that you, your Designated Principal and your managers hold a property and casualty license and/or limited lines license. We also may require you, your Designated Principal and your managers to attend such refresher courses, seminars, and other training programs as we may require from time to time, provided that required refresher and additional training will not exceed (a) 4 days (per trainee) each year at our headquarters, and (b) 3 days (per trainee) each year to attend a convention for the franchise system. Further, we may offer voluntary training programs. If these refresher and additional training programs are conducted at our headquarters in Brownsville, Texas or at our Company-owned Pronto Businesses, we will bear the costs associated with providing these training programs.

However, if you request that we provide any of this training at your Franchised Business, and we do so, we may charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out of pocket costs and expenses associated with the additional training, including lodging, food and travel arrangement of the trainers (see Item 6 regarding the costs).

## **Manuals**

Our Manuals will contain mandatory and suggested standards, methods, policies, and procedures, which we may change and modify from time to time. You will be required to comply with all mandatory standards, methods, policies, and procedures specified in the Manuals. Any required standards, methods, policies and procedures exist to protect our interests in the System and the Proprietary Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those day-to-day operational matters that are reserved to you. The table of contents of our Manuals is included as Exhibit 5. As of the issuance date of this Disclosure Document, the Manuals consisted of a total of 159 pages. The Manuals we provide to California franchisees may vary from the Manuals we provide to Texas franchisees and franchisees in other states to account for differences in the laws that regulate the offer, sale, servicing and marketing of insurance products in these states, and therefore the table of contents may also vary.

## **ITEM 12** **TERRITORY**

### **Franchise Agreement and Area Development Agreement**

The following describes how territories and Development Areas are determined, and the rights that you and we have under the Franchise Agreement and the Area Development Agreement.

#### **Under the Franchise Agreement**

Your Franchise Agreement will specify the site that will be the “Franchised Location” for your Franchised Business. You will not receive an exclusive territory. You may face competition from other franchises, from outlets that we or our affiliates own, or from other channels of distribution or competitive brands that we control. You will receive a non-exclusive territory called the “Area of Primary Responsibility” to be mutually agreed upon by us, and specified in Exhibit A, Paragraph 1 of the Franchise Agreement. Your Area of Primary Responsibility will be determined based upon various factors such as (a) whether the Franchised Location is an urban area or a suburban area; (b) the number of residents living in the area; (c) the number of competitive Businesses in the area; among other factors. The Area of Primary Responsibility is not the same area as, and will be smaller than, the trade area in which you will be looking for a site.

You must limit all direct marketing, advertising and business activities within your designated Area of Primary Responsibility, and you may not directly market to or solicit customers located inside another franchisee’s area of primary responsibility. In the event your Area of Primary Responsibility overlaps with another franchisee’s area of primary responsibility, each franchisee may continue to market and solicit customers located in its own Area of Primary Responsibility.

Your Area of Primary Responsibility protection is dependent upon achievement of certain performance requirements. You must, during the first 12-month period of the term of the Franchise Agreement, generate no less than \$300,000 in Gross Franchise Revenue. Thereafter, you must generate no less than \$660,000 in Gross Franchise Revenue per year during the remaining term of the Franchise Agreement. If you do not sell this number of insurance policies, we may, in our sole discretion, (a) reduce the size of your Area of Primary Responsibility, (b) refuse to extend the term of the Franchise Agreement or (c) terminate the Franchise Agreement.

### Relocation of a Franchised Location

If, during the term of the Franchise Agreement, you wish to relocate your Franchised Business, you must obtain our prior written consent and comply with the relocation process described in Section 5.6 of the Franchise Agreement, and in the Manuals.

### Our Reserved Rights under the Franchise Agreement

Under the Franchise Agreement, we and our affiliates retain all the rights that we do not specifically grant to you. Among the rights that we retain are the following (the following list is only for purposes of illustration and is not meant to limit our rights):

(1) We may own, acquire, establish, and/or operate and license others to establish and operate businesses, including Pronto Businesses, operating under the Proprietary Marks and the System at any location within or outside your Area of Primary Responsibility, regardless of their proximity to, or potential impact on, your Franchised Business.

(2) We may own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from the Franchised Business, at any location within or outside the Area of Primary Responsibility, regardless of their proximity to, or potential impact on, your Franchised Business.

(3) We may sell any insurance, tax preparation and related financial services or other services (whether or not those services or products are competitive with the Franchised Business) to clients located anywhere (including within the Area of Primary Responsibility) using any channel of distribution located anywhere;

(4) We may enter into arrangements to provide any insurance, tax preparation and related financial services or other services to certain “Special Accounts,” located anywhere (including within the Area of Primary Responsibility). Special Accounts will be determined in our sole discretion, and will include, without limitation, school districts, governmental entities and national or regional companies. You must agree to participate with respect to Special Accounts, as we may direct from time to time; and

(5) We may (i) acquire one or more businesses that are the same as, or similar to, Pronto Businesses then operating under the System (each an “Acquired Business”), which may be at any location within or outside the Area of Primary Responsibility, notwithstanding their actual or threatened impact on sales of the Franchised Business, and to (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Pronto Business under the System at any location, except not as a Pronto Business within the Area of Primary Responsibility.

### Under the Area Development Agreement

If you sign an Area Development Agreement, the Area Development Agreement will specify the Development Area within which you may locate potential sites for Pronto Businesses, subject to our approval. The size and scope of the Development Area will be determined on a case-by-case basis, as we mutually agree upon prior to signing the Area Development Agreement and will be specified in the Area Development Agreement. The factors that we consider in determining the size of a Development Area include current and projected market demand, demographics and population, traffic patterns, location of other Pronto Businesses, your financial and other capabilities, the number of Businesses you wish to develop and our development plans. During the term of the Area Development Agreement, if you comply with the obligations under the Area Development Agreement and all of the Franchise Agreements between you (and your affiliates) and us, we will not establish or operate, or license anyone other than you to establish or operate, a Pronto Business in the Development Area. Except as described below, there are no

circumstances under which the Area Development Agreement may be altered prior to expiration or termination of the Area Development Agreement.

If you do not comply with a deadline under the Development Schedule (a “Missed Deadline”), you will be in default under the Area Development Agreement. For one Missed Deadline, we will provide you with an opportunity to cure your default and we will determine and notify you of a new deadline for that one Missed Deadline (without changing the remainder of the Development Schedule). If you fail to come into compliance by that new deadline, and/or upon the occurrence of a second Missed Deadline, we may terminate your Area Development Agreement, or we may elect to take one or more of the following actions: (a) cease crediting the Area Development Fees paid towards the Franchise Fees for the Franchised Businesses to be developed (see Item 5 for explanation of credits); (b) eliminate the limited exclusivity or reduce the scope of protections granted to you within the Development Area; (c) reduce the scope of the Development Area; (d) reduce the number of Franchised Businesses for you to develop, or (e) retain all Area Development Fees paid to us. If we elect to take one or more of these actions, we will provide written notice of such action, and the Area Development Agreement will be amended to reflect the changes.

#### Our Reserved Rights under the Area Development Agreement

Under the Area Development Agreement, we and our affiliates retain all the rights that we do not specifically grant to you. Among the rights that we retain are the following (the following list is only for purposes of illustration and is not meant to limit our rights):

(1) We may own, acquire, establish, and/or operate and license others to establish and operate, Pronto Businesses, under the System at any location outside the Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Businesses;

(2) We may own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from Pronto Businesses, at any location within or outside the Development Area, notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Businesses;

(3) We may sell any insurance products and services (whether or not those products are competitive with the Franchised Businesses) to clients located anywhere (including within the Development Area) using any channel of distribution located anywhere.

(4) We may enter into arrangements to provide any insurance products and services to certain Special Accounts, located anywhere (including within the Development Area). As under the Franchise Agreement, you must agree to participate with respect to the Special Accounts, as we may direct from time to time.

(5) We may (i) acquire one or more businesses that are the same as, or similar to, Pronto Businesses then operating under the System, which may be at any location within or outside the Development Area, notwithstanding their actual or threatened impact on sales of the Franchised Businesses, and to (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Pronto Business under the System at any location, except not as a Pronto Business within the Development Area.

### **Item 13** **TRADEMARKS**

The Franchise Agreement grants you the right to use the Proprietary Marks for your Franchised Business for so long as we have the right to use the marks in your area for the goods and services that are

a part of the franchise. Our affiliate, Pronto General Agency, Inc., has registered the following Proprietary Marks on the Principal Register of the United States Patent and Trademark Office:

| Proprietary Mark                                                                                                    | Registration Number | Registration Date |
|---------------------------------------------------------------------------------------------------------------------|---------------------|-------------------|
| Pronto                                                                                                              | 3842366             | August 31, 2010   |
| <br>(Pronto and design)            | 3842367             | August 31, 2010   |
| ¡DEVOLADA!                                                                                                          | 3861631             | October 12, 2010  |
| <br>(Captain Prontissimo Design)   | 3842368             | August 31, 2010   |
| <br>(Captain Prontissimo Design) | 4155110             | June 5, 2012      |

To the extent that any renewals or affidavits have been required to date to maintain these marks, they have all been filed.

Our affiliate, Pronto General Agency, Inc., owns the Proprietary Marks. Pronto General Agency, Inc. has licensed us the perpetual right to use the Proprietary Marks, including the principal Proprietary Marks listed above, and to sublicense the use of the Proprietary Marks to operate Pronto Businesses under a trademark license agreement (the “Trademark License Agreement”). Pronto General Agency, Inc. may terminate the Trademark License Agreement if we fail to cure a breach under it within 30 days of Pronto General Agency, Inc.’s notice to us of that breach. Breaches under the Trademark License Agreement include (i) our failure or refusal to perform a required duty under the Trademark License Agreement, (ii) our use of the Proprietary Marks in a manner that Pronto General Agency, Inc. reasonably believes threatens the validity or integrity, or the goodwill, of the Proprietary Marks, and (iii) our failure or refusal to comply with any other provision of the Trademark License Agreement or any instruction of Pronto General Agency, Inc. concerning quality control standards for the Proprietary Marks. If the Trademark License Agreement is terminated, any then-existing sublicenses (franchises) will continue for the term of the sublicenses, provided that the franchisees comply with all other terms of their Franchise Agreements. The Trademark License Agreement contains no other limitations.

There are no currently effective determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the Trademark Administrator of this state or any court. Except as described below, there is no pending infringement, opposition or cancellation proceeding. There is no pending material litigation involving the trademarks which may be relevant to their use in California, Texas or in any other state, except as described below.

E2Value, Inc. owns United States trademark registration number 3867961 for “Pronto” for “real estate, insurance, consulting and other business services.” Internet web pages reveal that E2Value, Inc. is using the mark in association with a software product described as “a new online replacement cost valuator that delivers instant insurance values” that is marketed to “insurance professionals.” We signed a consent and co-existence agreement with this company, in which the parties agreed not to interfere with or prevent the use or registration of each other’s trademarks and consented to worldwide registration of the other party’s marks (specifically, our 77/644,821 and 77/644,831, and their 77/486,444).

On October 4, 2011 Pronto Income Tax of California, Inc. (“PITC”) filed a petition for cancellation No. 92054602 in the USPTO against our affiliate, Pronto General Agency, Inc. (“PGAL”), requesting that the tax consultation, preparation, and filing services in the Class 35 portion of PGAL’s “Pronto” and “Pronto and design” mark federal registration Nos. 3842366 and 3842367 be cancelled due to PITC’s alleged senior use of its “Pronto” and “Pronto Income Tax” marks for the same or similar services. Our right to continued exclusive use of PGAL’s “Pronto” marks within our Texas trade area under Texas law rights was not challenged by the cancellation petition. PGAL’s insurance contracts services in the Class 36 portion of its registration Nos. 3842366 and 3842367 have also not been challenged. In accordance with the below described Co-Existence Agreement and Consent to Registration, PITC filed a motion to withdraw its cancellation petition, which motion was granted by the USPTO and the petition was dismissed with prejudice on April 17, 2012.

On November 28, 2011 our affiliate, PGAL, and PITC entered into a Co-Existence Agreement and Consent to Registration. The following was agreed to between the parties: (i) PITC will have the right to use and register the mark “Pronto Income Tax” for income tax preparation, income tax consultation, tax advisory services, and tax and taxation planning, consultancy, information and advising services (the “Income Services”); (ii) PITC will always use the complete phrase “Pronto Income Tax” in connection with Income Services; (iii) PGAL will not adopt or use a trademark with the phrase “Pronto Income Tax” to identify itself or its services in connection with the advertising or promotion of PGAL’s insurance or tax services; (iv) PITC will not adopt or use a mark combining the term “Pronto” with a falcon design to identify itself with Income Services; (v) PITC will have exclusive rights to use the mark “Pronto Income Tax” to identify tax related services in California. Therefore, PGAL will not use the trademark “Pronto Income Tax” or any combination including “Pronto” and “Income Tax” as a trade name to identify itself or as a trademark to identify its tax related services rendered or advertised in California; (vi) PGAL will have the exclusive right to use “Pronto” standing alone to identify tax related services in Texas. PITC will strive to use the complete phrase “Pronto Income Tax of California, Inc.” as its trade name to identify itself or as a trademark to identify its tax services rendered or advertised in Texas to the extent that space limitations practically permit such use; (vii) PGAL consented to PITC’s registration of federal trademark application No. 85056774 for income tax consultation; income tax preparation; tax advisory services; tax and taxation planning, advice, information and consultancy services; (viii) PGAL will not object to the use and registration by PITC of the trademark “Pronto Income Tax” with or without the logo, each in connection with any or all of the Income Services; (ix) PITC will not object to the use and registration by PGAL of the trademark “PRONTO”, alone and in combination with a falcon design, for insurance services or for tax consultation, preparation and filing services.

On November 3, 2017, our affiliate Pronto General Agency, Inc. (“PGAL”) filed suit – Case Number 17CV2253 AJB MDD in the US District Court, Southern District of California in San Diego, California regarding its trademarks. PGAL sought a determination by the court of the total trade area of territory to which an infringing mark may be entitled. The infringing mark was a dba, Pronto Insurance

Services, of Adel Bader, and appeared to be very limited in its infringing trade territory, possibly as small as a portion of San Diego County. The infringement appears to have dated back to 2005. This matter was settled and in accordance with such settlement agreement, Adel Bader will no longer be using the Pronto name.

Except as described in this Item 13, we do not know of any other possible infringing uses that could materially affect your use of the Proprietary Marks. We are aware of other insurance businesses that operate under the name “Pronto” in the following cities in Texas: Houston, and Laredo, and in the following states outside of Texas: Illinois, California, Pennsylvania, Florida, and Colorado. These businesses may have superior rights to our Proprietary Marks in their trade areas or states sufficient to prevent us from using or licensing our Proprietary Marks in their trade areas or states. We do not know all these businesses’ trade areas or states, but have listed what is known to us. Some of these businesses may have begun use of their marks before we began use of our Proprietary Marks, but we believe we have superior rights to use of our Proprietary Marks at least in your trade area, with respect to the listed Texas users and at least in Texas with respect to the out of Texas users, so your licensed right to use the Proprietary Marks in your trade area should not be materially affected.

If our right to use any trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We will defend you against any third-party claim, suit or demand arising out of your use of the Proprietary Marks. If we determine that you have used the Proprietary Marks in accordance with the Franchise Agreement, we will bear the cost of defense, including the cost of any judgment or settlement. If we determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement, you must bear the cost of defense, including the cost of any judgment or settlement. If there is any litigation due to your use of the Proprietary Marks, you must execute all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action. Unless litigation results from your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs, except that you will bear the salary costs of your employees.

Except as expressly described in this Item 13, there are no agreements currently in effect which limit our rights to use or license the use of any Proprietary Mark. We reserve the right to substitute different proprietary marks for use in identifying the system and businesses operating under it if we, in our sole discretion, determine that substitution of different marks as proprietary marks will be beneficial to the system. You must promptly implement any substitution of new proprietary marks.

If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue the use of any Proprietary Marks and/or use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable period of time after receiving notice. We will not be obligated to reimburse you for any cost attributable to or associated with any modified or discontinued Proprietary Marks or for any expenditures you make to promote a modified or substitute trademark or service mark.

**Item 14**  
**PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

**Patents**

No patents owned or licensed to us are material to the operation of your Franchised Business, and we know of no third-party patents that are material to the operation of your Franchised Business.

**Copyrights**

We claim copyright protection covering various materials used in our business and the development and operation of Pronto Businesses, including the Manuals, advertising and promotional materials, and similar materials. We have not registered these materials with the United States Registrar of Copyrights, but we are not required to do so.

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

All rights, title, and interest in advertising and promotional materials that you develop or prepare (or that are prepared by someone on your behalf) or that bear any Proprietary Marks will belong to us. You must sign any documents we reasonably deem necessary to evidence our right, title, and interest in and to any advertising and promotional materials. We will have the right to use these materials and to provide them to other franchisees and System Ad Funds and programs of the System, without compensation to you, regardless of how the materials were developed. Additionally, we may from time to time require that you sign a license agreement for the use of proprietary materials that we provide to you in an electronic format.

**Confidential Information**

Except for the purpose of operating the Franchised Business under a Franchise Agreement and developing Franchised Businesses under an Area Development Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know-how concerning the development and operation of the Franchised Business that may be communicated to you or that you may learn by virtue of your operation of a Pronto Business. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Franchised Business. Any information, knowledge, know-how, and techniques that we designate as confidential will be deemed "confidential" for purposes of the Franchise Agreement and the Area Development Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, we may require you, your Designated Principal, other owners, and managers with access to confidential information to sign confidentiality and non-competition agreements. Each of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Franchised Business. These agreements must be in a form that we find satisfactory, and in some cases include, among other things, specific identification of our company as a third-party beneficiary with the independent right to enforce the covenants. Our current

forms of these agreements are included as Exhibit D and Exhibit F to the Franchise Agreement (which is included in this Disclosure Document, see Item 22).

### **Confidential Manuals**

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the mandatory standards, methods, policies, and procedures specified in the Manuals. We will lend you one set of our Manuals for the term of the Franchise Agreement, which you must return to us at the expiration or termination of the Franchise Agreement. The Manuals may consist of multiple volumes of printed text, computer disks, other electronic business data, videotapes, and periodic updates or bulletins that we issue to franchisees and others operating under the System. You must treat the Manuals, all supplements and revisions to the Manuals, including bulletins and the information contained in them, as confidential, and must use best efforts to maintain this information (whether in written or electronic format) as secret and confidential. You must not reproduce these materials (except for the parts of the Manuals that are meant for you to copy, which we will clearly mark as such) or otherwise make them available to any unauthorized person. The Manuals will remain our sole property. You must keep them in a secure place on the Franchised Business premises.

We may revise the contents of the Manuals, and you must comply with each new or changed mandatory standard, method, policy, or procedure. We will notify you in writing of revisions to the Manuals. You must ensure that the Manuals are kept current at all times. If there is a dispute as to the contents of the Manuals, the terms of the master copies that we maintain at our home office will control.

### **Item 15**

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

If the Designated Principal or your General Manager fails to satisfactorily complete our initial training program or if your General Manager is no longer an employee, you must designate a replacement Designated Principal or General Manager as soon as is practical, who is acceptable to us and who satisfactorily completes our training program and who is appropriately licensed. We may require you to reimburse our training costs (see Items 6 and 11).

Under the Franchise Agreement, you (or, if you are an entity, your Designated Principal) must be involved in the general oversight and management of the operations of the Franchised Business, and must obtain and maintain all required licenses relating to the authorized insurance products being offered and sold from the Franchised Business. Additionally, you must designate either yourself, your Designated Principal (if you are an entity) or a General Manager to assume the full-time responsibility for daily supervision and operation of the Franchised Business.

Under the Area Development Agreement, you (or, if you are an entity, your Designated Principal) must be involved in the general oversight and management of the development of the Franchised Businesses, as well as the operations of the Franchised Businesses that are developed under the Area Development Agreement. We will have the right to rely upon the Designated Principal to have the responsibility and decision-making authority regarding your business and operations.

Under both the Franchise Agreement and the Area Development Agreement, if you are other than an individual, we may require that your owners personally sign a guaranty, indemnification and acknowledgement (in the forms included as Exhibit D to the Franchise Agreement and Exhibit C to the Area Development Agreement), guarantying and acknowledging the legal entity's covenants and obligations under that agreement. Additionally, your employees with access to confidential information or who have received training may be required to sign agreements to maintain confidentiality and not compete

with businesses under the System (our current form for this agreement is included in Exhibit F to the Franchise Agreement). See Items 14 and 17 for a further description of these obligations.

**Item 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may sell and provide only products and services that we have approved in writing and which conform to our standards and specifications (see also Item 8 above). We have the right, without limit, to change the types of authorized products and services. You must sell all products and services that we approve and specify to be offered by all Pronto Businesses in California, unless we otherwise provide our written approval.

You must limit all direct marketing, advertising and business activities within your designated Area of Primary Responsibility, and you may not directly market to or solicit clients located inside another franchisee’s area of primary responsibility. In the event your Area of Primary Responsibility overlaps with another franchisee’s area of primary responsibility, each franchisee may continue to market to and solicit clients located within its Area of Primary Responsibility. As long as the Franchise Agreement is in full force and effect and you are not in default, we will not alter the boundaries of your Area of Primary Responsibility.

You must not use the Franchised Business for any other business or operation or for any other purpose or activity at any time without first obtaining our prior written consent. You must keep the Franchised Business open and in normal operation for the minimum hours and days as we may specify, which currently is a minimum of 60 hours per calendar week and must include a Saturday or Sunday. You must operate the Franchised Business in strict conformity with the methods, standards, and specifications as we prescribe in the Manuals or in writing.

**Item 17**  
**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

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

**THE FRANCHISE RELATIONSHIP**

**Under the Franchise Agreement**

| <b>Provision</b>                 | <b>Section(s) in Franchise Agreement</b> | <b>Summary</b> |
|----------------------------------|------------------------------------------|----------------|
| (a) Length of the franchise term | Section 2.1                              | 5 years.       |

| Provision                                          | Section(s) in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----------------------------------------------------|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (b) Renewal or extension of the term               | Section 2.2                       | If you are in good standing, upon expiration of the initial term of your Franchise Agreement, you will have the right to renew your franchise for another 5 year term by signing our then-current form of franchise agreement, which may contain terms that differ materially and be less advantageous to you than the terms of your original Franchise Agreement, including, without limitation, requirements to pay additional and/or higher fees such as royalties and advertising obligations and different territorial rights or protections.                                                                                                                                     |
| (c) Requirements for franchisee to renew or extend | Section 2.2                       | <p>Notice, satisfaction of monetary obligations, compliance with Franchise Agreement, mutual release, sign our then-current form of Franchise Agreement, update premises, branding, equipment, furniture, fixtures and décor prior to date of renewal, pay renewal fee, and others; see Sections 2.2 (a) - 2.2 (g) in Franchise Agreement.</p> <p>If you seek to renew your franchise at the expiration of the initial term or any renewal term, you will be asked to sign a new Franchise Agreement that contains terms and conditions materially different from those in your previous Franchise Agreement, such as different fee requirements and different territorial rights.</p> |
| (d) Termination by franchisee                      | None                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| (e) Termination by franchisor without cause        | None                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| (f) Termination by franchisor with cause           | Section 13                        | Default under Franchise Agreement, bankruptcy, insolvency, abandonment, and other grounds; see Section 13 of the Franchise Agreement. Under the U.S. Bankruptcy Code, we may not be able to terminate the agreement merely because of a bankruptcy filing.                                                                                                                                                                                                                                                                                                                                                                                                                             |

| <b>Provision</b>                                                         | <b>Section(s) in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (g) “Cause” defined – defaults which can be cured                        | Sections 13.3                            | You have 10 days after receipt of written notice of default to cure for all other defaults not specified in Sections 13.1 and 13.2 of the Franchise Agreement                                                                                                                                |
| (h) “Cause” defined – non-curable defaults                               | Sections 13.1 and 13.2                   | Bankruptcy, abandonment, conviction of felony, and others; see Section 13.2 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)                                                           |
| (i) Franchisee’s obligations on termination/non-renewal                  | Section 14                               | Cease operating the Franchised Business, de-identify the business, payment of amounts due, and others; see Section 14.1 – 14.5 of the Franchise Agreement. Pay early termination fee, if we terminate your Franchise Agreement for your default; see Section 13.6 of the Franchise Agreement |
| (j) Assignment of contract by franchisor                                 | Section 12.1                             | There are no limits on our right to assign the Franchise Agreement.                                                                                                                                                                                                                          |
| (k) “Transfer” by franchisee - defined                                   | Section 12.2                             | Includes transfer of any interest, including interests in the Franchise Agreement, interests in the assets of the Franchised Business and interests in the franchisee entity.                                                                                                                |
| (l) Franchisor approval of transfer by franchisee                        | Section 12.2                             | We have the right to approve transfers and can apply standards to determine (for example) whether the proposed transferee meets our requirements for a new franchisee.                                                                                                                       |
| (m) Conditions for franchisor approval of transfer                       | Sections 12.3                            | Qualification of new franchisee, signed release, signature of new Franchise Agreement, payment of transfer fee, and others; see Sections 12.3 (a) – 12.3 (i) of the Franchise Agreement.                                                                                                     |
| (n) Franchisor’s right of first refusal to acquire franchisee’s business | Section 12.5                             | We can match any offer.                                                                                                                                                                                                                                                                      |
| (o) Franchisor’s option to purchase franchisee’s business                | None                                     |                                                                                                                                                                                                                                                                                              |

| <b>Provision</b>                                                           | <b>Section(s) in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------------|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (p) Death or disability of franchisee                                      | Section 12.6                             | Your estate must transfer your interest in the Franchised Business to a third party we have approved, within six months after death or six months after the onset of disability. We will service the Franchised Business during this time period.                                                        |
| (q) Non-competition covenants during the term of the franchise             | Section 15.1                             | Includes prohibition on engaging in any other business offering similar products, and soliciting or diverting clients to other businesses, and others; see Section 15.1 of the Franchise Agreement.                                                                                                      |
| (r) Non-competition covenants after the franchise is terminated or expires | Section 15.2                             | Includes a two-year prohibition similar to “q” (above), at the Franchised Location, or within 25 miles of the Franchised Business or any other Pronto Business in operation or under construction on the effective date of termination or expiration located anywhere.                                   |
| (s) Modification of the agreement                                          | Section 22                               | Must be in writing signed by both parties.                                                                                                                                                                                                                                                               |
| (t) Integration/merger clause                                              | Section 22                               | Only the final written terms of the Franchise Agreement are binding.                                                                                                                                                                                                                                     |
| (u) Dispute resolution by arbitration or mediation                         | Section 24.2 and 24.3                    | Except for certain claims, we and you must first mediate all disputes at a location within 5 miles of our then current principal place of business. (Currently in Brownsville, Texas.) Each party shall bear its own costs associated with mediation, unless agreed during the mediation proceeding.     |
| (v) Choice of forum                                                        | Section 24.4                             | All mediation proceedings must be conducted within 5 miles of our then-current principal place of business. (Currently in Brownsville, Texas.) All judicial actions must be brought in the state, and in (or closest to) the county, where our headquarters are then located. (Currently Cameron County) |
| (w) Choice of law                                                          | Section 24.1                             | Texas.                                                                                                                                                                                                                                                                                                   |

### **Under the Area Development Agreement**

| <b>Provision</b>                                            | <b>Section(s) in Area Development Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                              |
|-------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Length of the franchise term                            | Section 2 and Exhibit A                         | Last date in Development Schedule                                                                                                                                                                                                                           |
| (b) Renewal or extension of the term                        | None                                            |                                                                                                                                                                                                                                                             |
| (c) Requirements for area developer to renew or extend      | None                                            |                                                                                                                                                                                                                                                             |
| (d) Termination by area developer                           | None                                            |                                                                                                                                                                                                                                                             |
| (e) Termination by franchisor without cause                 | None                                            |                                                                                                                                                                                                                                                             |
| (f) Termination by franchisor with cause                    | Section 6                                       | We can terminate if you default.                                                                                                                                                                                                                            |
| (g) “Cause” defined – curable defaults                      | Sections 6.3 and 6.4                            | All other defaults not specified in Sections 6.1 and 6.2 of Area Development Agreement.                                                                                                                                                                     |
| (h) “Cause” defined – non-curable defaults                  | Sections 6.1 and 6.2                            | Bankruptcy, termination of any individual Franchise Agreement for a Franchised Business operated by you or a person or entity affiliated with you, conviction of felony, and improper transfer.                                                             |
| (i) Area developer’s obligations on termination/non-renewal | Section 6.6                                     | Cease establishing or operating Franchised Businesses under the System for which Franchise Agreements have not been signed at the time of termination and compliance with covenants.                                                                        |
| (j) Assignment of contract by franchisor                    | Section 7.1                                     | There are no limits on our right to assign the Area Development Agreement.                                                                                                                                                                                  |
| (k) “Transfer” by area developer – defined                  | Section 7.2                                     | Includes a transfer of an interest in the Area Development Agreement, developer entity, or any material asset of your business.                                                                                                                             |
| (l) Franchisor approval of transfer by area developer       | Section 7.2                                     | We have the right to approve transfers.                                                                                                                                                                                                                     |
| (m) Conditions for franchisor’s approval of transfer        | Sections 7.2 and 7.3                            | Any of the conditions for transfer described in the Franchise Agreement executed pursuant to the Area Development Agreement that we deem applicable, and simultaneous transfer of Franchise Agreements executed pursuant to the Area Development Agreement. |

| <b>Provision</b>                                                             | <b>Section(s) in Area Development Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                 |
|------------------------------------------------------------------------------|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (n) Franchisor's right of first refusal to acquire area developer's business | None                                            |                                                                                                                                                                                                                                                                                                                |
| (o) Franchisor's option to purchase area developer's business                | None                                            |                                                                                                                                                                                                                                                                                                                |
| (p) Death or disability of area developer                                    | None                                            |                                                                                                                                                                                                                                                                                                                |
| (q) Non-competition covenants during the term of the franchise               | Section 8.2                                     | Includes prohibition on engaging in any other business offering similar products, and soliciting or diverting customers to other businesses.                                                                                                                                                                   |
| (r) Non-competition covenants after the franchise is terminated or expires   | Section 8.3                                     | Includes a two-year prohibition similar to "q" (above), within the Development Area, or within 25 miles of any Pronto Business in operation or under construction on the effective date of termination or expiration located anywhere.                                                                         |
| (s) Modification of the agreement                                            | Section 15                                      | Must be in writing signed by both parties.                                                                                                                                                                                                                                                                     |
| (t) Integration/merger clause                                                | Section 15                                      | Only the final written terms of the Area Development Agreement are binding.                                                                                                                                                                                                                                    |
| (u) Dispute resolution by arbitration or mediation                           | Section 16.2 and 16.3                           | Except for certain claims, we and you must first mediate all disputes at a location within 5 miles of our then current principal place of business. (Currently in Brownsville, Texas.) Each party shall bear its own costs associated with mediation, unless otherwise agreed during the mediation proceeding. |
| (v) Choice of forum                                                          | Section 16.4                                    | All mediation proceedings must be conducted within 5 miles of our then-current principal place of business. (Currently in Brownsville, Texas.) All judicial actions must be brought in the state, and in (or closest to) the county, where our headquarters are then located. (Currently Cameron County)       |
| (w) Choice of law                                                            | Section 16.1                                    | Texas.                                                                                                                                                                                                                                                                                                         |

The provision of the Franchise Agreement or Area Development Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

See Exhibit 2, the State Specific Addendum, for special state disclosures.

**Item 18**  
**PUBLIC FIGURES**

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

**Item 19**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

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

This Item 19 contains information about the 152 Pronto Businesses in Texas that were owned and operated by our direct parent, Pronto Holdco, Inc., and our affiliate, Pronto General Agency, Inc. (collectively, the "Company-Owned Businesses") for the entire period from January 1, 2023 through December 31, 2023 (the "2023 Calendar Year"). All of the Company-Owned Businesses were opened prior to January 1, 2023, and vary in the number of full calendar years open as of December 31, 2023, from one full calendar year up to 12 or more full calendar years. As further described in Item 20, there were a total of 154 Company-Owned Businesses open as of December 31, 2023.

This Item 19 also contains information about the 29 Pronto Businesses in Texas that were owned and operated by franchisees (collectively, the "Franchisee-Owned Businesses") for the entire 2023 Calendar Year. All of the Franchisee-Owned Businesses were opened prior to January 1, 2023, and vary in the number of full calendar years open as of December 31, 2023, from one full calendar year up to 8 full calendar years. As further described in Item 20, there were a total of 29 Franchisee-Owned Businesses open as of December 31, 2023. All of the Company-Owned Businesses are located in California and Texas, and all of the Franchisee Owned Businesses are located in Texas.

Information from 5 Pronto Businesses (all in Texas) that were owned and operated by franchisees has been excluded from this Item 19 because during the 2023 Calendar Year: (i) the franchise agreements for 2 of these Pronto Businesses were terminated, the franchise agreement for one of these Pronto Businesses was not renewed, and (iii) 2 of these Pronto Businesses were reacquired by us. In addition, Information from 5 Pronto Businesses (one in California and 4 in Texas) that were owned and operated by us, Pronto Holdco, Inc. or Pronto General Agency, Inc. has been excluded from this Item 19 because during the 2023 Calendar Year: (i) one of these Pronto Businesses closed, and (ii) 2 of these Pronto Businesses were reacquired by us and immediately closed, and (iii) 2 of these Pronto Businesses opened for business, so they were not operated for all of the 2023 Calendar Year. During the 2023 Calendar Year, no Pronto Business owned and operated by us, Pronto Holdco, Inc. or Pronto General Agency, Inc. or a franchisee was closed after being open less than 12 months.

The first and second tables below (Tables 19.1 and 19.2) represent the actual average annual, the lowest annual, the median annual, and the highest annual Insurance Premium Revenue (as defined in footnote 2 of Item 6) from the sale of the Core Insurance Policies (i.e., automobile, third-party and roadside assistance insurance policies) achieved by: (i) the Company-Owned Businesses (Table 19.1); and (ii) the Franchisee-Owned Businesses (Table 19.2), during the 2023 Calendar Year. While Pronto Businesses may derive revenue from multiple sources, in most cases the primary source of revenue is from the sale of the Core Insurance Policies. Tables 19.1 and 19.2 are limited to providing only annual Insurance Premium Revenue from the sale of the Core Insurance Policies. The figures in Tables 19.1 and 19.2 do not reflect

other revenue sources, which may include the sale of other types of insurance coverage or related fees, such as agency fees, set up fees, application fees or administrative fees.

The figures in Tables 19.1 to 19.2 below do not include operating expenses, nor other costs or expenses, including related interest, depreciation, amortization, and income taxes, that must be deducted from gross revenue figures to obtain your net income or profit. The Company-Owned Businesses in California and Texas offer substantially the same Core Insurance Policies as the Franchisee-Owned Businesses offer and as you and other franchisees will offer as franchisees operating a franchised Pronto Business.

**Insurance Premium Revenue for the Core Insurance Policies (Auto, Third-party and Roadside Assistance Policies) For the 2023 Calendar Year**

**Table 19.1 – Company-Owned Businesses**

| <b>Company-Owned Businesses by Number of Full Calendar Years Opened (1)</b> | <b>Average Annual Insurance Premium Revenue for Auto, Third-party and RSA</b> | <b>Business Count</b> | <b>Lowest Annual Insurance Premium Revenue</b> | <b>Median Annual Insurance Premium Revenue</b> | <b>Highest Annual Insurance Premium Revenue</b> |
|-----------------------------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------|------------------------------------------------|------------------------------------------------|-------------------------------------------------|
| 1 Year                                                                      | \$822,908                                                                     | 1                     | \$822,908                                      | \$822,908                                      | \$822,908                                       |
| 2 Years                                                                     | \$443,938                                                                     | 2                     | \$258,290                                      | \$443,938                                      | \$629,587                                       |
| 3 Years                                                                     | \$453,220                                                                     | 5                     | \$155,193                                      | \$311,731                                      | \$1,045,712                                     |
| 4 Years                                                                     | \$1,131,204                                                                   | 2                     | \$375,958                                      | \$1,131,204                                    | \$1,886,450                                     |
| 5+ Years                                                                    | \$1,417,929                                                                   | 142                   | \$189,244                                      | \$1,208,525                                    | \$5,100,936                                     |

**Table 19.2 – Franchisee-Owned Businesses**

| <b>Franchisee-Owned Businesses by Number of Full Calendar Years Opened (2)</b> | <b>Average Annual Insurance Premium Revenue for Auto, Third-party and RSA</b> | <b>Business Count</b> | <b>Lowest Annual Insurance Premium Revenue</b> | <b>Median Annual Insurance Premium Revenue</b> | <b>Highest Annual Insurance Premium Revenue</b> |
|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------|------------------------------------------------|------------------------------------------------|-------------------------------------------------|
| 1 Year                                                                         | \$117,293                                                                     | 1                     | \$117,293                                      | \$117,293                                      | \$117,293                                       |
| 2 Years                                                                        | \$0                                                                           | 0                     | \$0                                            | \$0                                            | \$0                                             |
| 3 Years                                                                        | \$0                                                                           | 0                     | \$0                                            | \$0                                            | \$0                                             |
| 4 Years                                                                        | \$0                                                                           | 0                     | \$0                                            | \$0                                            | \$0                                             |
| 5+ Years                                                                       | \$814,108                                                                     | 28                    | \$232,213                                      | \$689,916                                      | \$1,927,046                                     |

**Notes for Tables 19.1 to 19.2 Above**

- (1) The 152 Company-Owned Businesses are separated in the tables above by the number of full calendar years opened as of December 31, 2023. For example, the Company-Owned Businesses in the “1 Year” row have been open one full calendar year, but less than two full calendar years; the Company-Owned Businesses in the “2 Years” row have been open two full calendar years, but less than three full calendar years; and the Company-Owned Businesses in the “5+ Years” row have been open five or more full calendar years.
- (2) The 29 Franchisee-Owned Businesses are separated in the tables above by the number of full calendar years opened as of December 31, 2023. For example, the Franchisee-Owned Businesses

in the “1 Year” row have been open one full calendar year, but less than two full calendar years; the Franchisee-Owned Businesses in the “2 Years” row have been open two full calendar years, but less than three full calendar years; and the Franchisee-Owned Businesses in the “5+ Years” row have been open five or more full calendar years.

**Some Company-Owned Businesses and Franchisee-Owned Businesses have earned these amounts. Your individual results may differ. There is no assurance you’ll earn as much.**

The Insurance Premium Revenue may vary significantly depending on a number of factors, including the location of your Franchised Business, the insurance policies and insurance-related services you offer, and how you operate your business. You should conduct an independent investigation of the costs and expenses you will incur in operating your Pronto Business. Franchisees or former franchisees, listed in this Disclosure Document, may be one source of this information. California limits the fees that can be charged to those fees submitted in rate filings. Additionally, in California, broker fees may be charged. Texas allows certain fees, but does not allow broker fees to be charged.

We have compiled the information in this Item 19 from the internal, unaudited financial statements of our affiliate, Pronto General Agency, Inc., and our members, for the 2023 Calendar Year. You are advised that no Certified Public Accountant has audited the data or expressed an opinion with regard to the content or form of such data. In addition, the financial information was not prepared in accordance with Generally Accepted Accounting Principles (GAAP), but is believed to be reliable.

Substantiation of the data used in preparing this Item 19 will be made available to you upon reasonable request.

Other than the preceding financial performance representation, 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 Rex Martin, Pronto Franchise, L.L.C., 805 Media Luna Drive, Suite 300, Brownsville, Texas 78520, (956) 574-9787, the Federal Trade Commission, and the appropriate state regulatory agencies.

## **Item 20**

### **OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**Systemwide Outlet Summary**  
**For years 2021, 2022 and 2023**

| <b>Outlet Type</b>   | <b>Year</b> | <b>Outlets at the Start of the Year</b> | <b>Outlets at the End of the Year</b> | <b>Net Change</b> |
|----------------------|-------------|-----------------------------------------|---------------------------------------|-------------------|
| Franchised           | 2021        | 45                                      | 40                                    | -5                |
|                      | 2022        | 40                                      | 34                                    | -6                |
|                      | 2023        | 34                                      | 29                                    | -5                |
| Company-Owned        | 2021        | 167                                     | 166                                   | -1                |
|                      | 2022        | 166                                     | 153                                   | -13               |
|                      | 2023        | 153                                     | 154                                   | +1                |
| <b>Total Outlets</b> | 2021        | 212                                     | 206                                   | -6                |
|                      | 2022        | 206                                     | 187                                   | -19               |
|                      | 2023        | 187                                     | 183                                   | -4                |

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years 2021, 2022 and 2023**

| State        | Year | Number of Transfers |
|--------------|------|---------------------|
| Texas        | 2021 | 2                   |
|              | 2022 | 0                   |
|              | 2023 | 0                   |
| <b>Total</b> | 2021 | 2                   |
|              | 2022 | 0                   |
|              | 2023 | 0                   |

**Table No. 3**  
**Status of Franchised Outlets**  
**For years 2021, 2022 and 2023**

| State         | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations – Other Reasons | Outlets at End of the Year |
|---------------|------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| California    | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                                 | 1                          |
|               | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                                 | 1                          |
|               | 2023 | 1                        | 0              | 0            | 1            | 0                        | 0                                 | 0                          |
| Texas         | 2021 | 44                       | 0              | 3            | 1            | 1                        | 0                                 | 39                         |
|               | 2022 | 39                       | 1              | 7            | 0            | 0                        | 0                                 | 33                         |
|               | 2023 | 33                       | 0              | 2            | 0            | 2                        | 0                                 | 29                         |
| <b>Totals</b> | 2021 | 45                       | 0              | 3            | 1            | 1                        | 0                                 | 40                         |
|               | 2022 | 40                       | 1              | 7            | 0            | 0                        | 0                                 | 34                         |
|               | 2023 | 34                       | 0              | 2            | 1            | 2                        | 0                                 | 29                         |

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For years 2021, 2022 and 2023**

| 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 |
|---------------|------|--------------------------|----------------|-------------------------------------|----------------|----------------------------|----------------------------|
| California    | 2021 | 42                       | 0              | 0                                   | 2              | 0                          | 40                         |
|               | 2022 | 40                       | 0              | 0                                   | 1              | 0                          | 39                         |
|               | 2023 | 39                       | 0              | 0                                   | 1              | 0                          | 38                         |
| Texas         | 2021 | 125                      | 1              | 1                                   | 1              | 0                          | 126                        |
|               | 2022 | 126                      | 0              | 0                                   | 12             | 0                          | 114                        |
|               | 2023 | 114                      | 2              | 2                                   | 2              | 0                          | 116                        |
| <b>Totals</b> | 2021 | 167                      | 1              | 1                                   | 3              | 0                          | 166                        |
|               | 2022 | 166                      | 0              | 0                                   | 13             | 0                          | 153                        |
|               | 2023 | 153                      | 2              | 2                                   | 3              | 0                          | 154                        |

\* These outlets were closed after being reacquired from franchisees.

**Table No. 5**  
**Projected Openings as of December 31, 2023**

| State        | Franchise Agreements Signed but Outlet Not Opened | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year |
|--------------|---------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|
| California   | 0                                                 | 5                                                        | 5                                                           |
| Texas        | 1                                                 | 5                                                        | 5                                                           |
| <b>Total</b> | 1                                                 | 10                                                       | 10                                                          |

All numbers are as of December 31<sup>st</sup> for each year.

A list of the names of all franchisees and area developers and the addresses and telephone numbers of their outlets as of December 31, 2023, is included in Exhibit 6 to this Disclosure Document.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee or area developer who had a franchise terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document will be listed on Exhibit 7 to this Disclosure Document when applicable. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There is no trademark-specific franchisee organization associated with us.

## **Item 21** **FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit 8 are the audited financial statements for the years ending December 31, 2021, 2022 and 2023. Our fiscal year ends December 31<sup>st</sup>.

## **Item 22** **CONTRACTS**

The following contracts are attached to this Disclosure Document:

Exhibit 3 – Franchise Agreement, including the following agreements:

- General Release (as Exhibit C)
- Guaranty, Indemnification and Acknowledgment (as Exhibit D)
- Collateral Assignment of Lease (as Exhibit E)
- Non-Disclosure and Non-Compete Agreement for Franchisee's Employees (as Exhibit F)
- Conversion Franchise Addendum (as Exhibit G)
- Authorization Agreement for Pre-Arranged Payments (as Exhibit H)

Exhibit 4 – Area Development Agreement, including the following agreements:

- Guaranty Indemnification and Acknowledgment (as Exhibit C)
- Area Developer Certification (as Exhibit D)

**Item 23**  
**RECEIPTS**

Two copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document. Please return one signed copy to us and retain the other for your records.

**EXHIBIT 1**  
**STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

| <b>STATE</b>                         | <b>STATE ADMINISTRATOR/AGENT</b>                                                                       | <b>ADDRESS</b>                                                                                                       |
|--------------------------------------|--------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| California                           | Commissioner<br>California Department of Financial<br>Protection and Innovation                        | 2101 Arena Boulevard<br>Sacramento, CA 95834<br>(866) 275-2677 (toll free)<br>Ask.DFPI@dfpi.ca.gov (email)           |
| Hawaii<br>(State<br>Administrator)   | Commissioner of Securities<br>Dept. of Commerce and Consumer Affairs<br>Business Registration Division | 335 Merchant Street<br>Room 205<br>Honolulu, HI 96813<br>(808) 586-2744                                              |
| Illinois                             | Illinois Attorney General                                                                              | 500 South Second Street<br>Springfield, IL 62706<br>(217) 782-4465                                                   |
| Indiana<br>(State<br>Administrator)  | Indiana Securities Commissioner<br>Securities Division                                                 | 302 West Washington Street, Room E111<br>Indianapolis, IN 46204<br>(317) 232-6681                                    |
| Indiana<br>(Agent)                   | Indiana Secretary of State                                                                             | 200 West Washington Street, Room 201<br>Indianapolis, IN 46204<br>(317) 232-6531                                     |
| Maryland<br>(State<br>Administrator) | Office of the Attorney General<br>Division of Securities                                               | 200 St. Paul Place<br>Baltimore, MD 21202-2020<br>(808) 576-6360                                                     |
| Maryland<br>(Agent)                  | Maryland Securities Commissioner                                                                       | 200 St. Paul Place<br>Baltimore, MD 21202-2020                                                                       |
| Michigan                             | Michigan Department of Attorney General<br>Consumer Protection Division                                | G. Mennen Williams Building, 1 <sup>st</sup> Floor<br>525 West Ottawa Street<br>Lansing, MI 48933<br>(517) 373-7117  |
| Minnesota                            | Commissioner of Commerce<br>Minnesota Department of Commerce                                           | 85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, MN 55101-2198<br>(651) 539-1500                                |
| New York<br>(State<br>Administrator) | NYS Department of Law<br>Investor Protection Bureau                                                    | 28 Liberty Street, 21 <sup>st</sup> Floor<br>New York, NY 10005<br>(212) 416-8222                                    |
| New York<br>(Agent)                  | New York Secretary of State                                                                            | One Commerce Plaza<br>99 Washington Avenue, 6th Floor<br>Albany, NY 12231-0001<br>(518) 473-2492                     |
| North Dakota                         | North Dakota Securities Department                                                                     | 600 East Boulevard Avenue<br>State Capitol, Fourteenth Floor, Dept. 414<br>Bismarck, ND 58505-0510<br>(701) 328-4712 |
| Rhode Island                         | Director, Department of Business<br>Regulation, Securities Division                                    | 1511 Pontiac Avenue<br>John O. Pastore Complex – Building 69-1<br>Cranston, RI 02920<br>(401) 462-9527               |

| STATE                                  | STATE ADMINISTRATOR/AGENT                                                              | ADDRESS                                                                                                                                      |
|----------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| South Dakota                           | Department of Labor and Regulation<br>Division of Insurance – Securities<br>Regulation | 124 S. Euclid, Suite 104<br>Pierre, SD 57501<br>(605) 773-3563                                                                               |
| Virginia<br>(State<br>Administrator)   | State Corporation Commission<br>Division of Securities and Retail<br>Franchising       | 1300 East Main Street, 9 <sup>th</sup> Floor<br>Richmond, VA 23219<br>(804) 371-9051                                                         |
| Virginia<br>(Agent)                    | Clerk of the State Corporation<br>Commission                                           | 1300 East Main Street, 1st Floor<br>Richmond, VA 23219-3630                                                                                  |
| Washington<br>(State<br>Administrator) | Department of Financial Institutions<br>Securities Division                            | 150 Israel Road SW<br>Tumwater, WA 98501<br>(360) 902-8762                                                                                   |
| Washington<br>(Agent)                  | Department of Financial Institutions<br>Securities Division                            | P.O. Box 41200<br>Olympia, WA 98504-1200<br>(360) 902-8760                                                                                   |
| Wisconsin                              | Commissioner of Securities                                                             | Department of Financial Institutions<br>Division of Securities<br>4822 Madison Yards Way, North Tower<br>Madison, WI 53705<br>(608) 266-8557 |

**EXHIBIT 2**  
**STATE SPECIFIC ADDENDA**

We are required to provide you with additional information as a condition of registering or filing our franchise offering in certain states. The additional disclosures, if required, are set out below. These additional disclosures apply only if the jurisdictional requirements of the applicable state franchise law are met.

## CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [WWW.DFPI.CA.GOV](http://WWW.DFPI.CA.GOV).

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE. THE FRANCHISOR HAS OR WILL COMPLY WITH ALL OF THE REQUIREMENTS UNDER CALIFORNIA CORPORATIONS CODE, SECTION 31109.1, WITH RESPECT TO NEGOTIATED SALES.

### Item 3, Additional Disclosure:

Neither we nor any person described in Item 2 of the Disclosure Document is subject to any currently effective order of any National Securities Association or National Securities Exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq. suspending or expelling such persons from membership in such association or exchange.

### Item 6, Additional Disclosure:

The highest interest rate allowed by law in California is 10% annually.

### Item 17, Additional Disclosures:

The franchise agreement requires franchisee to execute a general release of claims upon the signing of the franchise agreement, or upon any renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The franchise agreement requires application of the laws of Texas. This provision may not be enforceable under California law.

California Civil Code Section 1671 restricts or prohibits the imposition of liquidated damage provisions.

The franchise agreement contains a waiver of punitive damages and jury trial provisions. These waivers may not be enforceable under California law.

California Business and Professions Code Sections 20000 through 20043 provide rights to 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.

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.)

The Franchise Agreement provides that any judicial action must be brought in a court of competent jurisdiction in the state and in (or closest to) the county, where the franchisor's headquarters are then located (currently Cameron County, Texas). Prospective franchisees are encouraged to consult with 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.

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.

California Corporate Code § 31512.1 states:

“Any provision of a franchise agreement, franchise disclosure document, acknowledgment, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

- (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
- (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
- (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
- (d) Violations of any provision of this division.”

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

## CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The Franchise Agreement requires franchisee to execute a general release of claims upon the signing of the franchise agreement, or upon any renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The Franchise Agreement requires application of the laws of Texas. This provision may not be enforceable under California law.

California Civil Code Section 1671 restricts or prohibits the imposition of liquidated damage provisions.

The Franchise Agreement contains a waiver of punitive damages and jury trial provisions. These waivers may not be enforceable under California law.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. If the Franchise Agreement is inconsistent with the law, the law will control.

The Franchise Agreement provides that any judicial action must be brought in a court of competent jurisdiction in the state and in (or closest to) the county, where the franchisor's headquarters are then located (currently Cameron County, Texas). Prospective franchisees are encouraged to consult with 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.

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.

Sections 25.1, 25.2, 25.3 and 25.8 of the Franchise Agreement are hereby deleted in its entirety and replaced with the following: "[INTENTIONALLY OMITTED]".

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

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:  
PRONTO FRANCHISE, L.L.C.

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

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

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

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

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

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

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

## CALIFORNIA ADDENDUM TO AREA DEVELOPMENT AGREEMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Area Development Agreement, to the extent that the Area Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The Area Development Agreement requires franchisee to execute a general release of claims upon the signing of the Area Development Agreement, or upon any renewal or transfer of the Area Development Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The Area Development Agreement requires application of the laws of Texas. This provision may not be enforceable under California law.

California Civil Code Section 1671 restricts or prohibits the imposition of liquidated damage provisions.

The Area Development Agreement contains a waiver of punitive damages and jury trial provisions. These waivers may not be enforceable under California law.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Area Development Agreement upon certain bankruptcy-related events. If the Area Development Agreement is inconsistent with the law, the law will control.

The Area Development Agreement provides that any judicial action must be brought in a court of competent jurisdiction in the state and in (or closest to) the county, where the franchisor's headquarters are then located (currently Cameron County, Texas). Prospective franchisees are encouraged to consult with 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 an Area Development Agreement restricting venue to a forum outside the State of California.

Sections 17.1, 17.2 and 17.3 of the Area Development Agreement are hereby deleted in its entirety and replaced with the following: "[INTENTIONALLY OMITTED]".

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

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

3. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Area Development Agreement. In the event of any conflict between this Addendum and the Area Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:  
PRONTO FRANCHISE, L.L.C.

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

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

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

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

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

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

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

**EXHIBIT 3**  
**FRANCHISE AGREEMENT**



**PRONTO FRANCHISE, L.L.C.**

**FRANCHISE AGREEMENT**

---

**FRANCHISEE**

---

**FRANCHISED LOCATION**

---

**AREA OF PRIMARY RESPONSIBILITY**

---

**DATE OF AGREEMENT**

---

**DATE OF RENEWAL**

**PRONTO FRANCHISE, L.L.C.  
FRANCHISE AGREEMENT**

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**PRONTO FRANCHISE, L.L.C.**  
**FRANCHISE AGREEMENT**

**THIS FRANCHISE AGREEMENT** (the “**Agreement**”) is made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between:

- ◆ **Pronto Franchise, L.L.C.**, a Texas limited liability company, whose principal place of business is 805 Media Luna, Suite 610, Brownsville, Texas 78520 (“**Franchisor**”); and
- ◆ \_\_\_\_\_ a [corporation organized in] [limited liability company organized in] [limited partnership organized in] [*select one*], having offices at \_\_\_\_\_ (“**Franchisee**”).

**BACKGROUND:**

A. Franchisor owns a confidential format and system and other proprietary information (the “**System**”) relating to the establishment and operation of businesses which offer, sell and service insurance policies, in addition to optional services which must be approved of in advance by Franchisor (the “**Optional Services**”) and operate under the Proprietary Marks (as defined below) (each a “**Pronto Business**”).

B. The distinguishing characteristics of the System include uniform standards, specifications, policies and procedures for developing, operating and marketing a Pronto Business; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain indicia of origin, emblems, trade names, service marks, logos, and trademarks, including applications and/or registrations therefor, as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System including the mark “Pronto” and other marks (the “**Proprietary Marks**”).

D. Franchisee desires to establish and operate a Pronto Business using the Proprietary Marks and the System and wishes to enter into an agreement with Franchisor for that purpose and to receive the training and other assistance provided by Franchisor in connection therewith under the terms and conditions contained in this Agreement.

E. During the Agreement, Franchisee agrees to solicit insurance exclusively on behalf of Franchisor or Franchisor’s designee, except as otherwise authorized in writing by Franchisor. Franchisee shall only write with insurance carriers approved in advance by Franchisor. Franchisee agrees to use his best efforts in the operation of the Franchised Business.

F. Franchisee acknowledges that it has read this Agreement and Franchisor’s Franchise Disclosure Document and that it understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor’s high standards of quality and service and the uniformity of those standards at all Pronto Businesses in order to protect and preserve the goodwill of the Proprietary Marks.

G. Franchisee has applied for a franchise with Franchisor, and such application has been approved by Franchisor in reliance upon all of the representations made herein.

## NOW, THEREFORE, THE PARTIES AGREE:

### 1. GRANT

1.1 **Grant of Franchise.** Franchisor hereby grants to Franchisee the non-exclusive right, and Franchisee undertakes the obligation, to use the Proprietary Marks and the System solely in connection with the operation of one (1) Pronto Business (the “**Franchised Business**”) at a site located in the Area of Primary Responsibility, as defined in Section 1.4 of this Agreement. Franchisee acknowledges and agrees that if it wishes to offer any Optional Services it shall do so only with Franchisor’s prior written consent. Franchisee shall not without Franchisor’s prior written consent, solicit the sale of insurance or Optional Services outside of the Area of Primary Responsibility; however, Franchisee may sell insurance and Optional Services to persons and entities located outside of the Area of Primary Responsibility so long as such sales do not result from any direct solicitation activities by Franchisee. Franchisee acknowledges and agrees that Franchisee shall not have the right to sublicense, sublease, subcontract or enter into any management agreement with any party providing for the right to operate the Franchised Business or to use the System granted pursuant to this Agreement. Franchisee acknowledges and agrees that this Agreement confers no authority, express or implied, to accept, bind, or obligate Franchisor or any insurer represented by Franchisor, in any respect, whether as to risk being submitted for consideration or as respect to changes in the terms and conditions of any policy or binder offered through Franchisor, unless Franchisee is specifically authorized to do so by Franchisor.

1.2 **Use of Proprietary Marks and Domain Names.** Franchisee shall use the Proprietary Marks, the Internet domain name “prantomga.com,” other Internet domain names, URLs, copyrights, toll-free telephone numbers and their mnemonics and other identifying marks constituting a part of the System, now or in the future, only as authorized and directed by Franchisor and only in connection with the operation of the Franchised Business. Nothing contained in this Agreement shall be construed to authorize or permit the use by Franchisee of the System, the Proprietary Marks, the Internet domain name “prantomga.com,” any other Internet domain names, URLs, toll-free telephone numbers, or any confusingly similar imitations of the same, at any location other than the Franchised Location, on the Internet or for any other purpose whatsoever. Franchisor shall use and permit Franchisee and other Pronto Insurance Franchisees to use the Proprietary Marks only in accordance with the System and the standards and specifications attendant thereto which underlie the goodwill franchised with and symbolized by the Proprietary Marks.

1.3 **Franchised Location.** Franchisee shall operate the Franchised Business only at the address listed on Exhibit A attached to this Agreement (the “**Franchised Location**” or “**Premises**”). Franchisee will select the Franchised Location and operate the Franchised Business at the Franchised Location in accordance with the provisions of Section 5 below. Franchisee shall be solely responsible for all expenses associated with the operation of the Franchised Location including, but not limited to rent, payroll, taxes, office supplies, advertising, marketing, claims, and the defense of any lawsuits.

1.4 **Area of Primary Responsibility.** Franchisee will not receive an exclusive territory. Franchisee will receive a non-exclusive territory called the “**Area of Primary Responsibility**,” to be mutually agreed upon by Franchisor and Franchisee, and specified in Exhibit A attached to this Agreement. Franchisee’s Franchised Location shall be within the designated Area of Primary Responsibility. Franchisee shall limit all direct marketing, advertising and business activities within the designated Area of Primary Responsibility, and may not directly market to or solicit customers located inside another franchisee’s area of primary responsibility. In the event Franchisee’s Area of Primary Responsibility overlaps with another franchisee’s area of primary responsibility, each franchisee may continue to market to and solicit customers located within its Area of Primary Responsibility. As long as this Agreement is in full force and effect and Franchisee is not in default under any of the terms hereof, Franchisor shall not alter the boundaries of Franchisee’s Area of Primary Responsibility. Further, Franchisor and its affiliates retain

the right, among others, in any manner and on any terms and conditions that Franchisor deems advisable, and without granting Franchisee any rights therein:

(a) To own, acquire, establish, and/or operate and license others to establish and operate, Pronto Businesses under the System at any location within or outside of the Area of Primary Responsibility as Franchisor deems appropriate, notwithstanding their proximity to the Franchised Location or their actual or threatened impact on sales of the Franchised Business;

(b) To own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks or other systems, whether such businesses are the same, similar, or different from the Franchised Business, at any location, whether inside or outside the Area of Primary Responsibility;

(c) To sell any insurance, tax preparation and related financial services or Optional Services (whether or not those services or products are competitive with the Franchised Business) to clients located anywhere (including within the Area of Primary Responsibility) using any channel of distribution located anywhere;

(d) To enter into arrangements to provide any insurance, tax preparation and related financial services or Optional Services to certain “**Special Accounts**,” located anywhere (including within the Area of Primary Responsibility). Special Accounts will be determined in Franchisor’s sole discretion, and will include, without limitation, school districts, governmental entities and national or regional companies. Franchisee agrees to participate with respect to Special Accounts, as Franchisor may specify from time to time; and

(e) To (i) acquire one or more businesses that are the same as, or similar to, Pronto Businesses then operating under the System (each an “**Acquired Business**”), which may be at any location within or outside the Area of Primary Responsibility, notwithstanding their actual or threatened impact on sales of the Franchised Business, and to (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Pronto Business under the System at any location, except not as a Pronto Business within the Area of Primary Responsibility.

1.5 **Modification to System and Manuals.** Franchisee acknowledges and agrees that from time to time hereafter Franchisor may change or modify the System or Franchisor’s Manuals, as described in Section 3.4, presently identified by the Proprietary Marks, as Franchisor deems appropriate, including without limitation to reflect the changing market, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of Pronto Businesses. Changes to the System may include, without limitation, the adoption and use of new, modified, or substituted products, services, programs, standards, policies and procedures, forms, trade dress, equipment and furnishings and new techniques and methodologies, and (as described in Section 8 below) additional or substitute trademarks, service marks and copyrighted materials. Changes to the System may further include, without limitation, abandoning the System altogether in favor of another System in connection with a merger, acquisition, other business combination; and modifying or substituting entirely the equipment, furnishings, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operational attributes which Franchisee is required to observe hereunder. Franchisee shall, upon reasonable notice, accept, implement, use and display in the operation of the Franchised Business any such changes in the System, as if they were part of this Agreement at the time of execution hereof, at Franchisee’s sole expense. Additionally, Franchisor reserves the right, in its sole discretion, to vary the standards throughout the System, as well as the services and assistance that Franchisor may provide to some franchisees based upon the peculiarities of a particular site or circumstance, existing business practices, or other factors that Franchisor deems to be important to the

operation of any Pronto Business or the System. Franchisee shall have no recourse against Franchisor on account of any variation to any franchisee and shall not be entitled to require Franchisor to provide Franchisee with a like or similar variation hereunder. Except as provided herein, Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications contemplated hereby. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, Franchisee expressly waives any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

1.6 **Area of Primary Responsibility Rights Dependent on Good Standing.** If Franchisee is not in Good Standing, Franchisor may reduce, eliminate or otherwise modify Franchisee's territorial rights. Franchisor does not make any representation or assurance that Franchisee can or will achieve any performance minimums contained in this Agreement. Franchisee is in "Good Standing" if Franchisee (and each of Franchisee's owners and Affiliates) are not in default of any obligation to Franchisor and/or any of Franchisor's affiliates or associates whether arising under this Agreement or any other agreement between Franchisee (and each of Franchisee's owners and Affiliates) and Franchisor and any of Franchisor's affiliates or associates, the Manuals or other System requirements (collectively, the "**Obligations**"); provided that Franchisee is not in Good Standing if Franchisee has been in default of any Obligations and such defaults are incurable by nature and/or part of a series of repeated defaults as defined in this Agreement.

## 2. **INITIAL AND RENEWAL TERMS**

2.1 **Initial and Renewal Term.** The initial term of this Agreement, except as otherwise provided in this Agreement, shall commence upon its execution by Franchisor, and shall automatically expire five (5) years from the date Franchisee commences operations of the Franchised Business, unless sooner terminated under the terms of this Agreement. Upon the expiration of the initial term of this Agreement, this Agreement shall continue in full force and effect and shall automatically renew for successive periods of five (5) years each, subject to Franchisee's compliance with the conditions for renewal described in Section 2.2 of this Agreement, unless Franchisor or Franchisee shall give written notice to the other party that it does not wish to renew the term of this Agreement at least thirty (30) days before the expiration of the term then in effect.

2.2 **Conditions for Renewal.** Franchisee's right to renew the term of this Agreement shall be subject to Franchisee's continued compliance with the terms and conditions of this Agreement as well as Franchisee's compliance with the following conditions, both at the time of each notice of renewal and at the commencement of each renewal term:

(a) Franchisee shall not be in default of any provision of this Agreement, or any other agreement between Franchisee and Franchisor, or its affiliates, or any standards set forth in the Manual, and Franchisee shall have substantially complied with all the terms and conditions of this Agreement, the Manual and any other agreements during the term of this Agreement.

(b) Franchisee shall have reached the minimum performance standards as required by Section 7.6 of this Agreement.

(c) Franchisee shall, at Franchisor's option, execute Franchisor's then-current form of Franchise Agreement and any addenda thereto, for each renewal term, which agreement shall supersede this Agreement in all respects, and the terms of which may differ materially and be less advantageous to

Franchisee than the terms of this Agreement, including, without limitation, requirements to pay additional and/or higher fees such as royalties and advertising obligations and different territorial rights or protections.

(d) Franchisee shall make or provide for, in a manner satisfactory to Franchisor, such renovation and modernization of the Premises as Franchisor may reasonably require, including installation of new equipment and renovation of signs, furnishings, fixtures, and decor to reflect the then-current standards and image of the System, which shall be completed thirty (30) days prior to the commencement of the renewal term.

(e) Satisfy Franchisor's then-current training requirements.

(f) Franchisee shall execute a general release, in the form of **Exhibit C** attached to this Agreement.

(g) Franchisee shall pay Franchisor a fee in the sum of Five Thousand Dollars (\$5,000) for the right to renew the term of this Agreement.

2.3 **Renewal Pending Registration.** If Franchisor is not offering new franchises, is in the process of revising, amending or renewing Franchisor's form of Franchise Agreement or franchise disclosure document or is not lawfully able to offer Franchisee Franchisor's then-current form of Franchise Agreement at the time Franchisee exercises an option to extend the term of this Agreement, Franchisor may offer to renew Franchisee's existing Franchise Agreement upon the terms and conditions set forth in this Agreement for the renewal term of the franchise, or may offer to renew the term of this Agreement on a week-to-week basis following the expiration of the term for as long as Franchisor deems necessary or appropriate so that Franchisor may lawfully offer Franchisee Franchisor's then-current form of Franchise Agreement.

### 3. **DUTIES OF FRANCHISOR**

3.1 **Consultation and Advisory Services.** Franchisor may at reasonable times, upon request and at no charge to Franchisee, furnish counseling and advisory services to Franchisee with respect to the planning, opening and operation of the Franchised Business, including consultation and advice regarding operating problems and procedures, new developments and improvements in the System and the interpretation of policy as set forth in the Manuals and other directives of Franchisor. Franchisee shall permit Franchisor or its agents, at any reasonable time, to evaluate the management and operation of the Franchised Business to confirm that Franchisee complies with Franchisor's then-current methods and procedures. Franchisor may conduct, when and as frequently as Franchisor deems advisable, evaluations of the management and operations of the Franchised Business, in order to assist Franchisee and to maintain the System's standards of service. Franchisee acknowledges and agrees that Franchisor, by rendering such consultation and advisory services, does not guarantee the success or profitability of the Franchised Business.

3.2 **Initial Training.** Franchisor shall provide its initial training ("**Initial Training**"), as described in **Section 6** of this Agreement, for up to three (3) trainees.

3.3 **Opening Training.** Franchisor shall make available to Franchisee at Franchisor's expense and at the Franchised Location any assistance that Franchisor may deem is required, based on the experience and judgment of Franchisor, in pre-opening, opening and initial business operation of the Franchised Business. Such assistance will include providing Franchisees with the services of one (1) or more representative of Franchisor for supervisory assistance and guidance in connection with the opening and initial operations of the Franchised Business. Franchisee acknowledges that Franchisor shall not be

responsible for offering guidance with respect to compliance with any laws, ordinances or other legal matters. Prior to the arrival of Franchisor's representative(s), Franchisee shall have substantially completed all training of Franchisee's initial staff of employees for the Franchised Business, as shall be necessary for Franchisee to comply with its staffing obligations under Sections 7.3 and 7.4 below. Should Franchisee request additional assistance from Franchisor in order to facilitate the opening of the Franchised Business, and should Franchisor deem it necessary and appropriate to comply with the request, Franchisee shall pay Franchisor's per diem charges and Franchisor's out of pocket expenses in providing such additional assistance as set forth from time to time in the Manuals. For the purposes of this Section 3.3, Franchisor shall have the right to determine the time or times at which such representatives shall be made available to Franchisee.

3.4 **Loan of Manuals.** Franchisor shall provide Franchisee, on loan, copies of Franchisor's confidential operations manuals and other manuals, instructional materials, and written policies (collectively, the "**Manuals**"), as more fully described in Section 9.1 hereof.

3.5 **Advertising Programs and Materials.** Franchisor shall review and shall have the right to approve or disapprove all advertising and promotional materials that Franchisee proposes to use, pursuant to Section 11 below. Franchisor shall administer the System or Cooperative Ad Funds, if such funds exist or are created, in the manner set forth in Section 11 below.

3.6 **Grand Opening Advertising.** Franchisor shall assist Franchisee in developing and conducting the Grand Opening Advertising Program (as described in Section 11.5 below), which program shall be conducted at Franchisee's expense.

3.7 **Inspections.** Franchisor shall conduct, as it deems advisable, inspections of the operation of the Franchised Business by Franchisee.

3.8 **List of Suppliers.** Franchisor shall, in the Manuals (or otherwise in writing as determined by Franchisor), provide Franchisee with a list of suppliers designated and/or approved by Franchisor to supply products, equipment, signage, materials and services to franchisees in the System.

3.9 **Policy Manager and Insurance Rating Management Software.** Franchisor shall provide Franchisee with use of its policy manager and insurance rating management software, as it may be modified and upgraded from time to time.

3.10 **Delegation.** Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by any distributor, designee, employee, or agent of Franchisor, as Franchisor may direct.

3.11 **Fulfillment of Obligations.** In fulfilling its obligations pursuant to this Agreement, and in conducting any activities or exercising any rights pursuant to this Agreement, Franchisor (and its affiliates) shall have the right: (i) to take into account, as it sees fit, the effect on, and the interests of, other franchised businesses and systems in which Franchisor (or its affiliates) has an interest and Franchisor's (and its affiliates') own activities; (ii) to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which Franchisor (or its affiliates) has an interest, or with Franchisor's affiliates; (iii) to introduce proprietary and non-proprietary items or operational equipment used by the System into other franchised systems in which Franchisor (or its affiliates) has an interest; and/or (iv) to allocate resources and new developments between and among systems, and/or Franchisor's affiliates, as it sees fit. Franchisee understands and agrees that all of Franchisor's obligations under this Agreement are subject to this Section 3.10, and that nothing in this Section 3.10 shall in any way affect Franchisee's obligations under this Agreement.

#### 4. **FEES AND COMMISSIONS**

4.1 **Initial or Renewal Franchise Fee.** Franchisee shall pay Franchisor an initial franchise fee of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_,000), or in the case of a renewal, a renewal fee of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_,000) in accordance with Section 2.2(g), or in the case of a transfer a Transfer Fee of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) for one Franchised Business (the “Franchise Fee”). The Franchise Fee shall be paid in full upon the execution of this Agreement, subject to a development credit, if any, that may be applied from the remaining portion (if any) of the Area Development Fees that Franchisee previously paid to Franchisor pursuant to a separate Area Development Agreement executed between Franchisor and Franchisee. If Franchisee is an entity, each shareholder, officer, director, general partner manager and member of Franchisee, as the case may be, shall jointly and severally guarantee Franchisee’s performance of each and every provision of this Agreement by executing a Guarantee in the form attached to this Agreement as **Exhibit D.**

4.2 **Refundability.** Payment of the Franchise Fee shall be non-refundable in consideration of administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor’s lost or deferred opportunity to franchise others.

4.3 **Gross Franchise Revenue.** In accordance with applicable state laws and regulations, Franchisor and its affiliates shall have the sole right and obligation to invoice and collect all “**Insurance Premium Revenue**” due from Franchisee’s clients under all insurance policies sold by the Franchised Business, in addition to certain set up fees, and administrative fees, as Franchisor determines in its sole discretion from time to time, earned by the Franchised Business (collectively the “**Gross Franchise Revenue**”). Franchisor shall provide for collection of Gross Franchise Revenue from Franchisee by Electronic Funds Transfers (“EFT”), which Franchisor shall initiate at times and dates it determines, in its sole discretion. Franchisee shall establish an arrangement for EFT, or deposit of any payments or revenue required under this Section 4, as Franchisor shall require, including, without limitation, execution of Franchisor’s current form of “Authorization Agreement for Pre-Arranged Payments,” a copy of which is attached to this Agreement as **Exhibit H.** Franchisee shall comply with all payment and reporting procedures specified by Franchisor in this Agreement and the Manuals. Following Franchisor’s or its affiliate’s receipt of the Gross Franchise Revenue, Franchisor shall calculate the amount of “**Sales Commissions**” due to Franchisee under Section 4.4 of this Agreement and shall pay the Sales Commissions collected by Franchisor and due to Franchisee on the tenth (10<sup>th</sup>) day and the twentieth (20<sup>th</sup>) day of each month, and in each case Franchisor will pay the Sales Commissions due on the Gross Franchise Revenue that was deposited into Franchisor’s account(s) since the prior payment. Franchisor will also pay to Franchisee certain policy fees collected by Franchisor’s policy system on the last day of the month for those fees collected during the prior month. Each payment by Franchisor to Franchisee shall be accompanied by a statement setting forth the amount of the Gross Franchise Revenue deposited into Franchisor’s account(s) since the prior payment and a calculation of the Sales Commissions due to Franchisee from Franchisor. Franchisee acknowledges that Franchisor may retain any amount of the Gross Franchise Revenue as payment of any amounts owed to Franchisor by Franchisee under this Agreement or in connection with the Franchised Business.

#### 4.4 **Sales Commissions and Fees.**

(a) Franchisor shall establish and exclusively maintain and control a separate operating banking account(s) into which the Gross Franchise Revenue will be deposited and from which Sales Commissions will be paid. Franchisee shall be responsible for all fees, charges, charge-backs, unearned commissions and costs associated with the Franchised Business.

(b) Franchisor may, in its own discretion, advance funds on behalf of Franchisee to cover overdrafts or other expenses. In the event such funds are advanced, Franchisee agrees to reimburse Franchisor for any advancement of funds within ten (10) days of the date of the advancement. Franchisee's failure to comply with this provision shall be deemed a breach of this Agreement.

(c) Franchisee shall receive Sales Commissions in the amount of twelve percent (12%) on Insurance Premium Revenue in connection with automobile insurance policies ("Core Insurance Policies") sold by the Franchised Business and collected by Franchisor or its affiliate. Notwithstanding the Sales Commissions described in this Section 4.4 (c) and Section 4.4(d) below, Franchisor's payment of these Sales Commissions shall be subject to Franchisor retaining Gross Franchise Revenue in an amount no less than One Hundred and Fifty Dollars (\$150) per month.

(d) Franchisee shall receive Sales Commissions in amounts to be determined by Franchisor, in its sole discretion, on Insurance Premium Revenue in connection with Non-Core Insurance Policies sold by the Franchised Business and collected by Franchisor or its affiliate. Such Sales Commission amounts shall be further subject to change in Franchisor's sole discretion. "Non-Core Insurance Policies" include roadside assistance, home owners' insurance, and commercial insurance policies, and other third-party insurance products approved by us from time to time. Currently, we pay you Sales Commissions based upon the Gross Franchise Revenue equal to: (i) 25% of collected Insurance Premium Revenue for roadside assistance policies; (ii) 10% of collected Insurance Premium Revenue for new commercial and home owners' insurance policies; and (iii) 8% of collected premium for renewals of commercial and home insurance policies.

(e) Franchisor reserves the right to charge Franchisee's clients certain permitted set up fees and administrative fees in Franchisor's sole discretion. Such fees shall inure to the benefit of Franchisor. Similarly, Franchisee may charge its clients certain broker fees, set up fees or administrative fees as approved from time to time by Franchisor, and in accordance with pricing guidelines established by Franchisor. Such fees shall inure to the benefit of Franchisee and shall be paid by Franchisee's clients directly to Franchisee without being deposited into Franchisor's account(s) as required of Gross Franchise Revenue.

4.5 **Ownership of Book of Business.** The parties acknowledge and agree that all insurance is written under the Pronto name and brand and that Franchisor's affiliate, Pronto California General Agency, LLC dba Pronto General Insurance Agency, owns a 100% interest in the Book of Business developed by Franchisee pursuant to this Agreement. For purposes of this Agreement, "**Book of Business**" means all clients and renewal clients written by Franchisee during and pursuant to the terms of this Agreement. If the Franchise Agreement is terminated in accordance with Section 13, Franchisor's affiliate, Pronto California General Agency, LLC dba Pronto General Insurance Agency, may transfer the Book of Business to another Pronto Business, of Franchisor's choosing, in its sole discretion, in order that this Book of Business will be serviced in a satisfactory manner.

4.6 **Commissions After Termination.** All payments under this Section 4 shall immediately and permanently cease after the expiration or termination of this Agreement; however, Franchisor shall pay Franchisee all amounts which have been earned by, and accrued to, Franchisee as of the effective date of expiration or termination of this Agreement and shall be entitled to offset all sums due to Franchisor by Franchisee.

4.7 **Application of Payments and Refunds.** All payments due to Franchisee under this Section 4 shall be based on amounts actually collected by Franchisor from Franchisee's clients, not on payments accrued, due, or owing, and Franchisee acknowledges and agrees that Franchisor has no duty to initiate collection action against a delinquent client. If Franchisor becomes legally obligated or decides for

any reason to return any portion of Insurance Premium Revenue to a client of Franchisee, Franchisee shall refund the portion of the amount to be returned to the client to Franchisor upon demand in the same proportion as Franchisee shared in such Insurance Premium Revenue, or Franchisor may deduct the portion of the amount to be returned to the client, in the same proportion as Franchisee shared in such Insurance Premium Revenue, from any future amounts owed to Franchisee by Franchisor.

4.8 **Interest on Late Payments.** If Franchisee fails to pay amounts due to Franchisor when due, Franchisee shall pay Franchisor immediately upon demand, in addition to the overdue amount: (i) a late payment fee of Fifty Dollars (\$50) per overdue occurrence and (ii) interest on unpaid amounts at a rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. Franchisor may, in Franchisor's sole discretion, allow Franchisee additional time to pay amounts Franchisee owes us; however, Franchisor may still charge Franchisee interest until these amounts are paid. Furthermore, if Franchisee fails to pay amounts due, Franchisor may also refuse to honor check requests, commission draws and other requests Franchisee may make until the balance with any accrued interest has been paid.

4.9 **Third Party Reimbursement Fees.** Franchisee must reimburse Franchisor for the actual or pro-rata expenses Franchisor incurs on Franchisee's behalf or on behalf of Franchisee's clients for any fees whatsoever. Such reimbursement shall be payable on the 25<sup>th</sup> day of the month following the month when the expense was incurred by Franchisor on Franchisee's behalf or on behalf of Franchisee's clients.

4.10 **Advertising Contribution.** Franchisee shall make monthly advertising contributions for marketing and promotion as Franchisor may direct pursuant to Section 11.1.

## 5. **SITE SELECTION -DEVELOPMENT AND OPENING**

### 5.1 **Site Selection - Development.**

(a) Franchisee must (i) secure a site for the Franchised Location (through lease or purchase) acceptable to Franchisor and with the assistance, at Franchisee's cost, of a real estate broker designated by Franchisor, within two (2) months from the date of this Agreement, (ii) receive the opening notice from Franchisor described in Section 5.4, below, and (iii) do everything necessary for Franchisee's Franchised Business to open for business six (6) months from the date of this Agreement. Franchisee understands that the site for the Franchised Location must be in an area of high visibility and commercial or retail foot traffic, and preferably with drive-thru capability. Franchisee must not operate a Franchised Business, use any of the Proprietary Marks from or at any location, or make any lease or purchase commitments regarding a site until Franchisee has Franchisor's written site acceptance. Franchisor won't unreasonably withhold Franchisor's acceptance.

(b) Franchisee shall submit to Franchisor, in a form specified by Franchisor, a completed site approval package, which shall include: (i) a site approval form prescribed by Franchisor; (ii) a trade area and site marketing research analysis (prepared by a company approved in advance by Franchisor); (iii) an option contract, letter of intent, or other evidence satisfactory to Franchisor which describes Franchisee's favorable prospects for obtaining such site; (iv) photographs of the site; (v) demographic statistics; and (vi) such other information or materials as Franchisor may reasonably require (collectively, the "SAP"). Franchisor shall have twenty (20) business days after receipt of the SAP from Franchisee to approve or disapprove, in its sole discretion, the proposed site for the Franchised Store. In the event Franchisor does not approve a proposed site by written notice to Franchisee within said twenty (20) business days, such site shall be deemed disapproved by Franchisor. No site shall be deemed approved unless it has been expressly approved in writing by Franchisor.

(c) Franchisee hereby acknowledges and agrees that approval by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Approval by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor, could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria.

(d) If Franchisee is unable to secure a site for the Franchised Location (through lease or purchase) acceptable to Franchisor within two (2) months from the date of this Agreement or commence operation of the Franchised Business within six (6) months of the date of this Agreement, then Franchisor may terminate this Agreement without refunding any of the Franchise Fee.

(e) All matters related in any way to Franchisee's site are Franchisee's sole responsibility, regardless of any assistance Franchisor may choose to provide. Franchisee is responsible for obtaining any architectural and engineering services required for Franchisee's facility and for ensuring its compliance with local law. Neither Franchisor, nor any other person or company associated with Franchisor will have any liability for any site-related matter. Franchisee agrees not to make any claims against Franchisor and/or any of Franchisor's affiliates or associates with regard to such matters.

5.2 **Lease of Premises.** Any lease or sublease for the Premises must be satisfactory to Franchisor in its sole discretion. Franchisor reserves the right to require that any lease or sublease contain provisions which:

(a) Obligate the lessor to provide Franchisor on request with sales and other operations information related to the Franchised Business;

(b) Permit Franchisee to operate the Franchised Business in accordance this Agreement and the Manuals;

(c) Require the lessor to concurrently provide Franchisor with a copy of any written notices (whether of default or otherwise) to Franchisee under the lease and give Franchisor the right to cure any default if Franchisor so chooses;

(d) Provide Franchisor with a right to take assignment and possession of the Franchised Business, without the lessor's consent or any additional consideration. If Franchisor exercises this right, Franchisor will not have any liability for any obligations incurred prior to Franchisor's occupancy. Franchisee agrees to take whatever actions are necessary to accomplish such assignment, including, upon Franchisor's request, the execution of the Collateral Assignment of Lease attached as **Exhibit E**. If Franchisee loses its lease rights to the Premises in connection with any bankruptcy, the lessor will, on Franchisor's request, enter into a new lease with Franchisor on essentially the same terms as the terminated lease;

(e) Provide that the lessor consents to the use of the Proprietary Marks, Trade Dress and other aspects of the System, as modified from time to time, and give Franchisor the right to enter the

Premises during normal business hours for purposes of inspection, to take steps to protect the Proprietary Marks and Trade Dress and/or prevent/cure any default;

(f) Provide for a term plus renewal options that equals or exceeds the initial term of this Agreement; and/or

(g) Franchisee won't execute a lease or sublease, or any modification or amendment, without Franchisor's prior written consent, which Franchisor may grant, condition or withhold in Franchisor's sole discretion. Franchisee will deliver a copy of the signed lease or sublease to Franchisor within 5 days after it is signed. If Franchisee owns or acquires the Premises and Franchisor requests, Franchisee will enter into a lease with Franchisor for a term equal to the term of the Franchise (with matching successor and other terms) on commercially reasonable terms, and will sublease the Premises from Franchisor on the same terms as the prime lease, subject to the requirements of this Section 5.2 (g) and granting Franchisor benefits substantially identical to those set out above. If such provisions are not included in the lease or other instruments Franchisor may, without liability and at Franchisor's sole option at any time require that Franchisee immediately cause such provisions to be inserted, or terminate Franchisee's rights and Franchisor's obligations under this Agreement.

5.3 **Franchised Business Design Standards.** Franchisee agrees to comply with any standards, specifications and other requirements (the "**Design Standards**") that Franchisor provides to Franchisee for design, decoration, layout, equipment, furniture, fixtures, signs and other items for the Franchised Business. Franchisee's compliance with the Design Standards does not release Franchisee from its obligations to ensure that the Franchised Business is designed, constructed and operated in compliance with all local, state, and federal laws, including (without limitation) the Americans with Disabilities Act ("**ADA**").

5.4 **Franchised Business Opening.** Franchisee will open the Franchised Business for business immediately upon Franchisor's notice to Franchisee that:

- (a) all of the pre-opening obligations have been fulfilled;
- (b) pre-opening training has been completed;
- (c) all amounts due Franchisor (and/or any Affiliate) have been paid; and
- (d) copies of all insurance policies (and payment of premiums), leases/subleases and other required documents have been received, Franchisee will comply with these conditions and be prepared to open the Franchised Business for business within the periods of time specified by this Agreement and, in any case, Franchisee will open the Franchised Business for business and commence business pursuant to this Agreement within 5 days after Franchisor gives notice to Franchisee stating that the Franchised Business is ready for opening.

5.5 **Relocation of Franchised Business Premises.** Any relocation:

- (a) must be to a location within the Area of Primary Responsibility (unless waived by us),
- (b) requires Franchisor's prior written consent, which Franchisor may grant, condition or withhold in Franchisor's sole discretion (and which may be withheld, in any case, if Franchisee is not in Good Standing),
- (c) will be at Franchisee's sole expense and

(d) will require that Franchisee (and each Affiliate and owner of Franchisee) sign a general release in substantially the form of Exhibit C attached to this Agreement. If the location of the Franchised Business is damaged, condemned or otherwise rendered unusable, or if, in Franchisor's judgment, there is a change in the character of the location of the Franchised Business sufficiently detrimental to its business potential to warrant its relocation, Franchisee agrees to relocate the Franchised Business.

5.6 **Relocation Process.** In addition to the relocation requirements described in Section 5.5 for any relocation of the Franchised Business we consent to, Franchisee shall follow Franchisor's relocation process described below, as supplemented from time to time by Franchisor in the Manuals or otherwise in writing:

(a) Submit a request to Franchisor to relocate the Franchised Business to a proposed address within the Area of Primary Responsibility (unless waived by us).

(b) Franchisor must review and consent to the proposed relocation address before Franchisee signs any documents or makes any commitments relating to the proposed relocation address of the Franchised Business.

(c) Once the relocation address has been approved by Franchisor, Franchisee shall build out and develop the new location at the relocation address as required by Franchisor's franchise development standards manual and as directed by Franchisor. Franchisee is required to maintain as fully operational the current location of the Franchise Business while the new location is in development.

(d) Once development is completed at the new location, a Franchisor representative must inspect the location to ensure that it is up to Franchisor's franchise development standards to issue its final approval.

(e) After Franchisor issues its final approval of the new location, Franchisee and Franchisor will work together to agree on a date to transition the Franchised Business from the current location to the new location that avoids as much as possible any interruption to the business of the Franchised Business.

## **6. TRAINING**

6.1 **Initial Training and Attendees.** Before opening the Franchised Business, Franchisee shall have satisfied all initial training obligations required by Franchisor, which are as follows:

(a) Franchisee (or, if Franchisee is other than an individual, the Designated Principal (defined in Section 7.3 below)) and, if applicable, the General Manager (defined in Section 7.3 below) and up to one (1) additional person as Franchisor may require (not to exceed a total of three (3) persons), shall attend and successfully complete, to Franchisor's satisfaction, the initial training program offered by Franchisor at a location designated by Franchisor. The duration of the initial training will be approximately two (2) weeks, depending on the function of the individual attending such training. During the initial training, Franchisee shall receive instruction, training and education in the operation of the Pronto Business and indoctrination into the System. If any required attendee does not satisfactorily complete such training, Franchisor may require that a replacement person attend and successfully complete, to Franchisor's satisfaction, the initial training program.

(b) If Franchisee is other than an individual, Franchisor may require (in addition to the training of the Designated Principal and General Manager) that any or all owners of beneficial interests in

Franchisee (each a “**Principal**”), who are individuals and own at least a ten percent (10%) beneficial interest in Franchisee, attend and successfully complete, to Franchisor’s satisfaction, such portions of the initial training program as determined by Franchisor appropriate for Principals not involved in the day-to-day operations of the Franchised Business.

(c) Franchisee must satisfy all pre-opening training requirements under this Section 6.1 by no later than thirty (30) days prior to the scheduled opening of the Franchised Business.

6.2 **New or Replacement Designated Principal and General Managers.** In the event that Franchisee’s Designated Principal or General Manager ceases active employment in the Franchised Business, Franchisee shall enroll a qualified replacement who is reasonably acceptable to Franchisor in Franchisor’s training program reasonably promptly following cessation of employment of said individual. In the alternative, with respect to training a replacement General Manager, Franchisee may train such replacement(s) in accordance with Section 6.3 below. The replacement Designated Principal and/or any required managers shall complete the initial training program as soon as is practicable and in no event later than any time periods as Franchisor may specify from time to time in the Manuals and otherwise in writing. Franchisor reserves the right to review any Franchisee trained personnel and require that such persons attend and complete, to the satisfaction of Franchisor, the initial training program offered by Franchisor at a location designated by Franchisor.

6.3 **Training by Franchisee of Additional or Replacement General Managers.** Franchisee shall have the option of training any General Manager (following the training of the first General Manager by Franchisor) at the Franchised Business or other Franchised Business operated by Franchisee or its affiliates, provided that Franchisee is in compliance with all agreements between Franchisee and Franchisor and further provided that the training is conducted: (a) by the Designated Principal or other personnel who has completed Franchisor’s initial training program to the satisfaction of Franchisor (and who remains acceptable to Franchisor to provide such training) and (b) in accordance with any requirements or standards as Franchisor may from time to time establish in writing for such training. Franchisor reserves the right, in its sole discretion, to conduct any and all such training under this Section 6.3 if Franchisor deems that Franchisee is not sufficiently capable to perform satisfactory training. Franchisor further reserves the right to require Franchisee to pay Franchisor’s then-current per diem charges for such training.

6.4 **Refresher Training; Conferences.** Franchisor may also require that Franchisee or its Designated Principal and General Manager attend such conferences, meetings, refresher courses, seminars, and other training programs as Franchisor may reasonably require from time to time. Franchisor further reserves the right to assess certain fees in the event Franchisee fails to attend any such mandatory conference, meeting, course, seminar or training program. The fees assessed shall be in the amounts as Franchisor may from time to time prescribe in the Manuals or otherwise in writing.

6.5 **Training Costs.** The cost of all training (instruction and required materials) shall be borne by Franchisor, except as provided in Section 6.7 below. All other expenses incurred in connection with training, including, without limitation, the costs of transportation, lodging, meals, wages, and worker’s compensation insurance, shall be borne by Franchisee.

6.6 **Location of Training.** All training programs shall be at such times as may be designated by Franchisor. Training programs shall be provided at Franchisor’s headquarters and/or such other locations as Franchisor may designate, including virtually/remotely.

6.7 **Additional On-site Training.** If Franchisee requests that Franchisor provide additional on-site supervision or supplemental training or that any training programs offered or required by Franchisor be conducted for Franchisee at the Franchised Business, then Franchisee agrees that it shall pay Franchisor’s

then-current per diem charges and out-of-pocket expenses, which shall be as set forth in the Manuals or otherwise in writing.

## **7. WARRANTIES AND DUTIES OF FRANCHISEE**

### **7.1 Licensing.**

(a) During the term of this Agreement, Franchisee warrants and represents that Franchisee is fully licensed both as a Property Broker-Agent and as a Casualty Broker-Agent, and all of its employees are fully licensed appropriately to operate in the relevant State, and agrees to maintain in good standing any required insurance licenses. Moreover, to the extent necessary, Franchisee shall maintain, in good standing, all notices that the relevant State may require as notice that Franchisee is acting as Franchisor's (or Franchisor's affiliate's) agent in the operation of the Franchised Business. If Franchisee's license is revoked, suspended or restricted, or if an action to do so is begun by a governmental agency to revoke, suspend or restrict the license, Franchisee will immediately notify, in writing, Franchisor. If Franchisee fails to maintain in good standing any insurance license and action notice as an agent with Franchisor with the relevant governmental agency, Franchisor shall have the right to immediately terminate this Agreement, without notice, in accordance with Section 13. During the time period that Franchisee's insurance license and action notice as an agent with Franchisor are not in good standing, Franchisee shall not earn Sales Commissions/compensation and shall remit to Franchisor any and all Sales Commissions/compensation paid during the aforementioned time period.

(b) Franchisee warrants and represents that neither Franchisee nor any of its employees, agents, representatives or owners have ever been subject to disciplinary proceedings by any relevant State governmental agency.

(c) The warranties, covenants and conditions set forth in Section 7.1 (a-c), shall also apply to all of Franchisee's employees and agents that are required to be licensed or filed under the law.

**7.2 System Standards.** Franchisee shall operate the Franchised Business in strict conformity with such methods, standards and procedures Franchisor may from time to time prescribe in the Manuals or otherwise in writing. Franchisee shall refrain from: (a) deviating from such methods, standards and procedures without Franchisor's prior written consent, and (b) otherwise operating in any manner which reflects adversely on the Proprietary Marks or the System. Franchisee shall comply, at Franchisee's sole expense, with any and all applicable local, state and federal codes, regulations, ordinances, rules and orders relating to the sale of insurance policies and other Franchised Business, including, without limitation, all insurance certification and registration requirements of the state in which the Franchised Business is located. Franchisee shall follow the guidelines and policies set forth in the Manuals, which may be modified from time to time by Franchisor in its sole discretion. In particular, Franchisee shall comply with the following specific requirements at all times during the term of the Agreement:

(a) Franchisee shall purchase and install prior to the opening of the Franchised Business, and thereafter maintain, all fixtures, furnishings, equipment, decor, and signs, and maintain in sufficient supplies and materials, as Franchisor may prescribe in the Manuals or otherwise in writing. Franchisee shall refrain from deviating therefrom by the use of any unapproved item without the prior written consent of Franchisor.

(b) Franchisee shall offer and sell only products and services that Franchisor specifies from time to time, unless otherwise approved in writing by Franchisor; and Franchisee shall offer and sell all products and services as Franchisor may specify from time to time as required offerings at the Franchised Business. Franchisee shall offer and sell the products and services utilizing the standards and techniques

as specified by Franchisor. Franchisee is prohibited from offering or selling any products or services at or from the Franchised Business that have not previously been authorized by Franchisor, and shall discontinue selling and offering for sale any products and services which Franchisor shall have disapproved, in writing, at any time. If Franchisee wishes to offer or sell any products or services that have not previously been authorized by Franchisor, Franchisee must first make a written request to Franchisor. Franchisor shall have ninety (90) days in which to approve or disapprove of such request. If Franchisor has provided no response to the written request within ninety (90) days, such request shall be deemed disapproved. Franchisor may deny such approval for any reason.

(c) Franchisee must comply with all insurance underwriting guidelines as prescribed in the Manuals or otherwise in writing. Franchisor reserves the right to perform regular underwriting audits of the Franchised Business, as it deems necessary. For each such audit, Franchisee must maintain a score of ninety percent (90%) with respect to meeting underwriting guidelines. In the event Franchisee fails to receive a score of ninety percent (90%) or better for three (3) consecutive underwriting guideline compliance audits, Franchisor may terminate this Agreement pursuant to Section 13.2(p). Franchisee will be assessed an administrative fee of Fifty Dollars (\$50) for each policy written that fails to meet a minimum of ninety percent (90%) of the underwriting guideline requirements. In the event Franchisee fails to upload to underwriting a minimum of ninety-five percent (95%) of the required documentation for insurance underwriting purposes, Franchisee will be further assessed an administrative fee of Ten Dollars (\$10) for each missing document pertaining to any particular insurance policy. The foregoing fees are subject to change in Franchisor's sole discretion.

(d) Franchisee shall purchase all equipment, fixtures, furnishings, signs, décor, supplies, services and products, and materials, including, without limitation, all insurance products, required for the establishment and operation of the Franchised Business from Suppliers designated or approved in writing by Franchisor (as used in this Section 7.2, the term **"Supplier"** shall include insurance carriers, manufacturers, vendors, distributors and all other forms of suppliers). In determining whether it will approve any particular Supplier, Franchisor shall consider various factors, including but not limited to whether the Supplier (i) can demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such items; (ii) possesses adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; (iii) approval of who would enable the System, in Franchisor's sole opinion, to take advantage of marketplace efficiencies; and (iv) has been approved in writing by Franchisor prior to any purchases by Franchisee from any such Supplier, and have not thereafter been disapproved. Franchisor reserves the right to designate, at any time and for any reason, a single exclusive designated Supplier for insurance products, equipment, supplies, services, or products and to require Franchisee to purchase exclusively from such exclusive designated Supplier, which exclusive designated supplier may be Franchisor or an affiliate of Franchisor.

(e) Franchisee shall be responsible for the accuracy and timeliness of all applications and corresponding documentation necessary for procurement of the insurance and submission to the carrier. Failure to comply may subject Franchisee to immediate termination of the Agreement, without notice, a monetary fine, and/or other disciplinary action.

(f) Franchisee shall be responsible for collection of the full amount of the down payment due from the insured, including percentage of premium, policy fees, and other miscellaneous fees. Franchisee will be held liable for the amount of the down payment not received by Franchisor.

(g) Franchisee shall not accept funds in his own name, nor co-mingle trust funds with personal funds. All funds must be remitted in a form acceptable to Franchisor and made payable to Franchisor. Franchisee shall use only Franchisor's receipt book for all transactions.

(h) Franchisee shall bind insurance coverage immediately upon accepting each application, according to the applicable binding procedure. Documentation and funds must be submitted to Franchisor's corporate office within twenty-four (24) hours after execution of the application. Failure to timely submit the completed application, documentation and funds may jeopardize Franchisor's binding authority with its carriers. Accordingly, in the event Franchisee fails to comply with this section, Franchisor may immediately terminate the Agreement, without notice. Additionally, Franchisee may be subject to a monetary penalty and other disciplinary action.

(i) Franchisee shall upload all documents related to the sale and service of insurance products offered, sold and otherwise provided by the Franchised Business, and any other documentation as may be required by Franchisor, to a designated cloud based server within forty-eight (48) hours of any transaction to which such documents relate. The documents shall be uploaded in accordance with policies and procedures provided in our Manuals or otherwise in writing.

(j) Franchisee shall only use Franchisor's forms, contracts and agreements in connection with his solicitation and procurement of insurance as an agent for Franchisor. Additionally, Franchisee shall not use any fictitious, corporate or other names in association with solicitation of insurance under the Agreement.

(k) Franchisee shall not contract with any insurance carriers, managing general agents, general agents, brokerages, agencies, sub-brokers, or any other individual or entity with respect to the solicitation of insurance, without the prior written consent of Franchisor.

(l) Franchisee may hire, employ, contract with any individual or entity to assist Franchisee in soliciting insurance, with prior authorization, in writing by Franchisor. All new hires must execute an employment contract or independent contractor agreement with Franchisee which form much comply with State law; be a licensed insurance agent, if applicable, and have an Action Notice filed with the relevant State Department of Insurance, if applicable.

(m) Franchisee agrees, upon execution of this Agreement, to provide Franchisor with a copy of all licenses obtained by Franchisee required to operate the Franchised Business.

(n) Franchisor may designate an independent evaluation service to conduct a "mystery shopper" quality control and evaluation program with respect to Franchisor or affiliate-owned and/or franchised Pronto Businesses. Franchisee agrees that the Franchised Business will participate in such mystery shopper program, as prescribed and required by Franchisor, provided that Franchisor-owned, affiliate-owned, and franchised Pronto Businesses also participate in such program to the extent Franchisor has the right to require such participation. Franchisor shall have the right to require Franchisee to pay the then-current charges imposed by such evaluation service with respect to inspections of the Franchised Business, and Franchisee agrees that it shall promptly pay such charges; provided, however, that such charges shall not exceed One Thousand Five Hundred Dollars (\$1,500) during each year of this Agreement.

(o) Franchisee shall participate in all customer surveys and satisfaction audits. Additionally, Franchisee shall participate in any complaint resolution and other programs as Franchisor may reasonably establish for the System, which programs may include, without limitation, providing refunds to customers.

(p) Franchisee will comply with any future System standard regarding inter-franchise sales and System-wide cooperation. For example, a System standard may be developed that would allow clients of any Franchised Business to buy a coupon which could be redeemed through any other Franchised Business.

7.3 **Management of Franchised Business & Designated Principal.** If Franchisee is other than an individual, prior to beginning training, Franchisee shall comply with the following:

(a) Franchisee shall designate, subject to Franchisor's reasonable approval, one "**Principal**" who is both an individual person and owns at least a ten percent (10%) beneficial interest in Franchisee, and who shall be responsible for general oversight and management of the operations of the Franchised Business on behalf of Franchisee (the "**Designated Principal**"). In the event the person designated as the Designated Principal dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to supervise the operations of the Franchised Business, Franchisee shall promptly designate a new Designated Principal, subject to Franchisor's reasonable approval.

(b) Franchisee shall designate either the Designated Principal or an experienced manager to assume the full-time responsibility for the daily supervision and operation of the Franchised Business (the "**General Manager**"). Franchisee shall inform Franchisor in writing whether Franchisee, the Designated Principal (if Franchisee is other than an individual), or a General Manager will assume this role. The General Manager shall be subject to Franchisor's approval, in its sole discretion.

(c) Franchisee acknowledges and agrees that Franchisor shall have the right to rely upon either or both the Designated Principal or General Manager as having responsibility and decision-making authority regarding the Franchised Business' operation and Franchisee's business.

7.4 **Staffing.** In order to protect and enhance the System and the goodwill associated with the Proprietary Marks, Franchisee agrees to maintain a competent, conscientious, staff consisting of no less than one licensed manager and one licensed agent (who are trained by Franchisee to Franchisor's standards and requirements) and meet such minimum standards as Franchisor may establish from time to time. Franchisee shall be solely responsible for all employment decisions and functions of the Franchised Business, including those related to hiring, firing, scheduling, wage and hour requirements, recordkeeping, supervision, and discipline of employees, in addition to compliance with all applicable federal, state, and local laws, rules and regulations.

7.5 **Computer Hardware and Software.** Franchisee shall purchase or lease, and thereafter maintain in strict conformity with the standards and specifications that Franchisor may from time to time prescribe in the Manuals or otherwise in writing, such computer hardware and software, required dedicated telephone and power lines, modem(s), printer(s), and other computer-related accessories or peripheral equipment for record keeping functions. Franchisor shall have the right from time to time and at any time to retrieve data and information from Franchisee's computer system as Franchisor, in its sole and exclusive discretion, deems necessary or desirable. Franchisee acknowledges and agrees that because of the interconnection of computer systems and the necessity that such systems be compatible with each other, Franchisee shall strictly comply with Franchisor's standards and specifications for all items associated with Franchisee's computer system and shall otherwise operate its computer system in accordance with Franchisor's standards and specifications. In addition, to ensure full operational efficiency and optimum communication capability between and among computer systems installed by Franchisee, Franchisor, and other Franchisor Insurance Franchisees, Franchisee shall, at Franchisee's expense, keep Franchisee's computer system in good maintenance and repair and promptly install such additions, changes, modifications, substitutions and/or replacements to Franchisee's computer hardware, software, telephone and power lines, and other computer-related facilities, as Franchisor directs.

7.6 **Performance Requirements.** Franchisee shall devote Franchisee's full time, attention and best efforts to the development and operation of the Franchised Business and shall only permit the Franchised Business to be operated and managed in accordance with the terms of this Agreement. The Franchised Business shall, during the first 12 month period of the term of this Agreement, generate no less

than Three Hundred Thousand Dollars (\$300,000) in Gross Franchise Revenue. Thereafter, the Franchised Business shall generate no less than Six Hundred Sixty Thousand Dollars (\$660,000) in Gross Franchise Revenue per year during the remaining term of this Agreement. If the Franchised Business does not generate the prescribed Gross Franchise Revenue required by this Section 7.6, Franchisor may, in its sole and absolute discretion, (a) reduce the size of Franchisee's Area of Primary Responsibility, (b) refuse to extend the term of this Agreement or (c) terminate this Agreement.

7.7 **Submission and Maintenance of Records.** Franchisee shall, at Franchisee's expense, provide Franchisor with weekly and monthly statements, on forms prescribed by Franchisor, accurately reporting all sales activity during the preceding week or month and such other data and information regarding operation of the Franchised Business as Franchisor may require. Franchisee shall, at Franchisee's expense, provide Franchisor with a copy of Franchisee's financial statements showing the results of operations of the Franchised Business for each fiscal year during the term of this Agreement within ninety (90) days after the end of each fiscal year of Franchisee. Franchisee shall preserve for at least seven (7) years from the dates of their preparation, complete and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing. Franchisor or its designated agents shall have the right at all reasonable times to examine and copy, at Franchisor's expense, the books, records and accounts of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books and records of Franchisee.

7.8 **Gross Franchise Revenue Understatements.**

(a) If any inspection or audit discloses understatement of Gross Franchise Revenue, Franchisee will pay to Franchisor such understated amount, plus interest and late fees, from the date originally due until the date of payment. Franchisor may require Franchisee to reimburse Franchisor for the cost of the inspection or audit, including, without limitation, accounting fees, and related travel and per diem charges, if:

- (i) any inspection or audit is necessary because of Franchisee's failure to timely furnish required information/reports; or
- (ii) Gross Franchise Revenue was understated for any period by more than two percent (2%).

In addition to all other remedies and rights Franchisor may have, Franchisor may terminate this Agreement if (i) Gross Volume is understated for any period by more than five percent (5%); or (ii) any understatement is determined by Franchisor to have been intentional,

7.9 **Pronto Client Data.** Without limiting any other provision of this Agreement, all Pronto Client Data is and shall remain the sole property of Franchisor and its affiliates. For purposes of this Agreement, "**Pronto Client Data**" includes, without limitation, any and all information by, from, or about a client acquired by Franchisee from its business relationship with a client. Franchisee shall require all clients to sign the agency forms required by Franchisor which will state that the Franchise is an independent agent procuring insurance on behalf of Franchisor and that accordingly client's information will be made available to and subject to approval by Franchisor. No right, title or interest in the Pronto Client Data is conveyed, transferred, or otherwise licensed to Franchisee hereunder or otherwise. Accordingly, Franchisee shall not, during the term or thereafter sell, lease, share or rent any Pronto Client Data or make any use whatsoever of the Pronto Client Data.

7.10 **Maintenance of Premises.** Franchisee shall maintain the Franchised Business and the Premises in a clean, orderly condition and in excellent repair; and, in connection therewith, Franchisee shall, at its expense, make such repairs and replacements thereto (but no others without prior written consent of Franchisor) as may be required for that purpose, including such periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor as Franchisor may reasonably direct.

7.11 **Use of Premises; Hours of Operation; Uniforms.** Franchisee shall use the Premises solely for the operation of the Franchised Business; shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may from time to time prescribe in the Manuals or otherwise in writing; shall refrain from using or permitting the use of the Premises for any other purpose or activity at any time without first obtaining the written consent of Franchisor. Franchisee shall be responsible for having all personnel employed by Franchisee wear standard related uniforms and attire during business hours in order to further enhance Franchisor's product and format. Franchisee shall be permitted to purchase such uniforms and attire from manufacturers or distributors approved by Franchisor, which uniforms and attire must be in strict accordance with Franchisor's design and other specifications.

7.12 **Ongoing Upgrades and Refurbishments.** Throughout the term of this Agreement, Franchisee shall maintain all fixtures, furnishings, equipment, decor, and signs as Franchisor may prescribe from time to time in the Manuals or otherwise in writing. Franchisee shall make such changes, upgrades, refurbishment, and replacements as Franchisor may periodically require, in the time frames specified by Franchisor.

7.13 **Five-Year Refurbishment and Renovations.** At the request of Franchisor, but not more often than once every five (5) years, unless sooner required by Franchisee's lease, Franchisee shall refurbish the Premises, at its expense, to conform to the Business design, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for a new Pronto Business. Such refurbishment may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements, and shall be completed pursuant to such standards, specifications and deadlines as Franchisor may specify.

7.14 **Compliance with Lease.** Franchisee shall comply with all terms of its lease or sublease, its financing agreements (if any), and all other agreements affecting the operation of the Franchised Business; shall undertake best efforts to maintain a good and positive working relationship with its landlord and/or lessor; and shall not engage in any activity which may jeopardize Franchisee's right to remain in possession of, or to renew the lease or sublease for, the Franchised Location.

7.15 **Obligations to Third Parties.** Franchisee must at all times pay its landlord, contractors, suppliers, trade creditors, employees and other creditors promptly as the debts and obligations to such persons become due. Failure to do so shall constitute a breach of this Agreement.

7.16 **Notice of Legal Actions.** Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any suit to foreclose any lien or mortgage, or any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, including health agencies, which (i) relates to the operation of the Franchised Business, (ii) may adversely affect the operation or financial condition of the Franchised Business, or (iii) may adversely affect Franchisee's financial condition.

7.17 **Franchisor's Website.** Franchisor may, but shall not be obligated to, establish and maintain from time to time, one or more Internet websites that Franchisor may develop, in its sole discretion, that may be used, among other things, to provide information about Franchisor and the services that are offered by Franchisor and its Franchisees ("**Franchisor's Website**"). Franchisor has sole discretion and

control over the establishment, design and content of Franchisor's Website. Franchisor may, but shall not be obligated to, configure the site to accommodate one or more interior pages of Franchisor's Website which Franchisor may dedicate, in whole or in part, to the Franchised Business ("**Franchisee's Web Page**"). Franchisor may require Franchisee to pay a reasonable fee for the privilege of having Franchisee's Web Page. Franchisor may, at its sole option, from time to time, without prior notice to Franchisee: (a) change, revise, or eliminate the design, content and functionality of Franchisor's Website; (b) make operational changes to Franchisor's Website; (c) change or modify the URL and/or domain name of Franchisor's Website; (d) substitute, modify, or rearrange Franchisor's Website, at Franchisor's sole option, including in any manner that Franchisor considers necessary or desirable to, among other things, (i) comply with applicable laws, (ii) respond to changes in market conditions or technology, and (iii) respond to any other circumstances; (e) limit or restrict end-user access (in whole or in part) to Franchisor's Website; (f) disable or terminate Franchisor's Website without any liability to Franchisee.

(a) Any modifications (including customizations, alterations, submissions or updates) to the content made by Franchisee for any purpose will be deemed to be a "**work made for hire**" under the copyright laws, and therefore, Franchisor shall own the intellectual property rights in and to such modifications. To the extent any modification does not qualify as a work made for hire as outlined above, Franchisee hereby assigns those modifications to Franchisor for no additional consideration and with no further action required and shall execute such further assignments(s) as Franchisor may request. Franchisee may not modify Franchisee's Web Page except in coordination with Franchisor's webmaster and in compliance with Franchisor's policies and procedures. Franchisee shall, if required by Franchisor, contribute a reasonable fee toward the cost of the website's maintenance, which may vary from year to year during the term of this Agreement, and shall pay the same to Franchisor in the manner and at the times that Franchisor may establish in the Manuals from time to time.

(b) If Franchisee fails to pay when due any fees or other amounts payable to Franchisor under this Agreement, or any other agreement with Franchisor or Franchisor's affiliates, or otherwise fails to perform its obligations under this Agreement or any other agreement with Franchisor or Franchisor's affiliates, Franchisor may disable Franchisee's Web Page, without prior notice and without any liability or recourse as against Franchisor, or its affiliates, until such time as Franchisee pays and/or performs its outstanding obligations in full. Franchisee hereby appoints Franchisor as Franchisee's attorney-in-fact with full power and authority for the sole purpose of disabling Franchisee's Web Page. This appointment shall be deemed to be coupled with an interest and shall continue in full force and effect until and following the termination or expiration of this Agreement.

(c) Franchisee acknowledges and agrees that Franchisor has no control over the stability or maintenance of the Internet generally; as a result, Franchisor shall not be responsible for damage or loss caused by errors of the Internet. Furthermore, Franchisor shall not be liable for any direct, indirect, special, incidental, exemplary or consequential damages arising out of the use of, or the inability to use, Franchisor's Website or the Internet, including loss of profits, goodwill, or savings; downtime; or damage to or replacement of programs and data, whether known or unknown, based in contract, tort, product liability, or otherwise.

(d) Franchisee shall not use the Proprietary Marks to advertise, promote or sell any services through the Internet, nor will Franchisee offer or sell any service that is identified with the Proprietary Marks through the Internet, unless Franchisee has received prior written approval from Franchisor. Franchisee's breach of this restriction will constitute willful trademark infringement and a material breach of this Agreement. In no way limiting the foregoing, Franchisee agrees not to transmit or cause any other party to transmit advertisements, solicitations, marketing information, promotional information or any other information whatsoever regarding Pronto Businesses by e-mail or any other "**Electronic Media**" without Franchisor's prior written consent and in accordance with such specific

programs, policies, terms and conditions as Franchisor may from time to time establish. Electronic Media shall include, but not be limited to, blogs, microblogs, social networking sites (such as Facebook, LinkedIn, Instagram, Snapchat and MySpace), video-sharing and photo-sharing sites (such as YouTube and Flickr), review sites, marketplace sites (such as eBay and Craigslist), Wikis, chat rooms and virtual worlds.

(e) Except as provided in this Agreement, Franchisee shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including any Internet home page, e-mail address, website, bulletin board, news group or other Internet-related medium) which in any way uses or displays, in whole or part, the Proprietary Marks, or any of them, or any words, symbols or terms confusingly similar thereto other than Franchisee's Web Page, if established by Franchisor, in its sole discretion, and in accordance with this Agreement, such procedures, policies, standards and specifications as Franchisor may establish in the Manuals from time to time and only so long as Franchisee is not in default of this Agreement or any other Agreement between Franchisor, its affiliates and Franchisee.

(f) Franchisee acknowledges and agrees that Franchisor shall own and will retain all right, title and interest in and to the use of the Proprietary Marks in any and all manners and to all existing and future domain names, URLs, future addresses and sub-addresses established by Franchisor and all intellectual property rights in or to any of them.

7.18 **Franchisor's Intranet.** Franchisor may, at its sole discretion and option, establish and maintain a private method of communication for use only by employees and Franchisees of Franchisor (an "**Intranet**") through which Franchisor, Franchisees of Franchisor and Franchisor's employees may communicate with each other, and through which Franchisor may disseminate the Manuals, updates thereto and other Confidential Information (as described in Section 9.2). Franchisor shall have sole discretion and control over all aspects of the Intranet, including the content and functionality thereof. Franchisor will have no obligation to maintain the Intranet indefinitely, and may dismantle it at any time without liability to Franchisee.

(a) If Franchisor establishes an Intranet, Franchisee shall have the privilege to use the Intranet, subject to Franchisee's strict compliance with the standards and specifications, protocols and restrictions that Franchisor may establish from time to time. Such standards and specifications, protocols and restrictions may relate to, among other things, (a) the use of abusive, slanderous or otherwise offensive language in electronic communications; (b) communications between or among Franchisees that endorse or encourage breach of any Franchisee's Franchise Agreement; (c) confidential treatment of materials that Franchisor transmits via the Intranet; (d) password protocols and other security precautions; (e) grounds and procedures for Franchisor's suspending or revoking a Franchisee's access to the Intranet; and (f) a privacy policy governing Franchisor's access to and use of electronic communications that Franchisees post to the Intranet. Franchisee acknowledges that, as administrator of the Intranet, Franchisor can technically access and shall be entitled to view any communication that any person posts on the Intranet. Franchisee further acknowledges that the Intranet facility and all communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that Franchisee or any other person may assert.

(b) Upon receipt of notice from Franchisor that Franchisor has established the Intranet, Franchisee shall establish and continually maintain (during all times that the Intranet shall be established and until the termination of this Agreement) an electronic connection (the specifications of which shall be specified in the Manuals) with the Intranet that allows Franchisor to send messages to and receive messages from Franchisee, subject to the standards and specifications. Franchisor shall have the right to require all of its Franchisees, including Franchisee, to contribute a reasonable amount toward the cost of the Intranet's

maintenance, which may vary from time to time during the term of this Agreement, and shall pay the same to Franchisor in the manner and at the times that Franchisor may establish in the Manuals from time to time.

(c) If Franchisee fails to pay when due any fees or other amounts payable to Franchisor under this Agreement, or any other agreement Franchisor or Franchisor's affiliates, or otherwise fails to perform its obligations under this agreement or any other agreement with Franchisor or Franchisor's affiliates, Franchisor may, without prior notice and without any liability or recourse as against Franchisor, or its affiliates, temporarily disable or terminate Franchisee's access to the Intranet until such time as Franchisee pays and/or performs its outstanding obligation in full.

(d) Franchisee shall, at the option and request of Franchisor, and without any additional consideration, assign to Franchisor all rights to all e-mail addresses, URLs, domain names, Internet listings, and Internet accounts related to the Franchised Business following demand by Franchisor upon Franchisee's misuse of the same and/or the termination or expiration of this Agreement. Furthermore, Franchisee hereby appoints Franchisor as Franchisee's attorney-in-fact with full power and authority for the sole purpose of assigning these rights to Franchisor. This appointment shall be deemed to be coupled with an interest and shall continue in full force and effect until and following the termination or expiration of this Agreement.

7.19 **Brand Representation.** In the case that the Franchised Business is located in a co-branded environment, Franchisee shall insure that the Pronto Business brand, represented by the Proprietary Marks through exterior and/or interior signage and trade dress, obtains equal or more representation in comparison to the other business in the Premises. If Franchisor determines, in its sole discretion, that the Franchised Business is not represented equally pursuant to this Section 7.19, Franchisee shall remedy such to Franchisor's satisfaction immediately. Failure to do so shall constitute a material breach of this Agreement.

## **8. PROPRIETARY MARKS**

8.1 **Ownership.** Franchisor represents with respect to the Proprietary Marks that:

(a) PRONTO GENERAL AGENCY, INC. ("**Licensor**") has licensed its right, title, and interest in and to the Proprietary Marks to Franchisor. Franchisor represents that applications for registration of certain Proprietary Marks have been filed (and others may be filed in the future) by the Licensor with the appropriate authorities. Franchisee acknowledges that neither Franchisor nor Licensor has made any representation or warranty to the effect that the Proprietary Marks which have not been registered shall be registered or are able to be registered therein, and the failure to obtain registrations of any of the Proprietary Marks shall not be deemed to be a breach of the terms of this Agreement by Franchisor. Moreover, Franchisee shall cooperate with Franchisor, Licensor and their representatives, at Franchisor's expense, in the prosecution of any applications or registrations of any Proprietary Marks which have been filed with the appropriate authorities.

(b) Franchisor will take all steps reasonably necessary to preserve and protect the ownership and validity in and to the Proprietary Marks.

8.2 **License to Franchisee.** Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement in connection with the operation of the Franchised Business, and any unauthorized use thereof shall constitute an infringement of rights of Franchisor. Nothing in this Agreement shall be construed as authorizing or permitting their use at any other location or for any other purpose except as may be authorized in writing by Franchisor.

8.3 **Terms of Franchisee's Usage.** With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees that:

(a) It shall use only the Proprietary Marks designated by Franchisor, and to use them only in the manner authorized and permitted by Franchisor. Further, Franchisee shall not use any confusingly similar Trademarks in connection with its franchise or any other business in which it has an interest;

(b) It shall use the Proprietary Marks only for the operation of the business franchised hereunder and only at the location authorized hereunder, or in Franchisor-approved advertising for the business conducted at or from that location;

(c) It shall operate and advertise the Franchised Business only under the name "Pronto," and use the Proprietary Marks without prefix or suffix, unless otherwise authorized or required by Franchisor;

(d) It shall not use the Proprietary Marks as part of its corporate or other legal name, or as part of any e-mail address, domain name, or other identification of Franchisee in any electronic medium without Franchisor's prior written approval. Franchisee may, as necessary to conduct the business of the Franchised Business and to obtain governmental licenses and permits for the Franchised Business, indicate that Franchisee shall be operating the Franchised Business under the trade name "Pronto," provided that Franchisee shall also clearly identify itself as the owner and operator of the Franchised Business;

(e) It shall identify itself as the owner of the Franchised Business (in the manner required by Franchisor) in conjunction with any use of the Proprietary Marks, including on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations on the Premises as Franchisor may designate in writing;

(f) It shall not use the Proprietary Marks in such a way as to incur any obligation or indebtedness on behalf of Franchisor; and

(g) It shall execute any documents deemed necessary by Franchisor to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability. At Franchisor's request, Franchisee shall assign, transfer or convey to Franchisor, in writing, all additional rights, if any, that may be acquired by Franchisee as a result of its use of the Proprietary Marks.

8.4 **Franchisee Acknowledgments.** Franchisee expressly understands and acknowledges that:

(a) Licensor is the owner of the Proprietary Marks, with all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them, and that Franchisor has the sole right to use, and license others to use, the Proprietary Marks;

(b) During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity of Franchisor's right to use and to license others to use, the Proprietary Marks;

(c) Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks;

(d) Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to the benefit of Franchisor, and, upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks;

(e) The right and license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Franchisor thus has and retains the rights, among others: (a) to use the Proprietary Marks itself in connection with selling the products and services; (b) to grant other licenses for the Proprietary Marks; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto without providing any rights therein to Franchisee;

(f) Franchisor reserves the right to approve all signs, memos, stationery, business cards, advertising material forms and all other objects and supplies using the Proprietary Marks. All advertising, publicity, point of sale materials, signs, decorations, furnishings, equipment, or other materials employing the Proprietary Marks shall be in accordance with this Agreement and the confidential Operations Manuals, and Franchisee shall obtain Franchisor's approval prior to such use;

(g) Franchisor shall have the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder at the sole discretion of Franchisor. If it becomes advisable at any time, in the discretion of Franchisor, to modify or discontinue use of any Proprietary Mark and/or to adopt or use one or more additional or substitute Proprietary Marks, then Franchisee shall be obligated to comply with any such instruction by Franchisor. In such event and at Franchisor's direction, Franchisee shall adopt, use and display only such new or modified Proprietary Marks and shall promptly discontinue the use and display of outmoded or superseded Proprietary Marks, at Franchisee's expense. Franchisee waives any other claim arising from or relating to any Proprietary Mark change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any proprietary mark addition, modification, substitution or discontinuation. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages;

(h) Upon the expiration, termination or non-renewal of this Agreement, Franchisee shall immediately cease using the Proprietary Marks, color combinations, designs, symbols or slogans; and Franchisor may cause Franchisee to execute such documents and take such action as may be necessary to evidence this fact. After the effective date of expiration, termination or non-renewal, Franchisee shall not represent or imply that he is associated with Franchisor. To this end, Franchisee irrevocably appoints Franchisor or its nominee to be Franchisee's attorney-in-fact to execute, on Franchisee's behalf, any document or perform any legal act necessary to protect the Proprietary Marks from unauthorized use. Franchisee acknowledges and agrees that the unauthorized use of the Proprietary Marks will result in irreparable harm to Franchisor for which Franchisor may obtain injunctive relief, monetary damages, reasonable attorneys' fees and costs;

(i) In order to develop and maintain high uniform standards of quality and service and to protect the reputation and goodwill of Franchisor, Franchisee agrees to do business and advertise using only the Proprietary Marks designated by Franchisor. Franchisee shall not do business or advertise using any other name. Franchisee is not authorized to and shall not use the word "Pronto" by itself, as a part of the legal name of any corporation, partnership, proprietorship or other business entity to which Franchisee is associated, or with a bank account, trade account or in any legal or financial connection;

(j) In order to preserve the validity and integrity of the Proprietary Marks, and to assure that Franchisee is properly employing them in the operation of Franchisee's business, Franchisor

and its agents shall have the right at all reasonable times to inspect Franchisee's business, financial books and records, and operations. Franchisee shall cooperate with and assist Franchisor's representative in such inspections;

(k) Franchisee shall be required to affix the ™ or ® symbol upon all advertising, publicity, signs, decorations, furnishings, equipment or other printed or graphic material employing the word "Pronto" or any other of the Proprietary Marks, whether presently existing or developed in the future;

(l) Franchisee acknowledges that it does not have any right to deny the use of the Proprietary Marks to any other franchisees. In consideration therefor, Franchisee shall execute all documents and take such action as may be requested to allow Franchisor or other franchisees to have full use of the Proprietary Marks;

(m) If, during the term of this Agreement, there is a claim of prior use of any of the Proprietary Marks in the area in which Franchisee is doing business or in another area or areas, Franchisee shall so use any of Franchisor's other Proprietary Marks in such a way and at Franchisor's discretion in order to avoid a continuing conflict;

(n) Franchisee shall immediately notify Franchisor of any apparent infringement of or challenge to Franchisee's use of the Proprietary Marks, or any claim, demand, or suit based upon or arising from the unauthorized use of, or any attempt by any other person, firm, or corporation to use, without authorization, or any infringement of or challenge to, any of the Proprietary Marks. Franchisee also agrees to immediately notify Franchisor of any other litigation instituted by any person, firm, corporation or governmental entity against Franchisor or Franchisee;

(o) Franchisor shall undertake the defense or prosecution of any litigation concerning Franchisee that relates to any of the Proprietary Marks or that, in Franchisor's judgment, may affect the goodwill of the System; and Franchisor may, in such circumstances, undertake any other action which it deems appropriate. Franchisor shall have sole and complete discretion in the conduct of any defense, prosecution or other action it chooses to undertake. In that event, Franchisee shall execute those documents and perform those acts which, in the opinion of Franchisor, are necessary for the defense or prosecution of the litigation or for such other action as may be undertaken by Franchisor; and

(p) Franchisor agrees to indemnify Franchisee against, and to reimburse Franchisee for, all damages for which it is held liable in any proceeding in which Franchisee's use of any Proprietary Mark pursuant to and in compliance with this Agreement is held to constitute trademark infringement, unfair competition or dilution, and for all costs reasonably incurred by Franchisee in the defense of any such claim brought against it or in any such proceedings in which it is named as a party, provided that Franchisee has timely notified Franchisor of such claim or proceedings, has otherwise complied with this Agreement and has tendered complete control of the defense of such to Franchisor. If Franchisor defends such claim, Franchisor shall have no obligation to indemnify or reimburse Franchisee with respect to any fees or disbursements of any attorney retained by Franchisee.

## **9. CONFIDENTIAL INFORMATION**

9.1 **Compliance With and Use of Manuals.** The Manual will contain mandatory and suggested standards, methods, policies, and procedures, which Franchisor may change and modify from time to time. Franchisee shall operate the Franchised Business in accordance with all mandatory standards, methods, policies, and procedures specified in the Manuals. Any required standards, methods, policies and procedures exist to protect Franchisor's interests in the System and the Proprietary Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control

over those day-to-day operational matters that are reserved to Franchisee. The Manuals Franchisor provides to California franchisees may vary from the Manuals it provides to Texas franchisees, and franchisees in other states to account for differences in the laws that regulate the offer, sale and servicing of insurance products in these states. Franchisee shall treat the Manuals, any other manuals created for or approved for use in the operation of the Franchised Business, the information contained therein, and Pronto Data, trade secrets, know-how, client and prospective client lists, renewals and expirations, pricing policies, marketing plans, operation methods, method and amount of compensation, and all records of Franchisor such as manuals, rate books and other materials furnished to Franchisee by Franchisor, and other confidential business affairs of Franchisor, as confidential, and shall maintain such information as secret and confidential. Franchisee shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person. The Manuals shall at all times remain the sole property of Franchisor and shall be kept in a secure place on the Franchised Location. If Franchisee loses, damages or destroys the Manuals, Franchisee shall pay Franchisor the sum of One Thousand (\$1,000) for a replacement, if necessary. Franchisee shall ensure that its copy of the Manuals is kept current at all times, and in the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Franchisor shall be controlling.

9.2 **Confidentiality of Information.** Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of, anyone else, any confidential information, knowledge or know-how, or trade secrets concerning the methods of operation of the Franchised Business which may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's operation under the terms of this Agreement ("**Confidential Information**"). Franchisee shall divulge such Confidential Information only to such of its employees as must have access to it in order to perform their employment responsibilities. Any and all matters, information, knowledge, know-how, techniques, and other data which Franchisor designates as confidential or a trade secret shall be deemed confidential or a trade secret for purposes of this Agreement. Franchisee agrees that all Confidential Information or items Franchisor designates as confidential or a trade secret, which may or may not be considered "trade secrets" under prevailing judicial interpretations or statutes, are private, valuable, and constitute trade secrets belonging to Franchisor. Franchisee agrees that Franchisor derives independent economic value from the foregoing information not being generally known to, and not being readily ascertainable through proper means by, another person. Franchisee agrees to take reasonable measures as directed by Franchisor to keep such information secret.

9.3 **Data Management and Data Privacy and Security.** Franchisee is solely responsible for protecting itself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and Franchisee waives any and all claims Franchisee may have against Franchisor as the direct or indirect result of such disruptions, failures, or attacks. Franchisee also is solely responsible for the full knowledge and application of all federal, state and local laws and regulations applicable to the computer system, payment processing or other technology used in the operation of the Franchised Business. Franchisee must comply with all state and federal data and consumer privacy laws and regulations, including, but not limited to, the Telephone Consumer Protection Act (TCPA), the National Automated Clearinghouse Association (NACHA) operating rules, and all related and associated regulations, as well as any other applicable federal or state laws, including but not limited to federal, state and local laws related to privacy, data security, data protection, direct marketing, consumer protection, and workplace privacy laws, along with the rules requirements, and regulations of any applicable jurisdiction, including without limitation the California Consumer Privacy Act of 2018, state data breach notification laws, information security requirements, and all similar federal, state, and local laws and all applicable industry standards concerning privacy, confidentiality, and data security. Further, Franchisee must comply with any data privacy or security policies and data breach response policies Franchisor periodically may establish. Franchisee must notify Franchisor immediately of any suspected data breach at or in connection with the Franchised Business.

9.4 **Irreparable Injury.** Franchisee acknowledges that failure to comply with the requirements of this Section 9 shall result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee consents to the issuance of, and shall pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex-parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Section 9.

9.5 **Covenants from Third Parties.** Franchisee shall require any employee or independent contractor who may have access to any Confidential Information of Franchisor to execute covenants that they shall maintain the confidentiality and secrecy of information they receive in connection with their association with Franchisee. Such covenants shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them the current form of which is attached as **Exhibit F**.

## **10. INSURANCE**

10.1 **Franchisee's Insurance Obligations.** Franchisee shall obtain, have in effect on the date of this Agreement, and shall maintain in full force and effect during the term of this Agreement, at Franchisee's expense, an insurance policy or policies protecting Franchisee and Franchisor against any demand or claim with respect to personal and bodily injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the operation of the Franchised Business in such types and amounts as specified in the Manuals. Such policy or policies may include but not be limited to: (a) broad form comprehensive general liability coverage with limits of at least One Million Dollars (\$1,000,000) per occurrence; (b) worker's compensation and employer's liability insurance (as required by law); (c) unemployment insurance covering employees; (d) fire, flood, and extended coverage insurance on the location and Franchisee's property in an amount adequate to replace it if there is an insured loss; (e) business interruption insurance in reasonable amounts; and (f) errors and omissions insurance with coverage limits of at least Three Hundred Thousand Dollars (\$300,000). In addition, in the case of a transfer described in Section 12.2 or in the case of the expiration or termination of this Agreement, Franchisee shall, at Franchisee's expense, obtain, have in effect on the date of the transfer, expiration or termination, as applicable, and maintain for a certain period thereafter additional errors and omissions, professional and general liability policies for an extended reporting endorsement, which allows an insured to extend coverage for a designated period of time after the expiration of the policy (i.e. "tail insurance policy"), as required by Franchisor.

10.2 **Errors and Omissions Insurance.** For the first year of the five (5)-year franchise term, Franchisor shall obtain, on behalf of Franchisee and at Franchisee's sole expense, errors and omissions insurance coverage as is required by Franchisor, which is currently coverage with a minimum limit of \$300,000 per location and a maximum deductible of \$2,500. Franchisor shall charge no additional fee for obtaining such insurance and shall only charge Franchisee the premium fees. After the expiration of one (1) year, Franchisee shall have the option to renew such errors and omissions policy through Franchisor or to obtain, and maintain in effect during the remainder of the term of this Agreement, at Franchisee's expense, errors and omissions insurance coverage as required by Franchisor, as such requirements may be revised from time to time by Franchisor in the Manuals or otherwise in writing, through other insurance companies approved by Franchisor prior to Franchisee's purchase of the same, with at least such minimum limits per franchised business as required by Franchisor in the Manuals. Franchisee shall not allow the errors and omissions policy to lapse at any time, and it is understood that any such lapse in the errors and omissions policy, shall be considered a default of this Agreement and, if not cured, could result in the termination of this Agreement. If Franchisor is able to obtain group errors and omissions insurance coverage for Pronto Insurance Franchisees, Franchisee may, but shall not be required to obtain the required errors and omissions coverage under such a group policy. Franchisee's pro-rata annual costs for the same

shall equal the annual premium for the group policy divided by the number of Pronto Insurance Franchisees who participate in such group policy coverage. Franchisee shall be required to provide proof of insurance at any time, as may be requested by Franchisor from time to time and shall also be required to provide proof of such insurance prior to any renewal of this Agreement.

10.3 **Requirements.** At least ten (10) days prior to the time any insurance is first required to be carried by Franchisee, and thereafter at least thirty (30) days prior to the expiration of any policy, Franchisee shall deliver to Franchisor a Certificate of Insurance evidencing the required coverage. All Certificates shall provide that no less than thirty (30) days' prior written notice shall be given Franchisor in the event of material alteration to or cancellation or non-renewal of the coverage evidenced by such Certificates. All policies of insurance to be maintained by Franchisee shall be written by Franchisor's affiliate, Pronto California General Agency, LLC dba Pronto General Insurance Agency, and shall contain a separate endorsement naming Franchisor, and if required, Franchisor's parent and affiliated companies, as additional insured parties. Franchisee shall cause certificates of insurance showing compliance with the above requirements to be delivered to Franchisor annually upon renewal and at such other times as Franchisor may request.

## **11. ADVERTISING AND PROMOTION**

11.1 **Franchisee's Advertising Obligations.** Recognizing the value of marketing and promotion, and the importance of the standardization of marketing and promotion programs to the furtherance of the goodwill and public image of the System, Franchisee and Franchisor agree as follows:

(a) Beginning the seventh (7<sup>th</sup>) full month after the Franchised Business commences operation, Franchisor reserves the right to require that Franchisee, during each Month, spend and/or contribute on advertising and promotion amounts, which, in the aggregate, are equal to the greater of (i) Five Hundred Dollars (\$500) or (ii) one percent (1%) of Franchisee's Gross Franchise Revenue during the preceding Month, to advertise and to promote the Franchised Business (the "Advertising Obligation"); provided, however, that the Advertising Obligations may exceed such amount under the circumstances set forth in Section 11.1 (b) below. The Advertising Obligation shall be in the form of the following, and in such proportions as may be designated by Franchisor in writing from time to time: (i) contributions paid to the System Ad Fund, pursuant to Section 11.2 below, (ii) contributions paid to any Cooperative Ad Fund, as may be established pursuant to Section 11.3 below, and/or (iii) expenditures by Franchisee on "local advertising and promotion" pursuant to Section 11.4.

(b) As of the date of this Agreement and until Franchisee receives written notice from Franchisor of new allocations, the allocation of the Advertising Obligation shall be as follows: zero percent (0%) of the Advertising Obligation shall be contributed by Franchisee to the System Ad Fund and one hundred percent (100%) of the Advertising Obligation shall be spent by Franchisee on local advertising and promotion, which amount will be used to satisfy the Cooperative Ad Fund, if and when one is instituted in Franchisee's trading area. The Cooperative Ad Fund contribution will not exceed the Advertising Obligation, unless the members of such Cooperative Ad Fund vote to exceed the maximum amount. Any contributions made by Franchisee to a Cooperative Ad Fund will be credited against Franchisee's local advertising expenditure requirement.

(c) The Advertising Obligation is the minimum requirement only, and Franchisee may, and is encouraged to, expend additional funds for marketing and promotion. In addition to the Advertising Obligation, Franchisee shall undertake and complete the Grand Opening Advertising Program, as provided in Section 11.5 below.

11.2 **System Ad Fund.** Franchisor shall have the right at any time, in its sole discretion to establish a fund for system-wide advertising and promotion of the System (the “**System Ad Fund**”). During the existence of the System Ad Fund, Franchisee shall contribute to the System Ad Fund such amounts as Franchisor may specify in accordance with Section 11.1 above. Such amounts shall be withheld from the Sales Commissions payable to Franchisee each month under Sections 4.3 and 4.4. If the Advertising Obligation is greater than the Sales Commissions payable to Franchisee for any given month, Franchisor reserves the right to require that Franchisee contribute to the System Ad Fund the balance owed toward the Advertising Obligation by the fifteenth (15<sup>th</sup>) day of any such month. The System Ad Fund shall be maintained and administered by Franchisor as follows:

(a) Franchisor shall direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisor is not obligated, in administering the System Ad Fund, to make expenditures for Franchisee which are equivalent or proportionate to Franchisee’s contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the System Ad Fund.

(b) The System Ad Fund, all contributions thereto, and any earnings thereon shall be used exclusively to meet any and all costs of maintaining, administering, directing, conducting, and preparing marketing, advertising, public relations, and/or promotional programs and materials, and any other activities including socially responsible activities, which Franchisor believes will enhance the image of the System, including, among other things, the costs of preparing and conducting media marketing campaigns; direct mail advertising; marketing surveys and other public relations activities; employing advertising and/or public relations agencies to assist therein; sponsorship of organizations and events; purchasing promotional items; conducting and administering in-store promotions; and providing promotional and other marketing materials and services to Pronto Businesses operating under the System.

(c) All sums paid by Franchisee to the System Ad Fund shall be accounted for separately and shall not be used to defray any of the expenses of Franchisor, except for such reasonable costs, salaries and overhead, if any, as Franchisor may incur in activities reasonably related to the direction and implementation of the System Ad Fund and marketing programs for operators and the System, including costs of personnel for creating and implementing marketing, advertising, and promotional programs. The System Ad Fund and any earnings from it shall not otherwise inure to the benefit of Franchisor. Franchisor shall maintain separate bookkeeping accounts for the System Ad Fund.

(d) Franchisor, upon request, shall provide Franchisee with an annual accounting of System Ad Fund receipts and disbursements.

(e) Franchisor reserves the right, in its sole discretion, to discontinue the System Ad Fund upon written notice to Franchisee.

(f) Franchisor may, but is not required to, make available to Franchisee from time to time, marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, and similar marketing and promotional materials produced from contributions to the System Ad Fund. Franchisee acknowledges and agrees that it shall be reasonable for Franchisor to not provide any such materials to Franchisee during any period in which Franchisee is not in full compliance with its obligations to contribute to the System Ad Fund. Additionally, if monies of the System Ad Fund are used to produce point of sale materials, or other samples or other promotional materials and items, Franchisor may, on the behalf of the System Ad Fund, sell such items to franchisees in the System at a reasonable price, and any proceeds from the sale of such items or materials shall be contributed to the System Ad Fund.

11.3 **Cooperative Ad Fund.** Franchisor shall have the right to designate any geographical area for purposes of establishing a regional or local market advertising fund (“**Cooperative Ad Fund**”). If a Cooperative Ad Fund is established for the geographic area in which the Franchised Business is located, Franchisee shall become a member of such Cooperative Ad Fund within thirty (30) days after the date on which the Cooperative Ad Fund commences operation, or at the time Franchisee commences operation hereunder. In no event shall Franchisee be required to be a member of more than one (1) Cooperative Ad Fund. The following provisions shall apply to each such Cooperative Ad Fund:

(a) Each Cooperative Ad Fund shall be organized and governed in a form and manner, and shall commence operations on a date, approved in advance by Franchisor in writing. Unless otherwise specified by Franchisor, the activities carried on by each Cooperative Ad Fund shall be decided by a majority vote of its members. Any Pronto Businesses that Franchisor operates in the region shall have the same voting rights as those owned by its franchisees. Each franchisee shall be entitled to cast one (1) vote for each Pronto Business it operates that belong to the Cooperative Ad Fund. Any disputes arising among any members of the Cooperative Ad Fund shall be resolved in accordance with the rules and procedures set forth in the Cooperative Ad Fund’s governing documents.

(b) Each Cooperative Ad Fund shall be organized for the exclusive purpose of administering regional or local advertising programs and developing, subject to Franchisor’s approval, standardized promotional materials for use by the members in local advertising and promotion.

(c) Franchisee shall contribute to the Cooperative Ad Fund in such amounts as Franchisor may specify pursuant to Section 11.1 above, unless the members of the Cooperative Ad Fund, by a majority vote conducted in accordance with the rules, bylaws, or other governing documents of the Cooperative Ad Fund, agree to increase the Cooperative Ad Fund contribution to a rate in excess of the amount required by Franchisor.

(d) Franchisee shall submit its required contributions to the Cooperative Ad Fund at the time required by Franchisor, together with such statements or reports as may be required by Franchisor or by the Cooperative Ad Fund with Franchisor’s prior written approval. If so requested by Franchisor in writing, Franchisee shall submit its payments and reports to the Cooperative Ad Fund directly to Franchisor for distribution to the Cooperative Ad Fund.

(e) Franchisor maintains the right to terminate any Cooperative Ad Fund. A Cooperative Ad Fund shall not be terminated, however, until either: (a) all monies in that Cooperative Ad Fund have been expended for advertising and/or promotional purposes; or (b) Franchisor has transferred the unexpended monies to the System Ad Fund in the event there are no longer any Pronto Businesses operating within the geographic area covered by such Cooperative Ad Fund.

11.4 **Local Advertising.** Franchisee shall comply with the following with respect to “local advertising and promotion” for the Franchised Business:

(a) Franchisee shall spend on an annual basis such amounts as Franchisor may specify in accordance with Section 11.1 above. Franchisee shall account for such expenditures on a routine basis and shall prepare, in accordance with the schedule and procedures specified by Franchisor from time to time, detailed reports describing the amount of money expended on local advertising and promotion during such previous period. Franchisee shall maintain all such statements, reports and records, and shall submit same to Franchisor as Franchisor may specify in the Manuals or otherwise request of Franchisee. Additionally, at the request of Franchisor, Franchisee shall submit bills, statements, invoices, or other documentation satisfactory to Franchisor to evidence Franchisee’s advertising or marketing activities.

(b) As used in this Agreement, the term “**local advertising and promotion**” shall refer to advertising and promotion related directly to the Franchised Business, and shall, unless otherwise specified, consist only of the direct costs of purchasing advertising materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), promotion, direct out-of-pocket expenses related to costs of advertising and sales promotion (including, but not limited to, advertising agency fees and expenses, cash and “in-kind” promotional payments to landlords, postage, shipping, telephone, and photocopying), and such other activities and expenses as Franchisor, in its sole discretion, may specify. Franchisor may provide to Franchisee, in the Manuals or otherwise in writing, information specifying the types of advertising and promotional activities and costs which shall not qualify as “local advertising and promotion,” including, without limitation, the value of advertising coupons, and the costs of products provided for free or at a reduced charge for charities or other donations.

(c) Upon written notice to Franchisee, Franchisor may require Franchisee to participate in mandatory promotions as Franchisor may develop and implement from time to time.

**11.5 Opening Advertising.** In addition to the Advertising Obligation, Franchisee shall expend a minimum of Two Thousand Five Hundred Dollars (\$2,500) for grand opening advertising and promotional programs in conjunction with the Franchised Business’ grand opening, pursuant to a grand opening marketing plan developed by Franchisor or developed by Franchisee and approved in writing by Franchisor (the “**Grand Opening Advertising Program**”). The Grand Opening Advertising Program shall be executed and completed within two (2) weeks after the Franchised Business commences operation. Franchisee shall submit to Franchisor, for Franchisor’s prior written approval, a marketing plan and samples of all advertising and promotional material not prepared or previously approved by Franchisor. For the purpose of this Agreement, the Grand Opening Advertising Program shall be considered local advertising and promotion, as provided under Section 11.4 above. Franchisor reserves the right to require Franchisee to deposit with Franchisor the funds required under this Section 11.5 to distribute as may be necessary to conduct the Grand Opening Advertising Program.

**11.6 Standards for Advertising.** All advertising, marketing and promotion to be used by Franchisee, the System Ad Fund or any Cooperative Ad Fund shall be in such media and of such type and format as Franchisor may approve, shall be conducted in a dignified manner, and shall conform to such standards and requirements as Franchisor may specify. Franchisee shall not use any marketing or promotional plans or materials that are not provided by Franchisor unless and until Franchisee has submitted the materials to Franchisor, pursuant to the procedures and terms set forth in Section 11.7 herein.

**11.7 Franchisor’s Approval of Proposed Plans and Materials.** If Franchisee desires to use marketing and promotional plans and materials that have not been provided or previously approved by Franchisor, Franchisee shall submit samples of all such marketing and promotional plans and materials to Franchisor (as provided in Section 24 herein) for prior approval (including prices to be charged). If written notice of approval is not received by Franchisee from Franchisor within five (5) business days of the date of receipt by Franchisor of such samples or materials, Franchisor shall be deemed to have not approved them.

**11.8 Directory Listings.** Franchisee shall, at its expense and in addition to its expenditures for local advertising and promotion, obtain listings in the white and yellow pages of local telephone directories. Franchisee shall comply with Franchisor’s specifications concerning such listings, including the form and size of such listings, and the number of directories in which such listings shall be placed. Additionally, Franchisee shall be required to obtain listings in and/or advertise with Franchisor and other franchisees in the System, on electronic yellow page directories and other on-line directories as Franchisor may designate. Franchisor reserves the right to place such, and subsequently modify or remove, on-line listings and advertisements on behalf of Franchisee. For any listings or advertisements posted by or on behalf of

Franchisee, Franchisee shall promptly pay, upon demand by Franchisor, its pro-rata share of the costs. Additionally, these activities may be carried out through the use of the System Ad Fund.

**11.9 Ownership of Advertising Plans and Materials.** Franchisee acknowledges and agrees that any and all copyrights in and to advertising and promotional materials developed by or on behalf of Franchisee which bear the Proprietary Marks shall be the sole property of Franchisor, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision. Any advertising, marketing, promotional, public relations, or sales concepts, plans, programs, activities, or materials proposed or developed by Franchisee for the Franchised Business or the System and approved by Franchisor may be used by Franchisor and other operators under the System of Franchisor without any compensation to Franchisee.

## **12. TRANSFER OF INTEREST**

**12.1 Transfer by Franchisor.** Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall assume and agree to perform such obligations, and shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, Franchisee acknowledges and agrees that Franchisor and affiliates may sell their assets, the Proprietary Marks, or the System; may sell securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

**12.2 Transfer by Franchisee.** Franchisee acknowledges and agrees that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this franchise reliance on Franchisee's business skill, financial capacity, and personal character. Accordingly, neither Franchisee nor any immediate or remote successor to any part of Franchisee's interest in this Agreement, shall sell, encumber, assign, transfer, convey, pledge, merge, or give away any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business without the prior written consent of Franchisor. Any purported assignment or transfer not having the written consent of Franchisor required by this Section 12.2 shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may immediately terminate without opportunity to cure pursuant to Section 12.2 (d) of this Agreement.

**12.3 Requirements for Transfer.** Franchisor may, in its sole discretion, require any or all of the following as conditions of its consent to a transfer set forth in Section 12.2:

(a) Franchisee shall not be in default of any provision of this Agreement, any amendment of this Agreement or successor hereto, or any other agreement between Franchisee and Franchisor, or its affiliates;

(b) The transferor shall execute a general release, in substantially the form of Exhibit C attached to this Agreement.

(c) The transferee shall demonstrate to Franchisor's satisfaction that the assignment and that the terms of the proposed assignment do not place an unreasonable financial burden on the transferee, and Franchisee acknowledges and agrees that Franchisor shall be entitled, in connection with assessing the financial burden placed upon any prospective transferee, to share with such prospective

assignee information relating to the Franchised Business, including information in Franchisor's possession relating to operations at the Franchised Business.

(d) The transferee shall demonstrate to Franchisor's satisfaction that the terms of the proposed assignment do not place an unreasonable operational burden on the transferee, and that the transferee meets Franchisor's standards for: (a) work experience and aptitude; (b) character and reputation; (c) absence of conflicting interests; and (d) such other criteria and conditions as Franchisor shall then consider relevant in the case of an application for a new franchise by an applicant not currently operating a Franchised Business.

(e) At Franchisor's request, the transferee shall execute, for a term ending on the expiration date of this Agreement, the current standard form Franchise Agreement then being offered to new franchisees, which Franchise Agreement shall supersede this Agreement in all respects and the terms of which Franchise Agreement may differ materially from the terms of this Agreement and may be less favorable to the transferee; provided, however, that the transferee shall not be required to pay an Franchise Fee. Franchisee shall, however, pay Franchisor a transfer fee of fifty percent (50%) of Franchisor's then-current initial franchise fee for its expenses incurred in connection with the transfer.

(f) In the event the transferee was presented to Franchisee by Franchisor as a prospective purchaser of the Franchised Business, Franchisee shall pay Franchisor a fee of Five Thousand Dollars (\$5,000) upon the closing of the transfer.

(g) The transferee shall successfully complete, at its expense, the required initial training described in Section 6.1, including payment of the then-current training fee charged by Franchisor in those circumstances where Franchisee is required to pay a fee for trainees at the initial training programs.

(h) Transferor and transferee must use an independent third party escrow company in connection with the sale.

(i) Franchisee shall remain liable for all of Franchisee's obligations to Franchisor and its affiliates which arose prior to the effective date of the transfer, and shall execute any documents reasonably requested by Franchisor to evidence such liability.

(j) Transferor shall, at Franchisee's expense, obtain, have in effect on the date of the transfer and maintain for a certain period thereafter additional errors and omissions, professional and general liability policies for an extended reporting endorsement (i.e., tail insurance policies) as further described in Section 10.1, as required by Franchisor.

**12.4 Granting of a Security Interest.** Franchisee shall not grant a security interest in the Franchised Business or in any of the assets of the Franchised Business without the prior written consent of Franchisor.

**12.5 Right of First Refusal.** If Franchisee desires to accept any bona fide offer from a third party to purchase the Franchised Business and Franchisee's interests under this Agreement, Franchisee shall notify Franchisor of such offer at least twenty (20) days before such transfer is proposed to take place, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within sixty (60) days after receipt of such written notification and any background materials concerning the proposed transfer that Franchisor shall reasonably request, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, the closing on such purchase shall occur within thirty (30) days from the date of notice to the seller of the

election to purchase by Franchisor. If Franchisor declines to purchase the seller's interest, Franchisee shall have thirty (30) days to close on the transfer of such interest subject to Franchisor's approval pursuant to Section 12.3. Failure to effect a transfer with the third party within the thirty (30) day period, or any material change thereafter in the terms of the offer prior to closing, shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer.

12.6 **Death or Incapacitation.** Upon the death or permanent incapacity (mental or physical) of Franchisee, the executor, administrator, or personal representative of such person shall transfer such interest to a third party approved by Franchisor within six (6) months after such death or mental incapacity. During such six (6) month period and until the Franchised Business is transferred in accordance with this Section 12.6, Franchisor's affiliate, Pronto California General Agency, LLC dba Pronto General Insurance Agency, shall service the Book of Business associated with the Franchised Business. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer, except that the transfer fee shall be waived. In the case of transfer by devise or inheritance, however, if the heirs or beneficiaries of any such person are unable to meet the conditions of this Section 12, the executor, administrator, or personal representative of the decedent shall transfer the decedent's interest to another party approved by Franchisor, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within such period, Franchisor may, at its option, terminate this Agreement, pursuant to Section 13.2 (d) of this Agreement.

12.7 **Non-Waiver of Claims.** Franchisor's consent to a transfer shall not constitute a waiver of any claims Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

12.8 **Transfer in Bankruptcy.** If, for any reason, this Agreement is not terminated pursuant to Section 13.1 and this Agreement is assumed, or assignment of the same to any person or entity who has made a *bona fide* offer to accept an assignment of this Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (a) the name and address of the proposed assignee, and (b) all of the terms and conditions of the proposed assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of this Agreement to Franchisor itself upon the same terms and conditions and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions which may be payable by Franchisee out of the consideration to be paid by such assignee for the assignment of this Agreement.

12.9 **Transfer to a Controlled Entity.** If Franchisee is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 12.3 (e), (f) and (g) shall not apply, and Franchisee may undertake such transfer, provided that: (a) Franchisee owns one hundred percent (100%) of the equity interest in the transferee entity; (b) Franchisee and any other Principal(s) personally guarantee, in a written guaranty satisfactory to Franchisor, the performance of the obligations of Franchisee under the Franchise Agreement; (c) Franchisee executes a Transfer of Franchise form as prescribed and approved by Franchisor; (d) such transferee entity is newly organized and its business purpose is confined exclusively to operating the Franchised Business under this Agreement; and (e) Franchisee and any other Principal(s) execute any and all other ancillary agreements as Franchisor may require.

### **13. DEFAULT AND TERMINATION**

**13.1 Bankruptcy or Insolvency.** Franchisee shall be deemed to be in default under this Agreement, and all rights granted to Franchisee under this Agreement shall automatically terminate without notice to Franchisee, if Franchisee becomes insolvent or makes a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; if Franchisee is adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law is instituted by or against Franchisee; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); if Franchisee is dissolved; if execution is levied against Franchisee's business or property; if suit to foreclose any lien or mortgage against the Franchised Business or assets is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Business is sold after levy thereupon by any sheriff, marshal, or constable.

**13.2 Notice Without Opportunity to Cure.** Franchisee shall be in default under this Agreement, and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice by Franchisee (as determined by Section 21 of this Agreement) upon the occurrence of any of the following events:

(a) If Franchisee at any time ceases to operate or otherwise abandons the Franchised Business without the consent of Franchisor for a period of more than five (5) consecutive days.

(b) If Franchisee is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein.

(c) If any purported assignment or transfer of any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business is made to any third party without Franchisor's prior written consent, contrary to the terms of Section 12 of this Agreement.

(d) If an approved transfer as required by Section 12.6 of this Agreement, is not effected within the time provided following a death or permanent incapacity (mental or physical).

(e) If Franchisee fails to comply with the covenants in Section 15 of this Agreement.

(f) If, contrary to the terms of Section 9 of this Agreement, Franchisee, any principal or employee of Franchisee, discloses or divulges the contents of the Manuals or other Confidential Information provided to Franchisee by Franchisor.

(g) If Franchisee has made any material misrepresentations in connection with Franchisee's application to Franchisor for the franchise granted under this Agreement.

(h) If Franchisee, after curing a default pursuant to Section 13.3 of this Agreement, commits the same, similar, or different default again, whether or not cured after notice.

(i) If Franchisee is in breach of the covenants of Section 7.1 or 7.2 or otherwise loses, through revocation, forfeiture, failure to renew, or otherwise, any license or filing required with respect to the operation of the Franchised Business.

(j) If Franchisee fails to successfully complete the initial training required by Section 6.1.

(k) If Franchisee fails to obtain or maintain required insurance coverage as required by Section 10 of this Agreement.

(l) If Franchisee fails to make timely payments upon any obligation of Franchisee or any obligation of Franchisee upon which Franchisor has advanced any funds for or on behalf of Franchisee.

(m) If Franchisee fails to comply with any or all of the terms of this Agreement or any other agreement between Franchisor, or its affiliates, and Franchisee within five (5) days after receipt of written notice from Franchisor to do so.

(n) If Franchisee engages in any unlawful form of harassment or discrimination.

(o) If Franchisee fails, for a period of 10 days after notification of noncompliance, to comply with a federal state or local law or regulation applicable to the operation of the franchise.

(p) If Franchisee fails to receive a score of ninety percent (90%) or better on three (3) consecutive Franchisor underwriting guideline compliance audits in accordance with Section 7.2(c).

**13.3 Notice With Opportunity to Cure.** Except as otherwise provided in Section 13.1 and Section 13.2 of this Agreement, Franchisee shall have ten (10) days after its receipt from Franchisor of a written notice of default within which to remedy any default under this Agreement and to provide evidence thereof to Franchisor. If any such default is not cured within the specified time, or such longer period as applicable law may require, Franchisor shall have the right to terminate this Agreement by providing written notice of termination to Franchisee. Franchisee shall be in default pursuant to this Section 13.3 for failure to substantially comply with any of the requirements imposed by this Agreement, as it may from time to time reasonably be modified or supplemented by the Manuals, or failure to carry out the terms of this Agreement in good faith.

**13.4 Franchisor's Other Options Upon Default.** Franchisor, in its sole discretion, may elect, in lieu of terminating this Agreement, to use other remedial measures for Franchisee's breach of this Agreement, which may include, but is not limited to, the development of a plan to assist distressed franchisees. Such a plan to assist distressed franchisees would be developed on a case by case basis by Franchisor, in its sole discretion, and must be agreed upon in its entirety by Franchisee. Franchisee's failure to comply with such a plan shall be a breach of this Agreement. If Franchisor exercises such right to use other remedial measures for Franchisee's breach of this Agreement under this Section 13.4, Franchisor shall not have waived its right to, in the case of future defaults, exercise all other rights and invokes all other provisions that are provided in law and/or set forth in this Agreement.

**13.5 Cross Default.** Any default by Franchisee under the terms and conditions of this Agreement or any other agreement between Franchisor, or its affiliates, and Franchisee, shall be deemed to be a default of each and every other such agreement. In the event of the termination of this Agreement for any cause, or the termination of any other agreement between Franchisor, or its affiliates, and Franchisee, Franchisor may, at its option, terminate any or all of such other agreements.

13.6 **Early Termination Fee.** Franchisee confirms that Franchisor will suffer substantial damages by virtue of the termination of this Agreement, including, without limitation, lost revenue, lost market penetration and goodwill in the Area of Primary Responsibility, lost opportunity costs and the expense Franchisor will incur in developing another franchise for the Area of Primary Responsibility, which damages are impractical and extremely difficult to ascertain and/or calculate accurately, and the proof of which would be burdensome and costly, although such damages are real and meaningful to Franchisor and the System. Accordingly, in the event that Franchisor terminates this Agreement for Franchisee's default hereunder, Franchisee agrees to pay to Franchisor in a lump sum on the effective date of termination, an early termination fee, which represents a fair and reasonable estimate of Franchisor's foreseeable losses as a result of such termination, and which is not in any way intended to be a penalty, in an amount equal to the greater of the following:

(a) Twenty Thousand Dollars (\$20,000); or

(b) Three percent (3%) of the average annual amount of Gross Franchise Revenue paid by Franchisee to Franchisor for the two (2) years immediately preceding the date of termination, or three percent (3%) of the Gross Franchise Revenue paid by Franchisee to Franchisor for the twelve (12) month period immediately preceding the date of termination; provided, however, if the Franchised Business has not been open for at least twelve (12) months or fails to open in accordance with the Franchise Agreement, the greater of (i) three percent (3%) of the average monthly amount of Gross Franchise Revenue paid by Franchisee to Franchisor for the months in which the Franchised Business has been open multiplied by twelve (12) or (ii) three percent (3%) of Three Hundred Thousand Dollars (\$300,000), which is the total minimum Gross Franchise Revenue requirement for the first twelve (12) month period of operation pursuant to Section 7.6 of the Franchise Agreement; multiplied by two (2); then multiplied by five (5), or the number of years remaining in the then-current term of this Agreement, whichever is less.

(c) Franchisee acknowledges that its obligation to pay Franchisor an early termination fee is in addition to, not in lieu of, Franchisee's obligations to pay other amounts due to Franchisor under this Agreement up to the date of termination and to strictly comply with any other post-termination obligations required hereunder. Should any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement limit Franchisee's ability to pay, and Franchisor's ability to receive, such early termination fee, Franchisee shall be liable to Franchisor for any and all damages which it incurs, now or in the future, as a result of Franchisee's default under this Agreement.

#### **14. OBLIGATIONS UPON TERMINATION OR EXPIRATION**

Upon termination or expiration of this Agreement, all rights granted under this Agreement to Franchisee shall forthwith terminate and:

14.1 **Cessation of Operations.** Franchisee shall immediately cease to operate the Franchised Business, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor. Franchisee shall immediately and permanently cease to use, by advertising or in any other manner whatsoever, any confidential methods, trade secrets, procedures, and techniques associated with the System, and all Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System.

14.2 **Fictitious Business Names, Telephone Numbers and Domain Names.** Franchisee hereby acknowledges that all fictitious business names, telephone and facsimile numbers, Internet addresses and electronic mail addresses and domain names used in the operation of the Franchised Business constitute assets of the Franchised Business and Franchisee shall execute all documents and authorization forms,

prescribed by Franchisor, to cause the assignment to Franchisor or its designee, of all Franchisee's right, title and interest in and to Franchisee's fictitious business names, telephone and facsimile numbers, Internet addresses and electronic mail addresses and domain names and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone and facsimile numbers, Internet addresses and electronic mail addresses and domain names and any regular, classified or other telephone directory listing associated with the Proprietary Marks and compel a transfer of same to or at the direction of Franchisor.

14.3 **Return of Manual and Confidential Information.** Franchisee shall immediately deliver to Franchisor the Manuals and all other manuals, records, correspondence, files, and any instructions containing Confidential Information relating to the operation of the Franchised Business which are in Franchisee's possession; all memoranda, notes, records, reports, manuals, drawings, and other documents (and all copies thereof) relating to Franchisor's business, the Book of Business and all property associated therewith, and all copies thereof (all of which are acknowledged to be the property of Franchisor). If Franchisee has lost, damaged or destroyed the Manuals, Franchisee shall pay Franchisor the sum of One Thousand Dollars (\$1,000) therefor.

14.4 **Post Term Covenants.** All covenants, obligations, and agreements of Franchisee which by their terms or by reasonable implication are to be performed, in whole or in part, after the termination or expiration of this Agreement, shall survive such termination or expiration.

14.5 **Payment of Commissions.** Franchisor shall make a final payment of Commissions to Franchisee within ninety (90) days following Franchisor's receipt of Gross Franchise Revenue for the periods in question

14.6 **Tail Insurance Policies.** Upon the expiration or termination of this Agreement, Franchisee shall, at Franchisee's expense, obtain, have in effect on the date of the expiration or termination, as applicable, and maintain for a certain period thereafter additional errors and omissions, professional and general liability policies for an extended reporting endorsement (i.e., tail insurance policies) as further described in Section 10.1, as required by Franchisor.

## 15. **COVENANTS**

15.1 **During Term of Agreement.** Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee shall receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Franchisee (or, if Franchisee is a corporation, limited liability company, or partnership, all principals of Franchisee) covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (or, if Franchisee is a corporation, limited liability company, or partnership, all principals of Franchisee) shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, or legal entity:

(a) Divert or attempt to divert any present or prospective client to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System; or

(b) Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any business that is the same or similar to the Franchised Business or which offers services which are the same as or similar to the products and services being offered by the Franchised Business.

15.2 **After Expiration or Termination of Agreement.** Franchisee covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of two (2) years commencing upon the date of: (a) a transfer permitted under Section 12 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 15.2; or (e) any or all of the foregoing:

(a) Franchisee shall not either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any “**Competitive Business**” (defined as a business offering services which are the same as or similar to the services offered by the Franchised Business) that is, or is intended to be, located (i) at the Franchised Location for the Franchised Business, (ii) within a radius of twenty-five (25) miles of the Franchised Business, or (iii) within a radius of twenty-five (25) miles of any other Pronto Business in operation or under construction on the effective date of termination or expiration located anywhere; provided, however, that this provision shall not apply to the operation by Franchisee of any business under the System under a franchise agreement with Franchisor;

(b) Franchisee shall not sublease, assign, or sell Franchisee’s interest in any lease, sublease, or ownership of the Premises or assets of the Franchised Business to a third party for the operation of a Competitive Business, or otherwise arrange or assist in arranging for the operation by a third party of a Competitive Business.

15.3 **Exceptions to Non-Compete Covenants.** Sections 15.1 and 15.2 shall not apply to ownership by Franchisee of a less than five percent (5%) beneficial interest in the outstanding equity securities of any company registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

15.4 **Reducing Scope of Covenants.** Franchisee acknowledges and agrees that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 15.1 and 15.2, or any portion thereof, without Franchisee’s consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that Franchisee shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 15.1 or Section 15.2 of this Agreement. If Franchisee is granted permission to compete with Franchisor pursuant to an arrangement made under this Section 15.4, Franchisee may compete with Franchisor; however, Franchisor shall be entitled (for the two (2) year period after the Agreement terminates) to fifty percent (50%) of all commissions/compensation received by Franchisee from any competitor, client, client, vendor, or account of Franchisor (unless modified in writing by Franchisor) including, but not limited to, those who were procured by Franchisee or those with whom Franchisee became acquainted by reason of Franchisee’s work in association with Franchisor, or by reason of Franchisee’s access to or knowledge of information gained during the term of this Agreement. Franchisee shall be responsible for accounting and paying to Franchisor its share of such commissions/compensation on a monthly basis. Franchisor shall have the right to audit Franchisee’s books and records, upon reasonable notice.

15.5 **Personal Covenants.** Franchisee shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 15 (including covenants applicable upon the termination of a person’s relationship with Franchisee) and the provisions of Section 9 of this Agreement (as modified to apply to an individual) from all managers and other personnel employed by Franchisee who have received or will receive training and/or other Confidential Information. Every covenant required by this Section 15.5 shall be in a form approved by Franchisor, including specific identification of Franchisor

as a third-party beneficiary of such covenants with the independent right to enforce them, the current form of which is attached as **Exhibit F**.

15.6 **Covenants as Independent Clauses.** 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 **Section 15** is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this **Section 15**.

15.7 **Enforceability Not Affected by Claims.** Franchisee agrees that the existence of any claims Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this **Section 15**. Franchisee shall pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this **Section 15**.

15.8 **Covenants Survive Claims.** Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this **Section 15**; provided, however, any claims Franchisee may have against Franchisor may be brought in a separate proceeding. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this **Section 15**.

15.9 **Injunctive Relief.** Franchisee acknowledges that the foregoing restrictions are reasonable, are not vague or indefinite, and are designed to protect the legitimate business interests of Franchisor and the System, and that in the event of a breach of covenants contained in this **Section 15**, the damage to Franchisor would be difficult to ascertain and, in addition to other rights and remedies, Franchisor shall be entitled to seek injunctive and/or other equitable relief against the violation of any said covenants, together with reasonable attorneys' fees and costs.

## **16. CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP**

16.1 **List of Principals.** If Franchisee is a corporation, limited liability company, or partnership, each Principal of Franchisee, and the ownership interest of each Principal in Franchisee, shall be identified in **Exhibit B** hereto. Franchisee shall maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in **Exhibit B** upon any change, which shall be made only in compliance with **Section 12** above. As set forth in **Section 7.3**, the Designated Principal shall at all times have at least a ten percent (10%) interest in Franchisee.

16.2 **Guaranty, Indemnification, and Acknowledgment.** Each Principal shall execute a guaranty, indemnification, and acknowledgment of Franchisee's covenants and obligations under this Agreement in the form attached hereto as **Exhibit D**.

16.3 **Corporations and Limited Liability Companies.** If Franchisee or any successor to or assignee of Franchisee is a corporation or a limited liability company, Franchisee shall comply with the following requirements:

(a) Franchisee shall be newly organized and its governing documents shall at all times provide that its activities are confined exclusively to operating the Franchised Business.

(b) Franchisee shall, upon request of Franchisor, promptly furnish to Franchisor copies of Franchisee's articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members/managers authorizing entry into this Agreement.

(c) Franchisee shall maintain stop-transfer instructions on its records against the transfer of any equity securities of Franchisee; and each stock certificate or issued securities of Franchisee shall conspicuously include upon its face a statement, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement.

16.4 **Partnerships and Limited Liability Partnerships.** If Franchisee or any successor to or assignee of Franchisee is a partnership or limited liability partnership, Franchisee shall comply with the following requirements:

(a) Franchisee shall be newly organized and its partnership agreement shall at all times provide that its activities are confined exclusively to operating the Franchised Business.

(b) Franchisee shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

(c) The partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

## 17. **TAXES, PERMITS, AND INDEBTEDNESS**

17.1 **Taxes.** Franchisee shall promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Business. Franchisee shall pay to Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax or assessment (other than income tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor.

17.2 **Dispute About Taxes.** In the event of any *bona fide* dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but in no event shall Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the Franchised Business, or any improvements thereon.

17.3 **Compliance with Laws.** Franchisee shall comply with all federal, state, and local laws, rules, and regulations, including, but not limited to, those described in Section 9.3 of this Agreement, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including, but not limited to, any and all required healthcare licensures, licenses to do business, fictitious name registrations, sales tax permits, and fire clearances.

## 18. **INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

18.1 **No Fiduciary Relationship.** Franchisee is an independent contractor. Franchisor and Franchisee are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither shall have the power to bind the other. No act or assistance given by either party to the other pursuant to this Agreement shall be construed to alter the relationship. Franchisee shall

be solely responsible for compliance with all federal, state, and local laws, rules, and regulations, and for Franchisee's policies, practices, and decisions relating to the operation of the Franchised Business.

18.2 **Specific Disclaimer of No Joint Employer Relationship.** Franchisee and Franchisor specifically acknowledge that no joint employer relationship is created under this Agreement and under no circumstances shall Franchisor be considered to be an employer of a Franchisee or of Franchisee's employees.

18.3 **No Employment Relationship.** Notwithstanding any other provision of this Agreement, Franchisee will control and be solely responsible for the day-to-day operation of the Franchised Business and the terms and conditions and employment of Franchisee's personnel, including the soliciting, hiring, firing, disciplining, paying, scheduling, and managing of Franchisee's employees.

18.4 **Public Notice.** During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a franchise agreement from Franchisor. Franchisee agrees to take such action as may be necessary to do so, including exhibiting a notice of that fact in a conspicuous place at the office of the Franchised Business, the content of which Franchisor reserves the right to specify, including language identifying Franchisee as an independent business in all dealings with customers, employees, suppliers and others.

18.5 **No Assumption of Liability.** Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on the behalf of Franchisor, or to incur any debt or other obligation in the name of Franchisor; and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Franchisee in its operation of the Franchised Business or for any claim or judgment arising therefrom against Franchisee or Franchisor.

18.6 **Indemnification.**

(a) Franchisee must defend, indemnify, and hold harmless Franchisor and its affiliates, and their successors and assigns, and each of their respective direct and indirect owners, directors, officers, managers, employees, agents, attorneys, and representatives (collectively, the "**Indemnified Parties**"), from and against all Losses (defined below) which any of the Indemnified Parties may suffer, sustain, or incur as a result of a claim asserted or threatened or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought, by a third party and directly or indirectly arising out of the Franchised Business's operation, Franchisee's conduct of business under this Agreement, Franchisee's breach of this Agreement, or Franchisee's noncompliance or alleged noncompliance with any law, ordinance, rule, or regulation, including any allegation that Franchisor or other Indemnified Party is a joint employer or otherwise responsible for Franchisee's acts or omissions relating to Franchisee's employees. Franchisor will promptly notify Franchisee of any claim that may give rise to a claim of indemnity under this provision, provided, however, that its failure to provide such notice will not release Franchisee from its indemnification obligations under this Section except to the extent Franchisee is actually and materially prejudiced by such failure.

(b) Franchisee has the right, upon written notice delivered to the Indemnified Party within 15 days thereafter assuming full responsibility for Losses resulting from such claim, to assume and control the defense of such claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of such counsel's fees and disbursements. If (a) the Indemnified Party has been advised by counsel that there are one or more legal or equitable defenses available to it that are different from or in addition to those available to Franchisee and, in the Indemnified Party's reasonable opinion, Franchisee's counsel could not adequately represent the interests of the Indemnified Party because

such interests could be in conflict with Franchisee's interests, or (b) Franchisee does not assume responsibility for such Losses in a timely manner or fails to defend a claim with counsel reasonably satisfactory to the Indemnified Party as contemplated above, then the Indemnified Party will have the right to employ counsel of its own choosing, and Franchisee must pay the fees and disbursements of such Indemnified Party's counsel as incurred. In connection with any claim, the Indemnified Party or Franchisee, whichever is not assuming the defense of such claim, will have the right to participate in such claim and to retain its own counsel at such party's own expense. Franchisee or the Indemnified Party (as the case may be) agrees to keep the other reasonably apprised of, and respond to any reasonable requests concerning, the status of the defense of any claim, and Franchisee and the Indemnified Party agree to cooperate in good faith with each other with respect to the defense of any such claim. Franchisee may not, without the Indemnified Party's prior written consent, (1) settle or compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Indemnified Party and its affiliates, direct and indirect owners, directors, managers, employees, agents and representatives, or (2) settle or compromise any claim in any manner that may adversely affect the Indemnified Party other than as a result of money damages or other monetary payments which will be paid by Franchisee. No claim which is being defended in good faith by Franchisee in accordance with this Section may be settled by the Indemnified Party without Franchisee's prior written consent. Notwithstanding anything to the contrary in this Section, if a claim involves the Proprietary Marks, Franchisee agrees that Franchisor has the exclusive right to assume the defense of such claim, at Franchisee's expense with counsel selected by Franchisor, but reasonably satisfactory to Franchisee.

(c) Franchisee has no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence, willful misconduct, or willful wrongful omissions, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employment) or Franchisor's failure to compel Franchisee to comply with this Agreement.

(d) For purposes of this Section, "**Losses**" include all obligations, liabilities, damages (actual, consequential, or otherwise), and defense costs that any Indemnified Party incurs. Defense costs include, without limitation, accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, and alternative dispute resolution.

(e) Franchisee's obligations in this Section will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against Franchisee under this Section. Franchisee agrees that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from Franchisee under this Section.

## **19. APPROVALS AND WAIVERS**

19.1 **Approval Requests.** Whenever this Agreement requires the prior authorization, approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing.

19.2 **Non-waiver.** No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms of this Agreement, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Waiver by Franchisor of any

particular default by Franchisee shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants of this Agreement, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

## **20. WARRANTIES OF OPERATOR**

20.1 **Reliance by Franchisor.** Franchisor entered into this Agreement in reliance upon the statements and information submitted to Franchisor by Franchisee in connection with this Agreement. Franchisee represents and warrants that all such statements and information submitted by Franchisee in connection with this Agreement are true, correct and complete in all material respects and do not omit a material fact necessary to keep the statements and information from being misleading. Franchisee agrees to promptly advise Franchisor of any material changes in the information or statements submitted.

20.2 **Compliance with Laws.** Franchisee represents and warrants to Franchisor that neither Franchisee (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

## **21. NOTICES**

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by certified mail return receipt requested, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

## **22. ENTIRE AGREEMENT**

Franchisor and Franchisee, and any Principal, each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement and the agreements in the form of the attached Exhibits. Recognizing the costs on both Franchisor and Franchisee which are uncertain, Franchisor and Franchisee each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings which have been or may in the future be, exchanged between them, serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, Franchisor and Franchisee agree and promise each other that this Agreement supersedes and cancels any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements or any other term), between Franchisor or anyone acting on its behalf and Franchisee or anyone acting on its behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such term) with respect to the rights and obligations of Franchisor and Franchisee or the relationship between them. Franchisor and Franchisee agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings. In accordance with the foregoing, it is understood and acknowledged that this Agreement, the attachments hereto, and the documents referred to herein constitute the entire Agreement between Franchisor and Franchisee concerning the subject matter

hereof, and supersede any prior agreements, no other representations having induced Franchisee to execute this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Section 22 is intended to disclaim any of the information contained in Franchisor's Franchise Disclosure Document or its attachments or exhibits.

## **23. SEVERABILITY AND CONSTRUCTION**

23.1 **Severable Parts.** Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

23.2 **Terms Surviving this Agreement.** Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause), shall survive such expiration, termination or assignment.

23.3 **No Rights on Third Parties.** Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, officers, directors, shareholders, agents, and employees of Franchisor, and such successors and assigns of Franchisor as may be contemplated by Section 15 hereof, any rights or remedies under or by reason of this Agreement.

23.4 **Full Scope of Terms.** Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

23.5 **Franchisor's Application of its Rights.** Franchisor shall have the right to operate, develop and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right and/or discretion to take or withhold an action, or is deemed to have a right and/or discretion to take or withhold an action, or a right to grant or decline to grant Franchisee a right to take or omit an action, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and in its judgment of what is in Franchisor's best interests and/or in the best interests of Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interests; (iii) Franchisor's decision or the action it take applies differently to Franchisee and one or more other franchisees or Franchisor's company-owned operations; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor rights or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and

Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

## **24. APPLICABLE LAW AND DISPUTE RESOLUTION**

24.1 **Governing Law.** This Agreement takes effect upon its acceptance and execution by Franchisor. Subject to Franchisor's rights under federal trademark laws, all claims arising out of or relating to this Agreement and/or the parties' relationship will be governed by, and will be interpreted in accordance with, the substantive laws of the State of Texas, without regard to, and without giving effect to, the application of Texas conflict of law rules. The parties agree that any state law, regulation or rule applicable to the offer or sale of franchises or business opportunities, or the franchise relationship will not apply unless the jurisdictional provisions are independently met. Franchisee waives, to the fullest extent permitted by law, the rights and protections provided by any such laws, regulations or rules.

24.2 **Non-Binding Mediation.** Before any party may bring an action in in court against the other, the parties must first meet to mediate the dispute (except for controversies, disputes, or claims related to or based on improper use of the Proprietary Marks or Confidential Information). Any such mediation shall be non-binding and shall be conducted by a mediator agreed upon by the parties or, if the parties cannot agree upon a mediator within thirty (30) days of notice from the other party bringing an action, by the American Arbitration Association ("AAA"). All mediation proceedings will be conducted in accordance with the then-current rules for mediation of commercial disputes or in accordance with the then-current rules of the AAA, if they conduct the mediation. In addition, all mediation proceedings will be conducted at a suitable location chosen by the mediator, which is within a five (5) mile radius of Franchisor's then-current principal place of business, unless the parties agree otherwise in writing. Notwithstanding anything to the contrary, this Section 24.2 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation. Mediation hereunder shall be concluded within forty five (45) days of Franchisee's receipt of the notice specifying the applicable mediator or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Franchisor and Franchisee shall each bear its own costs of mediation, and each shall bear one-half (½) the cost of the mediator or mediation service. This Section 24.2 mandating non-binding mediation shall not be applicable to any claim or dispute arising under this Agreement or any other agreement between the parties which relates to the failure to pay fees or other monetary obligation(s) of either party under said agreement(s).

24.3 **Consent to Jurisdiction.** Subject to the mediation obligations in Sections 24.2, any judicial action must be brought in a court of competent jurisdiction in the state, and in (or closest to) the county, where Franchisor's headquarters are then located. Each of the parties irrevocably submits to the jurisdiction of such courts and waives any objection to such jurisdiction or venue. Notwithstanding the foregoing, Franchisor may bring an action for a temporary restraining order or for temporary or preliminary injunctive relief, or to enforce a judicial decision, in any federal or state court in the county in which Franchisee resides or the Franchised Business is located.

24.4 **No Rights Exclusive of Other Rights.** No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

24.5 **WAIVER OF JURY TRIAL.** FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER.

24.6 **WAIVER OF PUNITIVE DAMAGES.** FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER.

24.7 **Limitation.** The parties agree that, except as provided below, no mediation proceeding, action or suit (whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense or otherwise) by either party will lie against the other (nor will any action or suit by Franchisee against any person and/or entity affiliated with Franchisor), whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other claim of any type, unless such party will have commenced such mediation proceeding, action or suit before the expiration of the earlier of: (a) One hundred eighty (180) days after the date upon which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or (b) One (1) year after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

(a) Notwithstanding the foregoing limitations, where any federal, state or provincial law provides for a shorter limitation period than above described, whether upon notice or otherwise, such shorter period will govern.

(b) The foregoing limitations may, where brought into effect by Franchisor's failure to commence an action within the time periods specified, operate to exclude Franchisor's right to sue for damages but will in no case, even upon expiration or lapse of the periods specified or referenced above, operate to prevent Franchisor from terminating Franchisee's rights and Franchisor's obligations under this Agreement as provided herein and under applicable law nor prevent Franchisor from obtaining any appropriate court judgment, order or otherwise which enforces and/or is otherwise consistent with such termination.

(c) The foregoing limitations shall not apply to Franchisor's claims arising from or related to: (1) Franchisee's under-payment or non-payment of any amounts owed to Franchisor or any affiliated or otherwise related entity; (2) indemnification by Franchisee; (3) Franchisee's confidentiality, non-competition or other exclusive relationship obligations; and/or (4) Franchisee's unauthorized use of the Proprietary Marks.

24.8 **WAIVER OF RICO.** THE PARTIES HERETO AGREE TO WAIVE, NOW AND FOREVER, ANY AND ALL RIGHTS EITHER MAY HAVE UNDER THE FEDERAL STATUTE KNOWN AS RICO.

24.9 **Injunctive Relief.** Nothing herein contained shall bar the right of Franchisor to obtain injunctive relief against threatened conduct that will cause it loss or damages, including violations of the terms of Sections 8, 9, 12, and 15 under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

24.10 **Release of Claims.** By executing this Agreement, Franchisee, on behalf of itself and its heirs, legal representatives, successors and assigns, and each assignee of this Agreement by accepting assignment of the same, hereby forever releases and discharges Franchisor and its members, officers, directors, employees, agents and servants, including Franchisor's subsidiary and affiliated corporations, their respective members, officers, directors, employees, agents and servants, from any and all claims

relating to or arising under any franchise agreement or any other agreement between the parties executed prior to the date of this Agreement including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities or antitrust laws of the United States or of any state, province or territory thereof.

24.11 **Counterparts; Section Headings; Pronouns.** This Agreement may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument. All captions and section headings in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof. Each pronoun used herein shall be deemed to include the other number of genders.

24.12 **Security Interest.** To the extent permitted by law, Franchisee hereby grants to Franchisor a security interest in all of Franchisee's interest in all leasehold improvements, furniture, furnishings, fixtures, equipment, inventory and supplies located at or used in connection with the Franchised Business, now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions and replacements therefore, and all cash and non-cash proceeds derived from insurance or the disposition of such collateral, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, of Franchisee to Franchisor. Franchisee agrees to execute and deliver to Franchisor in a timely manner all financial statements and other documents necessary or desirable to evidence, perfect and continue the priority of such security interests under the Uniform Commercial Code.

24.13 **Attorneys' Fees.** In the event Franchisor is required to employ legal counsel or to incur other expense to enforce any obligation of Franchisee hereunder, or to defend against any claim, demand, action or proceeding by reason of Franchisee's failure to perform any obligation imposed upon Franchisee by this Agreement, Franchisor shall be entitled to recover from Franchisee the amount of all reasonable attorneys' fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding, whether incurred prior to or in preparation for or contemplation of the filing of such action or thereafter.

## **25. ACKNOWLEDGMENTS**

25.1 **FRANCHISEE'S INVESTIGATION OF THE BUSINESS POSSIBILITIES.** FRANCHISEE ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS OF OPERATING A PRONTO BUSINESS, AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE (OR, IF FRANCHISEE IS A CORPORATION, PARTNERSHIP OR LIMITED LIABILITY COMPANY, THE ABILITY OF ITS PRINCIPALS) AS (AN) INDEPENDENT BUSINESSPERSON(S). FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT. FRANCHISEE ACKNOWLEDGES THAT THIS AGREEMENT CONTAINS ALL ORAL AND WRITTEN AGREEMENTS, REPRESENTATIONS AND ARRANGEMENTS BETWEEN THE PARTIES, AND ANY RIGHTS WHICH THE RESPECTIVE PARTIES HERETO MAY HAVE HAD UNDER ANY OTHER PREVIOUS CONTRACT (WHETHER ORAL OR WRITTEN) ARE HEREBY CANCELLED AND TERMINATED, AND NO REPRESENTATIONS OR WARRANTIES ARE MADE OR IMPLIED, EXCEPT AS SPECIFICALLY SET FORTH HEREIN. FRANCHISEE FURTHER ACKNOWLEDGES THAT IT HAS NOT RECEIVED ANY REPRESENTATIONS ABOUT THE FRANCHISE BY FRANCHISOR, OR ITS OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS,

THAT ARE CONTRARY TO THE STATEMENTS MADE IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT OR TO THE TERMS AND CONDITIONS CONTAINED HEREIN, AND FURTHER REPRESENTS TO FRANCHISOR, AS AN INDUCEMENT TO ENTRY INTO THIS AGREEMENT, THAT FRANCHISEE HAS MADE NO MISREPRESENTATIONS IN OBTAINING THE FRANCHISE.

25.2 **Receipt of FDD and Complete Agreement.** Franchisee acknowledges that it received a complete copy of this Agreement, the attachments hereto, and agreements relating thereto, if any, at least seven (7) calendar days prior to the date on which this Agreement was executed. Franchisee further acknowledges that it received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising," otherwise known as the Franchise Disclosure Document ("**FDD**"), at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any payment by Franchisee for the franchise rights granted under this Agreement. Franchisee further acknowledges that prior to receiving Franchisor's FDD, Franchisor advised Franchisee of the formats in which the FDD is made available, and any conditions necessary for reviewing the FDD in a particular format.

25.3 **Franchisee Read the Agreement and Consulted.** Franchisee acknowledges that it has read and understood Franchisor's FDD and this Agreement, the attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

25.4 **Franchisee's Responsibility for Operation of Business.** Although Franchisor retains the right to establish and periodically modify System standards, which Franchisee has agreed to maintain in the operation of the Franchised Business, Franchisee retains the right and sole responsibility for the day-to-day management and operation of the Franchised Business and the implementation and maintenance of System standards at the Franchised Business. Franchisee acknowledges that it is solely responsible for all aspects of the Franchised Business's operations, including employee and human resources matters. Franchisee further acknowledges that any controls implemented by Franchisor are for the protection of the System and the Proprietary Marks and not to exercise any control over the day-to-day operation of the Franchised Business.

25.5 **No Conflicting Obligations.** Each party represents and warrants to the other that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

25.6 **Different Franchise Offerings to Others.** Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

25.7 **Good Faith.** Franchisor and Franchisee acknowledge that each provision in this Agreement has been negotiated by the parties' hereto in good faith and the Agreement shall be deemed to have been drafted by both parties. It is further acknowledged that both parties intend to enforce every provision of this Agreement, including, without limitation, the provisions related to mediation and choice of venue, regardless of any state law or regulation purporting to void or nullify any such provision.

25.8 **Success Depends on Franchisee.** Franchisee acknowledges that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon

Franchisee's ability as an independent businessperson, its active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided, third party payor reimbursements for items and services, as well as other factors. Franchisor does not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

25.9 **Patriot Act**. Franchisee represents and warrants that to its actual knowledge: (i) neither Franchisee, nor its officers, directors, managers, members, partners or other individual who manages the affairs of Franchisee, nor any Franchisee affiliate or related party, or any funding source for the Franchised Business, is identified on the lists of Blocked Persons, Specially Designated Nationals, Specially Designated Terrorists, Specially Designated Global Terrorists, Foreign Terrorists Organizations, and Specially Designated Narcotics Traffickers at the United States Department of Treasury's Office of Foreign Assets Control (OFAC), as such lists may be amended from time to time (collectively, "**Blocked Person(s)**"); (ii) neither Franchisee nor any Franchisee affiliate or related party is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither Franchisee nor any Franchisee affiliate or related party is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither Franchisee nor any Franchisee affiliate or related party are on the United States Department of Commerce Denied Persons, Entity and Unverified Lists, or the United States Departments of State's Debarred List, as such lists may be amended from time to time (collectively, the "**Lists**"); (v) neither Franchisee nor any Franchisee affiliate or related party, during the term of this Agreement, will be on any of the Lists or identified as a Blocked Person; and (vi) during the term of this Agreement, neither Franchisee nor any Franchisee affiliate or related party will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists or identified as a Blocked Person. Franchisee agrees to notify Franchisor in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF**, the parties hereto have duly executed this Franchise Agreement in triplicate on the date first above written.

|                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| <b>FRANCHISOR:</b><br><b>PRONTO FRANCHISE, L.L.C.</b><br><br>By: _____<br>Name: _____<br>Title: _____                                                                                                                                                                                                                                                                                                                     | <b>FRANCHISEE:</b><br>_____<br><br>By: _____<br>Name: _____<br>Title: _____                                   |
| <u>Address for Notices:</u><br><br>Rex Martin<br>Pronto Franchise, L.L.C.<br>805 Media Luna<br>Suite 300<br>Brownsville, Texas 78520<br>Telephone: (956) 574-9787<br>Email: Rex.martin@prontoinsurance.com<br><br><u>With copy to:</u><br><br>Max J. Schott, II, Esq.<br>Larkin Hoffman<br>8300 Norman Drive, Suite 1000<br>Minneapolis, Minnesota 55437<br>Telephone: (952) 896-3243<br>Email: mschott@larkinhoffman.com | <u>Address for Notices:</u><br><br>_____<br>_____<br>_____<br>Telephone: _____<br>Email: _____<br>Attn: _____ |

**PRONTO FRANCHISE, L.L.C.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT A**  
**DATA SHEET**

1. The Franchised Location (See Section 1.3) for the Franchised Business shall be:

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2. The Area of Primary Responsibility shall be (subject to the terms of the Agreement, including but not limited to Section 1.4 of the Agreement) as follows, and which Area of Primary Responsibility is reflected on the map attached to this Exhibit A:

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3. The initial/renewal Franchise Fee shall be \$\_\_\_\_\_ (See Section 4.1 or Section 2.2).

**PRONTO FRANCHISE, L.L.C.**

Initial: \_\_\_\_\_

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

**FRANCHISEE**

Initial: \_\_\_\_\_

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

**PRONTO FRANCHISE, L.L.C.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT B**  
**LIST OF PRINCIPALS AND DESIGNATED PRINCIPAL**

**FRANCHISEE'S PRINCIPALS**

The following identifies all of Franchisee's Principals (as defined in Section 7.3 of the Franchise Agreement), including each Principals address and percentage of beneficial interest in Franchisee:

| <b>Name of Principal</b> | <b>Address, Telephone, E-mail</b> | <b>Interest (%) with Description<br/>(Must Own a Minimum of<br/>10%)</b> |
|--------------------------|-----------------------------------|--------------------------------------------------------------------------|
|                          |                                   |                                                                          |
|                          |                                   |                                                                          |
|                          |                                   |                                                                          |
|                          |                                   |                                                                          |
|                          |                                   | <b>Total %:</b>                                                          |

**FRANCHISEE'S DESIGNATED PRINCIPAL**

The following identifies Franchisee's Designated Principal (as defined in Section 7.3 of the Franchise Agreement), including his/her contact information and percentage of beneficial interest in Franchisee:

| <b>Name of Designated Principal</b> | <b>Address, Telephone, E-mail</b> | <b>Interest (%) with Description<br/>(Must Own a Minimum of<br/>10%)</b> |
|-------------------------------------|-----------------------------------|--------------------------------------------------------------------------|
|                                     |                                   |                                                                          |

**PRONTO FRANCHISE, L.L.C.**

Initial: \_\_\_\_\_

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

**FRANCHISEE**

Initial: \_\_\_\_\_

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

**PRONTO FRANCHISE, L.L.C.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT C**  
**GENERAL RELEASE**

\_\_\_\_\_, (“Franchisee”) and \_\_\_\_\_  
\_\_\_\_\_, (“GUARANTOR”) enter into this General Release on  
\_\_\_\_\_, 20\_\_\_, with reference to the following facts:

1. **[DESCRIPTION OF FACTS].**

2. For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Franchisee and GUARANTOR hereby release and forever discharge Franchisor, its affiliates, parents and subsidiaries, and the directors, officers, shareholders, employees, attorneys and agents of said corporations, and each of them, from any and all claims, obligations, liabilities, demands, costs, expenses, damages, actions and causes of action, of whatever nature, character or description, known or unknown, suspected or unsuspected (collectively “**Damages**”), which arose on or before the date of this Agreement, of any and all claims which Franchisee and GUARANTOR may have or believes to have against Franchisor and/or its affiliates and their respective officers, directors, agents and employees, whether the claims are known or unknown, which are based on, arise from or relate to this Agreement, the Franchised Business or the Franchised Location, including, without limitation, all obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, arising under federal, state and local laws, rules and ordinances, and including, without limitation, any Damages with respect to the matter or event described in Paragraph 1 above.

3. Franchisee and GUARANTOR acknowledge that Franchisee and GUARANTOR are aware that Franchisee and GUARANTOR may hereafter discover claims or facts in addition to or different from those which Franchisee and GUARANTOR now know or believe to be true with respect to the released items, and the claims relative thereto, which do now exist, may exist, or heretofore have existed between Franchisor, affiliates, parents and subsidiaries, and the directors, officers, shareholders, employees, attorneys and agents of said corporations, and each of them, on the one hand, and Franchisee and GUARANTOR, on the other hand, with respect to such released items. In furtherance of such intention, this release shall be and remain in effect as a full and complete release of such released items, notwithstanding the discovery or existence of any such additional or different claims or facts relating thereto.

4. This Agreement shall be binding upon each of the parties to this General Release and their respective heirs, executors, administrators, personal representatives, successors and assigns.

IN WITNESS WHEREOF, the undersigned has executed this General Release as of the day and year set forth above.

|                    |                   |
|--------------------|-------------------|
| <b>FRANCHISEE:</b> | <b>GUARANTOR:</b> |
| By: _____          | By: _____         |
| Name: _____        | Name: _____       |
| Title: _____       | Title: _____      |

**PRONTO FRANCHISE, L.L.C.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT D**  
**GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGMENT**

As an inducement to Pronto Franchise, L.L.C. (“**Franchisor**”) to enter into the Franchise Agreement between Franchisor and \_\_\_\_\_ (“**Franchisee**”), dated \_\_\_\_\_, 20\_\_\_\_ (the “**Agreement**”), the undersigned hereby unconditionally guarantees to Franchisor and Franchisor’s successors and assigns that all of Franchisee’s covenants and obligations, including, without limitation, monetary obligations, under the Agreement will be punctually paid and performed. This Guaranty, Indemnification, and Acknowledgment (this “**Guaranty**”) is an unconditional, irrevocable and absolute guaranty of payment and performance and may not be cancelled, terminated, modified, or amended except by written agreement executed by both parties.

Upon demand by Franchisor, the undersigned hereby agrees to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guaranty, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the undersigned hereby waives notice of same and agrees to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned hereby agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorneys’ fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned hereby acknowledges and expressly agrees to be personally bound by all of the covenants contained in the Agreement, including, without limitation, those covenants contained in Sections 9, 12, 14 and 15. Signature by the undersigned on this Guaranty constitutes the undersigned’s signature on the Agreement related to all covenants. The undersigned asserts that he or she has read such covenants, been advised by counsel regarding their effect, and hereby affirmatively agree to them in order to secure the rights granted to Franchisee by Franchisor under the Agreement. The undersigned further acknowledges and agrees that this Guaranty does not grant the undersigned any right to use the “Pronto” marks or system licensed to Franchisee under the Agreement.

This Guaranty shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guaranty, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

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.

The undersigned represents and warrants to Franchisor that neither the undersigned (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this Guaranty shall be in writing and shall be personally delivered, in the manner provided under this Agreement.

Unless specifically stated otherwise, the terms used in this Guaranty shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with the Agreement. This Guaranty shall be governed by the dispute resolution provisions of the Agreement, and shall be interpreted and construed under the laws of the State of Texas. In the event of any conflict of law, the laws of the State of Texas shall prevail (without regard to, and without giving effect to, the application of Texas conflict of law rules).

**IN WITNESS WHEREOF**, the undersigned has executed this Guaranty, Indemnification and Acknowledgement as of the date of the Agreement.

**GUARANTOR(S):**

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

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

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

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

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

**PRONTO FRANCHISE, L.L.C.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT E**  
**COLLATERAL ASSIGNMENT OF LEASE**

**THIS COLLATERAL ASSIGNMENT OF LEASE** (this “Assignment”) is entered into as of \_\_\_\_\_, 20\_\_, between (“Franchisee”) and Pronto Franchise, L.L.C., a Texas limited liability company (“Franchisor”).

Subject to the provisions hereof, Franchisee, to secure its obligations to Franchisor under the franchise agreement between Franchisor and Franchisee for the operation of a Franchised Business, dated \_\_\_\_\_, 20\_\_ (the “Franchise Agreement”), hereby assigns, transfers and sets over unto Franchisor [and/or such person(s)/entity(ies) as Franchisor may from time to time designate] all of Franchisee’s right, title and interest, whether as tenant or otherwise, in, to and under that certain lease (the “Lease”), a copy of which is attached to this Assignment, dated \_\_\_\_\_, 20\_\_, between Franchisee and \_\_\_\_\_ (“Landlord”), respecting that property commonly known as \_\_\_\_\_ (the “Premises”). Franchisor shall have no liabilities or obligations of any kind arising from, or in connection with, this Assignment, the Lease or otherwise (including, but not limited to, any obligation to pay rent and/or other amounts) until and unless Franchisor, in its sole and absolute discretion, takes possession of the Premises pursuant to the terms hereof and expressly (and in writing) assumes the rights and obligations of Franchisee under the Lease, Franchisor only being responsible for those obligations accruing after the date of such assumption.

Franchisee agrees to indemnify and hold harmless Franchisor from and against all claims and demands of any type, kind or nature made by the Landlord or any third party that arise out of or are in any manner connected with Franchisee’s use and occupancy of the Premises subject to the Lease.

Franchisee represents and warrants to Franchisor that Franchisee has full power and authority to assign the Lease and its interest in the Franchised Business.

Franchisor will not take possession of the Premises until and unless Franchisee defaults (and/or until there is a termination, cancellation, rescission or expiration of Franchisee’s rights) under the Lease, any sublease, the Franchise Agreement or other agreement between Franchisee and Franchisor (or any affiliate). In such event, Franchisor (or its designee) shall have the right, and is hereby empowered, (but has no obligation) to take possession of the Premises, expel Franchisee therefrom, and, in such event, Franchisee shall have no further right, title or interest in or under the Lease or to the Premises, all such rights thereby passing to Franchisor or its designee, in each case without the Landlord’s further consent. Franchisee agrees to do all acts necessary or appropriate to accomplish such assignment on Franchisor’s request. Franchisee will reimburse Franchisor for the costs and expenses incurred in connection with any such retaking, including, without limitation, the payment of any back rent and other payments due under the Lease (whether such payments are made by a separate agreement with the Landlord or otherwise), attorneys’ fees and expenses of litigation incurred in enforcing this Assignment, costs incurred in reletting the Premises and costs incurred for putting the Premises in good working order and repair.

Franchisee agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Franchisor. Throughout the term of the Franchise Agreement, Franchisee agrees that it shall elect and exercise on a timely basis all options to extend the term, or renew or assume in bankruptcy, the Lease, unless Franchisor otherwise agrees in writing. Upon failure of Franchisee to so elect to extend or renew or assume the Lease, Franchisee hereby appoints Franchisor as its true and lawful attorney-in-fact to exercise such options in the name, place and stead of

Franchisee for the sole purpose of effecting any extension, renewal or assumption, in each case for the account of Franchisee and without any liability or obligation of Franchisor.

Failure of Franchisor to exercise any remedy hereunder shall not be construed or deemed to be a waiver of any of its rights hereunder. The rights and remedies of Franchisor under this Assignment are cumulative and are not in lieu of, but are in addition to, any other rights and remedies which Franchisor shall have under or by virtue of the Franchise Agreement or otherwise. The terms, covenants, and conditions contained herein shall bind Franchisee and its Successors and assigns, and inure to the benefit of Franchisor and its Successors and assigns. In the event of any dispute between the parties regarding this Assignment, or any matter related in any way to it, the dispute resolution provisions (including, but not limited to, mediation, waiver of jury trial and limitation of damages) of the Franchise Agreement between Franchisor and Franchisee shall apply. The Arbitrator in any such proceeding shall have the full power and authority to grant an appropriate award to give full effect to this Assignment, expelling Franchisee from the Premises and awarding possession to Franchisor, as well as granting such other relief as may be proper and fair at law and by equity. If there is more than one Franchisee, their obligations hereunder will be joint and several.

This Assignment, any memorandum hereof or any financial statement related hereto may be recorded by, and at the expense of, Franchisor. Franchisee hereby appoints Franchisor as its attorney-in-fact to execute any and all documents and to take any and all such actions, as are necessary or appropriate to record such instrument referenced above.

Notwithstanding anything to the contrary contained herein, Franchisee agrees to indemnify, defend and hold harmless Franchisor with respect to all obligations and liabilities, including, without limitation, the obligations to pay all rent and other monies due under the Lease, that arise after the date of any assignment of the Lease that transpires under this Assignment; provided, however, nothing hereunder shall affect any obligations or covenants of Franchisee owed under its Franchise Agreement with Franchisor, including, without limitation, any post-termination covenant not to compete.

[SIGNATURE PAGE FOLLOWS]

**FRANCHISEE:**

\_\_\_\_\_

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

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

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

**LANDLORD APPROVAL:**

The undersigned Landlord hereby consents to and approves of the above-described Collateral Assignment of Lease by Franchisee to Franchisor and further agrees that immediately upon notice to the Landlord, Franchisor shall have the right to succeed Franchisee as the tenant under the Lease without further action or consent by any of the parties hereto; provided, however, nothing in the Assignment or in the consent and approval by the Landlord to the Assignment shall affect any other rights of the Landlord under the Lease.

**FRANCHISOR:**

**PRONTO FRANCHISE, L.L.C.**

**LANDLORD:**

\_\_\_\_\_

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

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

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

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

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

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

**PRONTO FRANCHISE, L.L.C.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT F**  
**NON-DISCLOSURE AND NON-COMPETE**  
**FOR FRANCHISEE’S EMPLOYEES**

**THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (“Agreement”)** is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (“us” “we” “our” or the “Franchisee”), and \_\_\_\_\_, an employee of Franchisee (“you” or the “Employee”).

**Introduction**

Pronto Franchise, L.L.C. (the “**Franchisor**”) and its affiliates have developed and own a format and system (the “**System**”) for the establishment and operation of businesses which offer, sell and service insurance policies, under the name “Pronto” (each is referred to as a “**Pronto Business**”).

Franchisor and Franchisee have executed a Franchise Agreement (“**Franchise Agreement**”) granting Franchisee the right to operate a Pronto Business (the “**Franchised Business**”) under the terms and conditions of the Franchise Agreement.

In connection with starting or continuing your employment with Franchisee, you will be trained by us and you will learn of Franchisor’s confidential information, trade secrets and know-how concerning the methods of operation of a Pronto Business and the System.

Now, therefore, it is agreed that as a consideration of starting or continuing your employment, as a condition to your employment and the compensation that we have paid to you (and/or will pay you after today), you acknowledge and agree that you will comply with all of the following obligations:

1. **Confidential Information.** You agree that you will not, at any time (whether during or after your time of employment with us), communicate or divulge Confidential Information to any Person, and that you will not use Confidential Information for your own benefit or for the benefit of any other Person.
2. **Definitions.** As used in this Agreement, the following terms are agreed to have the following meanings:

a. The term “**Confidential Information**” means any information, knowledge, know-how or trade secrets concerning the methods of operation of the Franchised Business and the System that you may learn of or that otherwise becomes known to you during the time of your employment with us (whether or not Franchisor or we have specifically designated that information as “confidential” or a “trade secret”). Confidential Information may include, among other things, operational, sales, promotional, marketing, and administrative methods, procedures, and techniques. However, Confidential Information does not include information that you can show came to your attention before it was disclosed to you by us or Franchisor; and Confidential Information also does not include information that, at or after the time when we disclosed it to you, is a part of the public domain through no act on your part or through publication or communication by other Persons who are lawfully entitled to publish or communicate that information.

b. The term “**Person**” means any person, persons, partnership, entity, association, or corporation (other than the Company or Franchisor).

c. The term “**Post-Term Period**” means a continuous uninterrupted period of (check as applicable) • two (2) years if you are a manager or perform managerial responsibilities, or • one (1) year if

you are a non-managerial employee, from the date of: (a) termination of your employment with us for any reason; and/or (b) a final order of a court of competent jurisdiction enforcing this Agreement.

**3. Covenants Not to Compete.**

a. You understand and acknowledge that due to your employment with us, you will receive valuable specialized training and access to Confidential Information.

b. You covenant and agree that during the term of your employment, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

- i. Divert or attempt to divert any current or potential business account or customer of the Franchised Business (or of any Pronto Business) to any Person, whether by direct or indirect suggestion, referral, inducement, or otherwise;
- ii. Do or perform, directly or indirectly, any act that might injure or be harmful to the goodwill associated with Franchisor and the System; and/or,
- iii. Directly or indirectly for yourself or on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, be employed by, or have any interest in any business that is the same as or similar to the Franchised Business.

c. You covenant and agree that during the term Post-Term Period, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

- i. Own, maintain, operate, engage in, be employed by, or have any interest in any business that is the same as or similar to the Franchised Business, if that business is located (or if it is intended to be located) within a radius of twenty-five (25) miles of any Pronto Business located anywhere at that time.

**4. Legal and Equitable Remedies.** You understand, acknowledge, and agree that if you do not comply with the requirements of this Agreement, you will cause irreparable injury to Franchisor, and that:

a. We will have the right to enforce this Agreement and any of its provisions by going to a court and obtaining an injunction, specific performance, or other equitable relief, without prejudice to any other rights and remedies that we may have for breach of this Agreement;

b. You will not raise wrongful termination or other defenses to the enforcement of this Agreement (although you will have the right to raise those issues in a separate legal action); and

c. You must reimburse Franchisor for any court costs and reasonable attorneys' fees that Franchisor incurs as a result of your violation of this Agreement and having to go to court to seek enforcement.

**5. Severability.** Each of the provisions of this Agreement may be considered severable from the others. If a court should find that we or Franchisor may not enforce a clause in this Agreement as written, but the court would allow us or Franchisor to enforce that clause in a way that is less burdensome to you, then you agree that you will comply with the court's less-restrictive interpretation of that clause.

6. **Delay.** No delay or failure by us or Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that right or any other right set out in this Agreement. No waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

7. **Third-Party Beneficiary.** You acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with us.

8. **Jurisdiction; Applicable Law.** You agree that any lawsuit brought by Franchisor to enforce its rights under this Agreement shall be brought in the courts of the county where Franchisor has its then-current principal place of business, and you agree and consent to the jurisdiction of such court to resolve all disputes which arise out of this Agreement or any alleged breach thereof, regardless of your residency at the time such lawsuit is filed. This Agreement shall be governed by the laws of the State of Texas. In the event of any conflict of law, the laws of Texas shall prevail, without regard to, and without giving effect to, the application of Texas conflict of law rules.

**IN WITNESS WHEREOF**, Employee has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

|                                                                     |  |
|---------------------------------------------------------------------|--|
| <b>EMPLOYEE:</b><br><br>Signature: _____<br><br>Printed Name: _____ |  |
|---------------------------------------------------------------------|--|

**PRONTO FRANCHISE, L.L.C.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT G**  
**CONVERSION FRANCHISE ADDENDUM**

**ADDENDUM** made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between Pronto Franchise, L.L.C., a Texas limited liability company ("**Franchisor**") and \_\_\_\_\_ ("**Franchisee**"), and with reference to the following facts:

A. On \_\_\_\_\_, 20\_\_, Franchisor and Franchisee entered into a Franchise Agreement (the "**Franchise Agreement**") pursuant to which Franchisee agreed to convert Franchisee's existing independent insurance agency (the "**Agency**") and to operate the Agency as a Pronto Business (the "**Franchised Business**") as a franchisee of Franchisor.

B. Franchisor and Franchisee desire to enter into this Addendum to modify certain terms of this Franchise Agreement to provide for the conversion of the Agency on the terms and conditions set forth herein.

**NOW, THEREFORE, IT IS AGREED:**

**1. INCORPORATION OF RECITALS.**

The recitals set forth in paragraphs A and B above are true and correct and are hereby incorporated by reference into the body of this Addendum.

**2. CONVERSION REQUIREMENTS.**

Immediately following the date of the parties' execution of the Franchise Agreement, Franchisee shall commence all maintenance, renovations and remodeling of the Agency as set forth on **Schedule A** attached to this Addendum and incorporated into this Addendum by reference (the "**Conversion Requirements**") and shall complete the Conversion Requirements, to Franchisor's satisfaction, within thirty (30) days after the date of the parties' execution of the Franchise Agreement. The provisions of Section 5.3 of the Franchise Agreement shall apply to the Conversion Requirements. Notwithstanding the provisions of Section 5.1 of the Franchise Agreement, the Franchised Business shall open for business thirty (30) days from the date of the Franchise Agreement.

**3. FORMATION OF BUSINESS ENTITY**

Franchisee acknowledges that it shall form a new business entity, subject to Franchisor approval, for the purpose of operating the Franchised Business. All new insurance policies and any optional services approved by Franchisor, must be offered for sale and sold through this newly formed business entity, with the exception of products and services not then-approved for sale by Franchisor, which may be offered for sale and sold through the previous existing business entity, in accordance with Section 5 of this Addendum.

**4. BOOK OF BUSINESS**

The parties acknowledge and agree that all insurance policies, whether new or renewal policies, shall be written under the Pronto name and brand in accordance with the Franchise Agreement, and that Franchisor's affiliate, Pronto California General Agency, LLC dba Pronto General Insurance Agency, owns

a 100% interest in the Book of Business developed by Franchisee pursuant therewith. Notwithstanding anything to the contrary in the Franchise Agreement, all insurance policies sold by Franchisee prior to the date of this Addendum shall not be subject to the Franchise Agreement, provided, however, that all such policies shall be resold under the Pronto name and brand in accordance with the Franchise Agreement upon each such policy's expiration, at which time such policies shall become subject to the Franchise Agreement. If the policy which is expiring is of an insurance product not then-approved for sale by Franchisor, Franchisee may renew such policy as previously written and such policy shall not be subject to the Franchise Agreement.

**5. RATIFICATION OF FRANCHISE AGREEMENT.**

Except as provided herein, the terms and conditions of the Franchise Agreement are hereby ratified, confirmed and approved.

**IN WITNESS WHEREOF**, the parties have executed this Addendum on the date first shown above.

**FRANCHISOR:**  
**PRONTO FRANCHISE, L.L.C.**

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

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

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

## CONVERSION FRANCHISE ADDENDUM CONVERSION REQUIREMENTS

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.

**FRANCHISOR:**  
**PRONTO FRANCHISE, L.L.C.**

---

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

**PRONTO FRANCHISE, L.L.C.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT H**

**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS**

\_\_\_\_\_  
Name of Depositor (Franchisee)

\_\_\_\_\_  
Social Security Number or Federal Tax Identification Number

The undersigned Depositor (“**Depositor**”) hereby authorizes Pronto Franchise, L.L.C. (“**Franchisor**”) to initiate electronic transfer debit entries and/or credit correction entries to Depositor’s checking and/or savings account(s) indicated below with the Depository designated below (“**Depository**”) (“**Bank**”) to debit or credit such account(s) pursuant to Franchisor’s instructions. Depositor understands that it is solely responsible for the accuracy of the information submitted on this form and for all future information submitted to Franchisor for the purposes of initiating required electronic transfers pursuant to that certain Franchise Agreement to which this Exhibit H is attached. It is Depositor’s responsibility to notify Franchisor of any changes or corrections to its bank account information. This authorization is to remain in full force and effect until sixty (60) days after Franchisor has received written notification from Depositor of its termination.

\_\_\_\_\_  
Depository

\_\_\_\_\_  
Branch

\_\_\_\_\_  
City

\_\_\_\_\_  
State

\_\_\_\_\_  
Zip Code

\_\_\_\_\_  
Bank Transit/ABA Routing Number

\_\_\_\_\_  
Account Number

\_\_\_\_\_  
Depositor

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

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

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

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

**PRONTO FRANCHISE, L.L.C.  
FRANCHISE AGREEMENT  
EXHIBIT I**

**FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT**

[INTENTIONALLY OMITTED]

**EXHIBIT 4**  
**AREA DEVELOPMENT AGREEMENT**



PRONTO FRANCHISE, L.L.C.

AREA DEVELOPMENT AGREEMENT

---

**AREA DEVELOPER**

---

**DEVELOPMENT AREA**

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**EFFECTIVE DATE OF AGREEMENT**

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### **EXHIBITS:**

EXHIBIT A – DATA SHEET

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EXHIBIT C – GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGEMENT

EXHIBIT D – AREA DEVELOPER CERTIFICATION

## AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the “**Agreement**”) is made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the “**Effective Date**”), by and between:

- ◆ **Pronto Franchise, L.L.C.**, a Texas limited liability company, whose principal place of business is 805 Media Luna, Suite 610, Brownsville, Texas 78520 (“**Franchisor**”); and
- ◆ \_\_\_\_\_ a [resident of]  
[corporation organized in] [limited liability company organized in] [select one], having offices at \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ (“**Area Developer**”).

### BACKGROUND:

A. Franchisor owns a confidential format and system and other proprietary information (the “**System**”) relating to the establishment and operation of businesses which offer, sell and service insurance policies, in addition to optional services which must be approved of in advance by Franchisor (the “**Optional Services**”) and operate under the Proprietary Marks (as defined below) (each a “**Pronto Business**”).

B. The distinguishing characteristics of the System include uniform standards, specifications, policies and procedures for developing, operating and marketing a Pronto Business; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain indicia of origin, emblems, trade names, service marks, logos, and trademarks, including applications and/or registrations therefor, as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System including the mark “Pronto” and other marks (the “**Proprietary Marks**”).

D. Area Developer desires to obtain certain development rights to open and operate Pronto Businesses under the System and the Proprietary Marks, as well as to receive other assistance provided by Franchisor in connection therewith.

E. Area Developer acknowledges that it has read this Agreement and Franchisor’s Franchise Disclosure Document and that it understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor’s high standards of quality and service and the uniformity of those standards at all Pronto Businesses in order to protect and preserve the goodwill of the Proprietary Marks.

F. Area Developer has applied for a franchise with Franchisor, and such application has been approved by Franchisor in reliance upon all of the representations made herein.

**NOW THEREFORE**, the parties agree as follows:

## 1. GRANT

1.1. **Grant and Acceptance.** Franchisor grants development rights to Area Developer, and Area Developer undertakes the obligation, pursuant to the terms and conditions of this Agreement, to develop no less than the number of Pronto Businesses (the “**Franchised Businesses**”) as set forth in Exhibit A to this Agreement. In this regard, the parties further agree that:

1.1.1. Each Franchised Business developed hereunder shall be operated pursuant to a separate Pronto Franchise, L.L.C. Franchise Agreement (a “**Franchise Agreement**”) that shall be executed as provided in Section 3.4 below.

1.1.2. For each Franchised Business to be developed under this Agreement, Area Developer shall execute the Franchise Agreement for such Franchised Business in accordance with the deadlines set forth in the development schedule specified in Paragraph 1 of Exhibit A to this Agreement (the “**Development Schedule**”).

1.1.3. Each Franchised Business developed hereunder shall be at a specific location, which shall be designated in the Franchise Agreement, that is within in the area described in Paragraph 2 of Exhibit A to this Agreement (the “**Development Area**”).

1.2. **Development Area.** Except as otherwise set forth herein (including, without limitation, the rights retained by Franchisor as described in Section 1.3), during the term of this Agreement, and so long as Area Developer is in compliance with its obligations under this Agreement and all of the Franchise Agreements between Area Developer (including any affiliate of Area Developer), Franchisor shall not establish or operate, or license anyone other than Area Developer to establish or operate, a Pronto Business under the Proprietary Marks and System at any location that is within the Development Area.

1.3. **Franchisor’s Reserved Rights.** Notwithstanding anything to the contrary, Franchisor retains the following rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Area Developer any rights therein:

1.3.1. To own, acquire, establish, and/or operate and license others to establish and operate, Pronto Businesses under the System at any location outside the Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Businesses;

1.3.2. To own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from Pronto Businesses, at any location within or outside the Development Area, notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Businesses;

1.3.3. To sell any insurance, tax preparation and related financial services or Optional Services (whether or not those services or products are competitive with the Franchised Business) to clients located anywhere (including within the Development Area) using any channel of distribution located anywhere;

1.3.4. To enter into arrangements to provide any insurance, tax preparation and related financial services or Optional Services to certain “**Special Accounts**,” located anywhere (including within the Development Area). Special Accounts will be determined in Franchisor’s sole discretion,

and will include, without limitation, school districts, governmental entities and national or regional companies. Area Developer agrees to participate with respect to Special Accounts, as Franchisor may specify from time to time; and

1.3.5. To (i) acquire one or more businesses that are the same as, or similar to, Pronto Businesses then operating under the System (each an “**Acquired Business**”), which may be at any location within or outside the Development Area, notwithstanding their actual or threatened impact on sales of the Franchised Businesses, and to (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Pronto Business under the System at any location, except not as a Pronto Business within the Development Area.

1.4. **No Rights to Use the System.** This Agreement is not a Franchise Agreement, and does not grant to Area Developer any right to use the Proprietary Marks or the System or to sell or distribute any Products. Area Developer’s rights to use the Proprietary Marks and System will be granted solely under the terms of the Franchise Agreement.

## 2. **TERM**

Unless sooner terminated in accordance with the provisions of this Agreement, this Agreement shall commence on the date hereof and shall expire on the earlier of (i) the date the final Franchise Agreement is executed by Area Developer in accordance with the required minimum cumulative number of Franchise Agreements to be executed for Franchised Businesses to be located in the Development Area as set forth in the Development Schedule, as shown in Paragraph 1 of Exhibit A; or (ii) the final date set forth in the Development Schedule, as shown in Paragraph 1 of Exhibit A (the “**Expiration Date**”).

## 3. **DEVELOPMENT OBLIGATIONS**

3.1. **Time is of the Essence.** Recognizing that time is of the essence, Area Developer shall comply strictly with the Development Schedule. Area Developer acknowledges and agrees that the Development Schedule requires that Area Developer have executed and delivered to Franchisor Franchise Agreements for a cumulative number of Franchised Businesses by the end of the time periods specified in Exhibit A.

3.2. **Identifying and Securing Sites.** Area Developer shall be solely responsible for identifying, submitting for Franchisor’s approval, and securing specific sites for each Franchised Business. Area Developer shall use Franchisor’s designated real estate broker to assist it in site selection and securing sites. The following terms and conditions shall apply to each Franchised Business to be developed hereunder:

3.2.1. Area Developer shall submit to Franchisor, in a form specified by Franchisor, a completed site approval package, which shall include; (i) a site approval form prescribed by Franchisor; (ii) a trade area and site marketing research analysis (prepared by a company approved in advance by Franchisor); (iii) an option contract, letter of intent, or other evidence satisfactory to Franchisor which describes Area Developer’s favorable prospects for obtaining such site; (iv) photographs of the site; (v) demographic statistics; and (vi) such other information or materials as Franchisor may reasonably require (collectively, the “**SAP**”). Franchisor shall have twenty (20) business days after receipt of the SAP from Area Developer to approve or disapprove, in its sole discretion, the proposed site for the Franchised Business. In the event Franchisor does not approve a proposed site by written notice to Area Developer within said twenty (20) business days, such site shall be deemed disapproved by

Franchisor. No site shall be deemed approved unless it has been expressly approved in writing by Franchisor.

3.2.2. Following Franchisor's approval of a proposed site, Area Developer shall use its best efforts to secure such site, either through a lease/sublease that is acceptable to Franchisor, as provided in Section 3.3 below, or a binding purchase agreement, and shall do so within sixty (60) business days of approval of the site by Franchisor. Area Developer shall immediately notify Franchisor of the execution of the approved lease or binding purchase agreement. The site approved and secured pursuant to this Agreement shall be specified as the "**Franchised Location**" under the Franchise Agreement executed pursuant Section 3.4 below.

3.2.3. Area Developer hereby acknowledges and agrees that approval by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Approval by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Area Developer and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Area Developer's expectations as to revenue or operational criteria.

3.3. **Lease Terms.** For each Franchised Business to be developed hereunder, if Area Developer will occupy the premises from which the Franchised Business will be operated under a lease or sublease, Area Developer shall, prior to execution of such lease, submit the lease to Franchisor for its review and approval; provided, however, if pre-submission to Franchisor is not possible, then Area Developer may sign the lease only on the condition, agreed to in writing by the lessor, that the lease shall become null and void if Franchisor does not approve such lease. Franchisor's approval of the lease or sublease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require, including, without limitation, the terms and conditions set forth by Franchisor in its then-current Franchise Agreement or Manuals or otherwise in writing from time to time.

3.4. **Franchise Agreements.** With respect to the Franchise Agreements to be executed for the Franchised Businesses to be developed pursuant to this Agreement, the following terms and conditions shall apply:

3.4.1. The Franchise Agreement for the first Franchised Business to be developed under this Agreement shall be executed simultaneously with the execution of this Agreement.

3.4.2. The Franchise Agreement for each subsequent Franchised Business to be developed under this Agreement shall be Franchisor's then-current form of Franchise Agreement, the terms of which may differ from the terms of the Franchise Agreement executed simultaneously with this Agreement including, without limitation, higher and/or additional fees; provided, however, so long as Area Developer is in compliance with this Agreement, the initial franchise fee (as set forth in Section 4.2 below) and the sales commissions shall each be the same as set forth in the first Franchise Agreement executed simultaneously with this Agreement.

3.4.3. Franchisor shall permit one or more Franchise Agreements to be executed by entities other than Area Developer; provided that (a) each such franchisee entity is controlled by, or under common control with, Area Developer, and (b) Area Developer and all Principals (as defined in Section 9.1 below) of Area Developer requested by Franchisor execute guarantees, guarantying to Franchisor the timely payment and performance of franchisee's obligations under the Franchise Agreement.

3.4.4. Provided that Area Developer is in compliance with this Agreement, within ten (10) days after Area Developer locates and secures a site pursuant to Sections 3.2 and 3.3 above, Area Developer (or an affiliate of Area Developer pursuant to Section 3.4.3 above) shall execute the Franchise Agreement for such Franchised Business, as provided in this Section 3.4. Failure to timely execute a Franchise Agreement as required by this Section 3.4 will constitute a default under this Agreement. Area Developer shall thereafter comply with all pre-opening and opening requirements set forth in the Franchise Agreement relating to the Franchised Business.

3.5. **Force Majeure Events.** Area Developer shall not be responsible for non-performance or delay in performance occasioned by a "force majeure," which means an act of God, war, civil disturbance, act of terrorism, government action, fire, flood, accident, hurricane, earthquake, or other calamity, strike or other labor dispute, or any other cause beyond the reasonable control of Area Developer; provided, however, force majeure shall not include Area Developer's lack of adequate financing. If any delay occurs, any applicable time period hereunder shall be automatically extended for a period equal to the time lost; provided, however, that Area Developer shall make reasonable efforts to correct the reason for such delay and give Franchisor prompt written notice of any such delay.

#### 4. **DEVELOPMENT FEE AND INITIAL FRANCHISE FEE**

4.1. **Area Development Fee.** In consideration of the development rights granted herein, upon execution of this Agreement, Area Developer shall pay an area development fee ("**Area Development Fee**") that is calculated by multiplying Five Thousand Dollars (\$5,000) by the number Franchised Businesses to be developed and opened within the Development Area during the term of this Agreement in accordance with the Development Schedule, the total amount of such Area Development Fee is specified in Paragraph 3 of Exhibit A. Receipt of the Area Development Fee is hereby acknowledged. Area Developer expressly acknowledges and agrees that the Area Development Fee is fully earned and nonrefundable in consideration of administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted herein to Area Developer, even if Area Developer does not enter into any Franchise Agreements pursuant to this Agreement.

4.2. **Franchise Fees.** The Area Development Fee is in addition to the Franchise Fees paid under each of the Franchise Agreements executed pursuant to Section 1.1.1. Notwithstanding anything to the contrary in any of the Franchise Agreements, Area Developer shall pay Franchisor an initial franchise fee of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_,000) (the "**Franchise Fee**") for each Franchised Business to be developed pursuant to the Development Schedule, which shall be paid in full upon execution of each such Franchise Agreement.

#### 5. **DUTIES OF THE PARTIES**

5.1. **Franchisor's Assistance.** Franchisor shall furnish to Area Developer the following:

5.1.1. Site selection guidelines, including Franchisor's minimum standards for Pronto Business sites and sources regarding demographic information, and such site selection counseling and assistance as Franchisor may deem advisable.

5.1.2. Such on-site evaluation as Franchisor deems advisable in response to Area Developer's request for site approval for each Franchised Business; provided, however, that Franchisor shall not provide on-site evaluation for any proposed site prior to the receipt of a SAP for such site prepared by Area Developer pursuant to Section 3.2.

5.2. **Designated Principal.** If Area Developer is other than an individual, Area Developer shall designate, subject to Franchisor's reasonable approval, one Principal (as defined in Section 9.1) who is both an individual person and owns at least a ten percent (10%) of Area Developer, and who shall be responsible for general oversight and management of the development of the Franchised Businesses under this Agreement and the operations of all such Franchised Businesses open and in operation on behalf of Area Developer (the "**Designated Principal**"). Area Developer acknowledges and agrees that Franchisor shall have the right to rely upon the Designated Principal to have been given, by Area Developer, the responsibility and decision-making authority regarding Area Developer's business and operation. In the event the person designated as the Designated Principal becomes incapacitated, leaves the employ of Area Developer, transfers his/her interest in Area Developer, or otherwise ceases to supervise the development of the Franchised Businesses, Area Developer shall promptly designate a new Designated Principal, subject to Franchisor's reasonable approval.

5.3. **Records and Reports to Franchisor.** Area Developer shall, at Area Developer's expense, comply with the following requirements to prepare and submit to Franchisor the following reports, financial statements and other data, which shall be prepared in the form and using the standard statements and chart of accounts as Franchisor may prescribe from time to time:

5.3.1. No later than the twentieth (20<sup>th</sup>) day of each calendar month, Area Developer shall have prepared a profit and loss statement reflecting all Area Developer's operations during the last preceding calendar month, for each Franchised Business. Area Developer shall prepare profit and loss statements on an accrual basis and in accordance with generally accepted accounting principles. Area Developer shall submit such statements to Franchisor at such times as Franchisor may designate or as Franchisor may otherwise request.

5.3.2. On April 15th of the year following the end of Area Developer's fiscal year, a complete annual financial statement (prepared according to generally accepted accounting principles), on a compilation basis, and if required by Franchisor, such statements shall be prepared by an independent certified public accountant.

5.3.3. Such other forms, reports, records, information, and data as Franchisor may reasonably designate.

5.4. **Maintaining Records.** Area Developer shall maintain during the term of this Agreement, and shall preserve for at least seven (7) years from the dates of their preparation, and shall make available to Franchisor at Franchisor's request and at Area Developer's expense, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles.

5.5. **Area Developer to Provide Training.** Area Developer agrees that, notwithstanding anything to the contrary in any Franchise Agreement, Area Developer shall be responsible for conducting the initial training of all required trainees (including, without limitation, the owners and management

personnel) for the fourth (4<sup>th</sup>) and any subsequent Franchised Businesses developed under this Agreement, in accordance with the requirements and conditions as Franchisor may from time to time establish for the initial training. By no later than the time Area Developer is seeking Franchisor's approval to develop the fourth (4<sup>th</sup>) Franchised Business under this Agreement, Area Developer shall have completed to Franchisor's satisfaction all requirements and conditions necessary to obtain Franchisor's approval for Area Developer to conduct such training.

## 6. **DEFAULT AND TERMINATION**

6.1. **Automatic Termination.** Area Developer shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Area Developer, if Area Developer becomes insolvent or makes a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Area Developer or such a petition is filed against and not opposed by Area Developer; if Area Developer is adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Area Developer or other custodian for Area Developer's business or assets is filed and consented to by Area Developer; if a receiver or other custodian (permanent or temporary) of Area Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Area Developer; if final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if Area Developer is dissolved; if execution is levied against any asset of Area Developer or Area Developer's Franchised Businesses; if suit to foreclose any lien or mortgage against any asset of Area Developer or Area Developer's Franchised Businesses is instituted against Area Developer and not dismissed within sixty (60) days; or if any asset of Area Developer's or any Franchised Business of Area Developer's shall be sold after levy thereupon by any sheriff, marshal, or constable.

6.2. **Termination Upon Notice.** Area Developer shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder or take any of the actions described in Section 6.5 below, without affording Area Developer any opportunity to cure the default, effective immediately upon the provision of notice to Area Developer (in the manner provided under Section 10 hereof), upon the occurrence of any of the following events of default:

6.2.1. If the Franchise Agreement for any Franchised Business operated by Area Developer (or an entity affiliated with Area Developer) is terminated.

6.2.2. If Area Developer or any Principal is convicted of a felony, a crime involving moral turpitude, or any other crime or action that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein.

6.2.3. If Area Developer or any Principal purports to transfer any rights or obligations under this Agreement or any the assets of Area Developer in a manner that is contrary to the terms of Section 7 of this Agreement.

6.3. **Notice and Opportunity to Cure – For a Missed Deadline.** Failure by Area Developer to meet a deadline under the Development Schedule (a “**Missed Deadline**”) shall constitute a default under this Agreement. Franchisor shall, for one (1) Missed Deadline, provide Area Developer with a reasonable opportunity to cure such default by notifying Area Developer in writing of a new date for the Missed Deadline (without change to any other deadline in the Development Schedule). If Area Developer fails to comply with the Development Schedule by such new deadline, and/or upon the occurrence of another

Missed Deadline, Franchisor, in its discretion, may terminate this Agreement and all rights granted hereunder without affording Area Developer any further opportunity to cure the default, effective immediately upon the delivery of written notice to Area Developer (in the manner set forth in Section 10 of this Agreement); or Franchisor, in its discretion, may elect, in lieu of terminating this Agreement, to take any of the actions described in Section 6.5 below.

6.4. **Notice and Opportunity to Cure Other Defaults.** Except as otherwise provided in Sections 6.1, 6.2, and 6.3 above, if Area Developer fails to comply with any material term and condition of this Agreement, such action shall constitute a default under this Agreement and, upon the occurrence of any such default, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Area Developer at least thirty (30) days prior to the effective date of termination; provided, however, that Area Developer may avoid termination by curing the default to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the 30-day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement and all rights granted hereunder (including but not limited to, the right to develop new Franchised Businesses) will terminate without further notice to Area Developer effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

6.5. **Franchisor's Other Options Upon Default.** Franchisor, in its discretion, may elect, in lieu of terminating this Agreement, to use other remedial measures for Area Developer's breach of this Agreement, which include, but are not limited to: (i) termination of the credit towards Franchise Fees granted in Section 4.2 hereof; (ii) loss of the limited exclusivity, or reduction in the scope of protections, granted to Area Developer under Section 1.2 herein for the Development Area; (iii) reduction in the scope of the Development Area; (iv) reduction in the number of Franchised Businesses to be developed by Area Developer; and/or (v) Franchisor's retention of all area development fees paid, or owed, by Area Developer. If Franchisor exercises said right, Franchisor shall not have waived its right to, in the case of future defaults, exercise all other rights and invoke all other provisions that are provided in law and/or set out under this Agreement.

6.6. **No Further Rights.** Upon termination or expiration of this Agreement, Area Developer shall have no right to establish or operate any Pronto Business for which a Franchise Agreement has not been executed by Franchisor at the time of termination or expiration. Franchisor's remedies for Area Developer's breach of this Agreement shall include, without limitation, Area Developer's loss of its right to develop additional Franchised Businesses under this Agreement, and Franchisor's retention of all area development fees paid or owed by Area Developer. Upon termination or expiration, Franchisor shall be entitled to establish, and to franchise others to establish, Pronto Businesses in the Development Area, except as may be otherwise provided under any Franchise Agreement which has been executed between Franchisor and Area Developer or Area Developer's affiliates (as permitted under Section 3.4.3 above).

## 7. **TRANSFER OF INTEREST**

7.1. **Franchisor's Rights to Transfer.** Franchisor shall have the right, without the need for Area Developer's consent, to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, provided that any designated assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, Area Developer expressly affirms and agrees that Franchisor may sell its assets, its Proprietary Marks or its System; may sell its securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

7.2. **No Transfers Without Franchisor's Approval.** Area Developer understands and acknowledges that Franchisor has granted the rights hereunder in reliance on the business skill, financial capacity, and personal character of Area Developer or the Principals of Area Developer if Area Developer is not an individual. Accordingly, neither Area Developer nor any Principal shall sell, assign, transfer, pledge or otherwise encumber any direct or indirect interest in Area Developer (including any direct or indirect interest in a corporate or partnership Area Developer), the rights or obligations of Area Developer under this Agreement, or any material asset of Area Developer's business, without the prior written consent of Franchisor, which shall be subject to Sections 7.3 and 7.4 below and to all of the conditions and requirements for transfers set forth in the Franchise Agreement executed simultaneously with this Agreement that Franchisor deems applicable to a proposed transfer under this Agreement.

7.3. **Simultaneous Transfers.** Area Developer understands and acknowledges that any consent to a transfer of this Agreement shall, unless waived, be conditioned on, among other factors, the requirement that the proposed transfer of this Agreement is to be made in conjunction with a simultaneous transfer of all Franchise Agreements executed pursuant to this Agreement to the same approved transferee.

7.4. **Transfer Fee.** At the request of Franchisor, Area Developer shall pay a transfer fee of an amount equal to Two Thousand Five Hundred Dollars (\$2,500) for each Franchised Business that remains to be developed and opened in order to satisfy the Development Schedule, but not less than fifty percent (50%) of the Area Development Fee paid. Additionally, for any Franchise Agreements executed pursuant to this Agreement that are transferred, the transfer fee due under such Franchise Agreement(s) shall be paid to Franchisor pursuant to the terms of such Franchise Agreement(s).

7.5. **Transfer to Entity Formed for by Area Developer.** Notwithstanding anything to the contrary in this Section 7, if Area Developer is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 7.4 shall not apply, and Area Developer may undertake such transfer, provided that: (a) Area Developer owns one hundred percent (100%) of the equity interest in the transferee entity; (b) Area Developer and any other Principal(s) personally guarantee, in a written guaranty satisfactory to Franchisor, the performance of the obligations of Area Developer under this Agreement; (c) Area Developer executes a Transfer of Franchise form as prescribed and approved by Franchisor; (d) such transferee entity is newly organized and its business purpose is confined exclusively to developing and operating the Franchised Businesses; and (e) Area Developer and any other Principal(s) execute any and all other ancillary agreements as Franchisor may require.

## 8. COVENANTS

8.1. **Confidential Information.** Area Developer shall at all times preserve in confidence any and all materials and information, including without any information any trade secrets, furnished or disclosed to Area Developer by Franchisor, and shall disclose such information or materials only to such of Area Developer's employees or agents who must have access to it in connection with their employment. Area Developer shall not at any time, during the term of this Agreement or thereafter, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

8.2. **Data Management and Data Privacy and Security.** Area Developer is solely responsible for protecting itself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and Area Developer waives any and all claims Area Developer may have against Franchisor as the direct or indirect result of such disruptions, failures, or attacks. Area Developer also is solely responsible for the full knowledge and application of all federal, state and local

laws and regulations applicable to the computer system, payment processing or other technology used in the operation of the Franchised Businesses. Area Developer must comply with all state and federal data and consumer privacy laws and regulations, including, but not limited to, the Telephone Consumer Protection Act (TCPA), the National Automated Clearinghouse Association (NACHA) operating rules, and all related and associated regulations, as well as any other applicable federal or state laws, including but not limited to federal, state and local laws related to privacy, data security, data protection, direct marketing, consumer protection, and workplace privacy laws, along with the rules requirements, and regulations of any applicable jurisdiction, including without limitation the California Consumer Privacy Act of 2018, state data breach notification laws, information security requirements, and all similar federal, state, and local laws and all applicable industry standards concerning privacy, confidentiality, and data security. Further, Area Developer must comply with any data privacy or security policies and data breach response policies Franchisor periodically may establish. Area Developer must notify Franchisor immediately of any suspected data breach at or in connection with the Franchised Businesses.

8.3. **During the Term.** Area Developer specifically acknowledges that, pursuant to this Agreement, Area Developer will receive valuable specialized training and confidential information, which may include, without limitation, information regarding the operational, sales, advertising and promotional methods and techniques of Franchisor and the System. Area Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Area Developer shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation:

8.3.1. Divert or attempt to divert any business or customer of any Pronto Business or of any unit under the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

8.3.2. Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any Competitive Business (as defined below). A “**Competitive Business**” shall be considered an establishment offering products and services which are the same as or similar to those offered by the Franchised Businesses. Furthermore, Area Developer acknowledges and agrees that Area Developer shall be considered in default under this Agreement and that this Agreement will be subject to immediate termination as provided in Section 6.2 herein, in the event that a person in the immediate family (including spouse, domestic partner, parent or child) of Area Developer (or, if Area Developer is other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section 8.3.2 if such person was subject to the covenants of this Section 8.3.2;

8.4. **After the Agreement and After a Transfer.** Area Developer covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of two (2) years from the date of (a) a transfer permitted under Section 7 above; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 8.4; or (e) any or all of the foregoing, Area Developer shall not either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, partnership, corporation, or other entity, own, maintain, operate, engage in, be employed by, or have any interest in any Competitive Business, which is, or is intended to be (i) within the Development Area (other than those Franchised Businesses provided for in the Development Schedule), or (ii) within a radius of twenty-five (25) miles of any other Pronto Business in operation or under construction

on the effective date of termination or expiration located anywhere. Provided, however, that this provision shall not apply to the operation by Area Developer of any business under the System under a franchise agreement with Franchisor.

8.5. **Exception for Ownership in Public Entities.** Sections 8.3 and 8.4 hereof shall not apply to ownership by Area Developer of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation. As used in this Agreement, the term “**publicly held corporation**” refers to a corporation which has outstanding securities that have been registered under the federal Securities Exchange Act of 1934.

8.6. **Personal Covenants.** At the request of Franchisor, Area Developer shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 8 (including covenants applicable upon the termination of a person’s relationship with Area Developer) and the provisions of Sections 6 and 7 of this Agreement (as modified to apply to an individual) from all managers and other personnel employed by Area Developer who have received or will receive training and/or other confidential information, or who are or may be involved in the operation or development of the Franchised Businesses. Every covenant required by this Section 8.6 shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

8.7. **Covenants as Independent Clauses.** 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 Section 8 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Area Developer 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 Section 8.

8.8. **Franchisor’s Right to Reduce Scope of the Covenants.** Area Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 8.3 and 8.4 in this Agreement, or any portion thereof, without Area Developer’s consent, effective immediately upon receipt by Area Developer of written notice thereof; and Area Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 15 hereof.

8.9. **Covenants Survive Claims.** Area Developer expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 8. Area Developer agrees to pay all costs and expenses (including reasonable attorneys’ fees) incurred by Franchisor in connection with the enforcement of this Section 8.

8.10. **Compliance with Laws.** Area Developer represents and warrants to Franchisor that neither Area Developer (including, without limitation, any and all of its employees, directors, officers and other representatives) nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

8.11. **Injunctive Relief.** Area Developer acknowledges that the foregoing restrictions are reasonable, are not vague or indefinite, and are designed to protect the legitimate business interests of Franchisor and the System, and that in the event of a breach of covenants contained in this Section 8, the damage to Franchisor would be difficult to ascertain and, in addition to other rights and remedies,

Franchisor shall be entitled to seek injunctive and/or other equitable relief against the violation of any said covenants, together with reasonable attorneys' fees and costs.

## **9. CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP**

9.1. **List of Principals.** If Area Developer is a corporation, limited liability company, or partnership, each owner of beneficial interest in Area Developer (each a "**Principal**"), and the interest of each Principal in Area Developer, shall be identified in Exhibit B to the Agreement. Area Developer shall maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in Exhibit B upon any change, which shall be made only in compliance with Section 7 above. As set forth in Section 5.2 above, the Designated Principal shall at all times have at least a ten percent (10%) interest in Area Developer.

9.2. **Guaranty, Indemnification, and Acknowledgment.** Each Principal shall execute a guaranty, indemnification, and acknowledgment of Area Developer's covenants and obligations under this Agreement in the form attached hereto as Exhibit C.

9.3. **Corporations and Limited Liability Companies.** If Area Developer is a corporation or limited liability company, Area Developer shall comply with the following requirements:

9.3.1. Area Developer shall be newly organized and its governing documents shall at all times provide that its activities are confined exclusively to developing and operating the Franchised Businesses.

9.3.2. Area Developer shall, upon request of Franchisor, promptly furnish to Franchisor copies of Area Developer's articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members authorizing entry into this Agreement.

9.3.3. Area Developer shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate or issued securities of Area Developer shall conspicuously include upon its face a statement, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this Section 9.3.3 shall not apply to a publicly held corporation.

9.4. **Partnerships and Limited Liability Partnerships.** If Area Developer or any successor to or assignee of Area Developer is a partnership or limited liability partnership, Area Developer shall comply with the following requirements:

9.4.1. Area Developer shall be newly organized and its partnership agreement shall at all times provide that its activities are confined exclusively to developing and operating the Franchised Businesses.

9.4.2. Area Developer shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

9.4.3. The partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

## 10. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

## 11. PERMITS AND COMPLIANCE WITH THE LAWS

11.1. **Compliance with Laws.** Area Developer shall comply with all federal, state, and local laws, rules and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business contemplated under this Agreement.

11.2. **Notice of Actions.** Area Developer shall notify Franchisor in writing within five (5) days of the receipt of any demand letter, commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of Area Developer and/or any Franchised Business established under this Agreement.

## 12. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

12.1. **No Fiduciary Relationship.** Area Developer is an independent contractor. Franchisor and Area Developer are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither shall have the power to bind the other. No act or assistance given by either party to the other pursuant to this Agreement shall be construed to alter the relationship.

12.2. **Specific Disclaimer of No Joint Employer Relationship.** Area Developer and Franchisor specifically acknowledge that no joint employer relationship is created under this Agreement and under no circumstances shall Franchisor be considered to be an employer of Area Developer or of Area Developer's employees.

12.3. **No Employment Relationship.** Notwithstanding any other provision of this Agreement, Area Developer will control and be solely responsible for the day-to-day operation of the Franchised Businesses and its development of Pronto Businesses in the Development Area, and the terms and conditions and employment of Area Developer's personnel, including the soliciting, hiring, firing, disciplining, paying, scheduling, and managing of Area Developer's employees.

12.4. **Public Notice.** During the term of this Agreement, Area Developer shall hold itself out to the public as an independent contractor operating the business pursuant to an area development agreement with Franchisor. Area Developer agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of the fact in a conspicuous place in Area Developer's offices, the content of which Franchisor reserves the right to specify.

12.5. **No Assumption of Liability.** Nothing in this Agreement authorizes Area Developer to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act

or omission of Area Developer in Area Developer's operations hereunder, or for any claim or judgment arising therefrom against Area Developer or Franchisor.

12.6. **Indemnification.** Area Developer shall indemnify and hold Franchisor, Franchisor's owners and affiliates, and their respective officers, directors, and employees (the "**Indemnitees**") harmless against any and all causes of action, claims, losses, costs, expenses, liabilities, litigation, damages or other expenses (including, but not limited to, settlement costs and attorneys' fees) arising directly or indirectly from, as a result of, or in connection with Area Developer's operation of the business contemplated hereunder (notwithstanding any claims that the Indemnitees are or were negligent). Area Developer agrees that with respect to any threatened or actual litigation, proceeding or dispute which could directly or indirectly affect any of the Indemnitees, the Indemnitees shall have the right, but not the obligation, in their discretion, to: (i) choose counsel, (ii) direct, manage and/or control the handling of the matter; and (iii) settle on behalf of the Indemnitees, and/or Area Developer, any claim against the Indemnitees. All vouchers, canceled checks, receipts, receipted bills or other evidence of payments for any such losses, liabilities, costs, damages, charges or expenses of whatsoever nature incurred by any Indemnatee shall be taken as prima facie evidence of Area Developer's obligation hereunder.

### 13. **APPROVALS AND WAIVERS**

13.1. **Approval Requests.** Whenever this Agreement requires the prior approval or consent of Franchisor, Area Developer shall make a timely written request to Franchisor therefor, and such approval or consent shall be in writing. Franchisor shall respond to Area Developer's timely requests in a reasonably timely and prompt manner.

13.2. **Non-waiver.** No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Area Developer with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Waiver by Franchisor of any particular default by Area Developer shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Area Developer of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Area Developer of any terms, covenants or conditions of this Agreement.

### 14. **SEVERABILITY AND CONSTRUCTION**

14.1. **Severable Parts.** Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

14.2. **Terms Surviving this Agreement.** Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause for termination), shall survive such expiration, termination.

14.3. **No Rights on Third Parties.** Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Area Developer, Franchisor, officers, directors, shareholders, agents, and employees of Franchisor, and such successors and assigns of Franchisor as may be contemplated by Section 15 hereof, any rights or remedies under or by reason of this Agreement.

14.4. **Full Scope of Terms.** Area Developer expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

14.5. **Franchisor's Application of its Rights.** Franchisor shall have the right to operate, develop and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right to take or withhold an action, or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Area Developer a right to take or omit an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and its judgment of what is in its best interests and/or in the best interests of Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interest; (iii) Franchisor's decision or the action it takes applies differently to Area Developer and one or more other franchisees or Franchisor's company-owned operations; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Area Developer's interests. In the absence of an applicable statute, Franchisor will have no liability to Area Developer for any such decision or action. Franchisor and Area Developer intend that the exercise of Franchisor rights or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Area Developer agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Area Developer's rights and obligations hereunder.

14.6. **Captions Only for Convenience.** All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

## 15. **ENTIRE AGREEMENT**

Franchisor and Area Developer, and any Principal, each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement. Recognizing the costs on both Franchisor and Area Developer which are uncertain, Franchisor and Area Developer, each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings which have been or may in the future be, exchanged between them, serve as the basis for

creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, Franchisor and Area Developer agree and promise each other that this Agreement supersedes and cancels any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements or any other term), between Franchisor or anyone acting on its behalf and Area Developer or anyone acting on its behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such term) with respect to the rights and obligations of Franchisor and Area Developer or the relationship between them. Franchisor and Area Developer agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings. In accordance with the foregoing, it is understood and acknowledged that this Agreement, the attachments hereto, and the documents referred to herein constitute the entire Agreement between Franchisor and Area Developer concerning the subject matter hereof, and supersede any prior agreements, no other representations having induced Area Developer to execute this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Section 15 is intended to disclaim any of the information contained in Franchisor's Franchise Disclosure Document or its attachments or exhibits.

## 16. **APPLICABLE LAW AND DISPUTE RESOLUTION**

16.1. **Governing Law.** This Agreement takes effect upon its acceptance and execution by Franchisor. Subject to Franchisor's rights under federal trademark laws, all claims arising out of or relating to this Agreement and/or the parties' relationship will be governed by, and will be interpreted in accordance with, the substantive laws of the State of Texas, without regard to, and without giving effect to, the application of Texas conflict of law rules. The parties agree that any state law, regulation or rule applicable to the offer or sale of franchises or business opportunities, or the franchise relationship will not apply unless the jurisdictional provisions are independently met. Franchisee waives, to the fullest extent permitted by law, the rights and protections provided by any such laws, regulations or rules.

16.2. **Non-Binding Mediation.** Before any party may bring an action in court against the other, the parties must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding and shall be conducted by a mediator agreed upon by the parties or, if the parties cannot agree upon a mediator within thirty (30) days of notice from the other party bringing an action, the American Arbitration Association ("AAA"). All mediation proceedings will be conducted in accordance with the then-current rules for mediation of commercial disputes or the then-current rules of the AAA, if they conduct the mediation. In addition, all mediation proceedings will be conducted at a suitable location chosen by the mediator, which is within a five (5) mile radius of Franchisor's then current principal place of business, unless the parties agree otherwise in writing. Notwithstanding anything to the contrary, this Section 16.2 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation. Mediation hereunder shall be concluded within forty-five (45) days of Area Developer's receipt of the notice specifying the applicable mediator or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Franchisor and Area Developer shall each bear its own costs of mediation, and each shall bear one-half (½) the cost of the mediator or mediation service. This Section 16.2 mandating non-binding mediation shall not be applicable to any claim or dispute arising under this Agreement or any other agreement between the parties which relates to the failure to pay fees or other monetary obligation(s) of either party under said agreement(s).

16.3. **Consent to Jurisdiction.** Subject to the mediation obligations in Sections 16.2 and 16.5, any judicial action must be brought in a court of competent jurisdiction in the state, and in (or closest to) the county, where Franchisor's headquarters are then located. Each of the parties irrevocably submits to the jurisdiction of such courts and waives any objection to such jurisdiction or venue. Notwithstanding the foregoing, Franchisor may bring an action for a temporary restraining order or for temporary or preliminary injunctive relief, or to enforce judicial decision, in any federal or state court in the county in which Area Developer resides or the Development Area is located.

16.4. **No Rights Exclusive of Other Rights.** No right or remedy conferred upon or reserved to Franchisor or Area Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

16.5. **Limitation.** The parties agree that, except as provided below, no mediation proceeding, action or suit (whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense or otherwise) by either party will lie against the other (nor will any action or suit by Area Developer against any person and/or entity affiliated with Franchisor), whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other claim of any type, unless such party will have commenced such mediation proceeding, action or suit before the expiration of the earlier of: (a) One hundred eighty (180) days after the date upon which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or (b) One (1) year after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

16.5.1. Notwithstanding the foregoing limitations, where any federal, state or provincial law provides for a shorter limitation period than above described, whether upon notice or otherwise, such shorter period will govern.

16.5.2. The foregoing limitations may, where brought into effect by Franchisor's failure to commence an action within the time periods specified, operate to exclude Franchisor's right to sue for damages but will in no case, even upon expiration or lapse of the periods specified or referenced above, operate to prevent Franchisor from terminating Area Developer's rights and Franchisor's obligations under this Agreement as provided herein and under applicable law nor prevent Franchisor from obtaining any appropriate court judgment, order or otherwise which enforces and/or is otherwise consistent with such termination.

16.5.3. The foregoing limitations shall not apply to Franchisor's claims arising from or related to: (1) Area Developer's under-reporting of Net Sales; (2) Area Developer's under-payment or non-payment of any amounts owed to Franchisor or any affiliated or otherwise related entity; (3) indemnification by Area Developer; (4) Area Developer's confidentiality, non-competition or other exclusive relationship obligations; and/or (5) Area Developer's unauthorized use of the Proprietary Marks.

16.6. **WAIVER OF RICO.** THE PARTIES HERETO AGREE TO WAIVE, NOW AND FOREVER, ANY AND ALL RIGHTS EITHER MAY HAVE UNDER THE FEDERAL STATUTE KNOWN AS RICO.

16.7. **WAIVER OF PUNITIVE DAMAGES.** FRANCHISOR AND AREA DEVELOPER HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER.

16.8. **Release of Claims.** By executing this Agreement, Area Developer, on behalf of itself and its heirs, legal representatives, successors and assigns, and each assignee of this Agreement by accepting assignment of the same, hereby forever releases and discharges Franchisor and its members, officers, directors, employees, agents and servants, including Franchisor's subsidiary and affiliated corporations, their respective members, officers, directors, employees, agents and servants, from any and all claims relating to or arising under any franchise agreement or any other agreement between the parties executed prior to the date of this Agreement including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities or antitrust laws of the United States or of any state, province or territory thereof.

16.9. **WAIVER OF JURY TRIAL.** FRANCHISOR AND AREA DEVELOPER IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY HERETO AGAINST THE OTHER.

16.10. **Injunctive Relief.** Nothing herein contained shall bar the right of Franchisor to obtain injunctive relief against threatened conduct that will cause it loss or damages under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

16.11. **Counterparts; Paragraph Headings; Pronouns.** This Agreement may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument. All captions and paragraph headings in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof. Each pronoun used herein shall be deemed to include the other number of genders.

16.12. **Attorneys' Fees.** In the event Franchisor is required to employ legal counsel or to incur other expense to enforce any obligation of Area Developer hereunder, or to defend against any claim, demand, action or proceeding by reason of Area Developer's failure to perform any obligation imposed upon Area Developer by this Agreement, Franchisor shall be entitled to recover from Area Developer the amount of all reasonable attorneys' fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding, whether incurred prior to or in preparation for or contemplation of the filing of such action or thereafter.

## 17. **ACKNOWLEDGMENTS**

17.1. **AREA DEVELOPER'S INVESTIGATION OF THE BUSINESS POSSIBILITIES.** AREA DEVELOPER ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS OF DEVELOPING AND OPERATING A PRONTO BUSINESSES, AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF AREA DEVELOPER (OR, IF AREA DEVELOPER IS A CORPORATION, PARTNERSHIP OR LIMITED LIABILITY COMPANY, THE ABILITY OF ITS PRINCIPALS) AS (AN) INDEPENDENT BUSINESSPERSON(S). FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND AREA DEVELOPER ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT. AREA DEVELOPER ACKNOWLEDGES THAT THIS AGREEMENT CONTAINS ALL ORAL AND WRITTEN AGREEMENTS, REPRESENTATIONS AND ARRANGEMENTS BETWEEN THE PARTIES, AND ANY RIGHTS WHICH THE RESPECTIVE PARTIES HERETO MAY HAVE HAD UNDER ANY OTHER PREVIOUS CONTRACT (WHETHER

ORAL OR WRITTEN) ARE HEREBY CANCELLED AND TERMINATED, AND NO REPRESENTATIONS OR WARRANTIES ARE MADE OR IMPLIED, EXCEPT AS SPECIFICALLY SET FORTH HEREIN. AREA DEVELOPER FURTHER ACKNOWLEDGES THAT IT HAS NOT RECEIVED ANY REPRESENTATIONS ABOUT THE FRANCHISE BY FRANCHISOR, OR ITS OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS, THAT ARE CONTRARY TO THE STATEMENTS MADE IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT OR TO THE TERMS AND CONDITIONS CONTAINED HEREIN, AND FURTHER REPRESENTS TO FRANCHISOR, AS AN INDUCEMENT TO ENTRY INTO THIS AGREEMENT, THAT AREA DEVELOPER HAS MADE NO MISREPRESENTATIONS IN OBTAINING THE FRANCHISE.

17.2. **Receipt of FDD and Complete Agreement.** Area Developer acknowledges that it received a complete copy of this Agreement, the attachments hereto, and agreements relating thereto, if any, at least seven (7) calendar days prior to the date on which this Agreement was executed. Area Developer further acknowledges that it received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising," otherwise known as the Franchise Disclosure Document (**FDD**), at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any payment by Area Developer for the rights granted under this Agreement. Area Developer further acknowledges that prior to receiving Franchisor's FDD, Franchisor advised Area Developer of the formats in which the FDD is made available, and any conditions necessary for reviewing the FDD in a particular format.

17.3. **Area Developer Read the Agreement and Consulted.** Area Developer acknowledges that it has read and understood Franchisor's FDD and this Agreement, the attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Area Developer ample time and opportunity to consult with advisors of Area Developer's own choosing about the potential benefits and risks of entering into this Agreement.

17.4. **No Conflicting Obligations.** Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

17.5. **Patriot Act.** Area Developer represents and warrants that to its actual knowledge: (i) neither Area Developer, nor its officers, directors, managers, members, partners or other individual who manages the affairs of Area Developer, nor any Area Developer affiliate or related party, or any funding source for any Franchised Business, is identified on the lists of Blocked Persons, Specially Designated Nationals, Specially Designated Terrorists, Specially Designated Global Terrorists, Foreign Terrorists Organizations, and Specially Designated Narcotics Traffickers at the United States Department of Treasury's Office of Foreign Assets Control (OFAC), or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, commonly known as the "USA Patriot Act," as such lists may be amended from time to time (collectively, "**Blocked Person(s)**"); (ii) neither Area Developer nor any Area Developer affiliate or related party is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither Area Developer nor any Area Developer affiliate or related party is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither Area Developer nor any Area Developer affiliate or related party are on the United States Department of Commerce Denied Persons, Entity and Unverified Lists, or the United States Department of State's Debarred List, as such lists may be amended from time to time (collectively, the "**Lists**"); (v) neither Area Developer nor any Area Developer affiliate or related party, during the term of this Agreement, will be on any of the Lists or identified as a Blocked Person; and

(vi) during the term of this Agreement, neither Area Developer nor any Area Developer affiliate or related party will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists or identified as a Blocked Person. Area Developer agrees to notify Franchisor in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF**, the parties hereto have duly executed and delivered this Agreement in duplicate on the day and year first above written.

**FRANCHISOR:**  
**PRONTO FRANCHISE, L.L.C.**

**AREA DEVELOPER:**

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

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

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

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

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

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

Address for Notices:

Rex Martin  
Pronto Franchise, L.L.C.  
805 Media Luna  
Suite 300  
Brownsville, Texas 78520  
Telephone: (956) 574-9787  
Email: Rex.martin@prontoinsurance.com

Address for Notices:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Telephone: \_\_\_\_\_  
Email: \_\_\_\_\_  
Attn: \_\_\_\_\_

With copy to:

Max J. Schott, II, Esq.  
Larkin Hoffman  
8300 Norman Drive Suite 1000  
Minneapolis, Minnesota 55437  
Telephone: (952) 896-3243  
Email: mschott@larkinhoffman.com

**PRONTO FRANCHISE, L.L.C.**  
**AREA DEVELOPMENT AGREEMENT**  
**EXHIBIT A**  
**DATA SHEET**

1. **Development Schedule** (see Section 1.1): Area Developer shall execute Franchise Agreements for the development and operation of \_\_\_\_\_ (\_\_\_\_) Franchised Businesses, within the Development Area in accordance with the following Development Schedule:

| Unit Number | Open & Operating On or Before This Date | Franchise Fee Due For Each Franchised Business | Due Date                                                                    |
|-------------|-----------------------------------------|------------------------------------------------|-----------------------------------------------------------------------------|
| 1           |                                         | \$ ,000                                        | <u>Paid in full</u>                                                         |
| 2           |                                         | \$ ,000                                        | Due with ten (10) days after location is secured through lease or purchase. |
| 3           |                                         | \$ ,000                                        | Due with ten (10) days after location is secured through lease or purchase. |
| 4           |                                         | \$ ,000                                        | Due with ten (10) days after location is secured through lease or purchase. |
| 5           |                                         | \$ ,000                                        | Due with ten (10) days after location is secured through lease or purchase. |

The Expiration Date of this Agreement, as defined in Section 2, shall be the earlier of (i) the date the final Franchise Agreement is executed by Area Developer in accordance with the required minimum cumulative number of Franchise Agreements to be executed for Franchised Businesses to be located in the Development Area as set forth in the Development Schedule above; or (ii) the final date set forth in the Development Schedule above.

2. **Development Area** (see Section 1.1): The Development Area shall be defined as the following:

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3. **Area Development Fee** (see Section 4.1): In accordance with the total number of Franchised Businesses to be developed and opened within the Development Area, the total Area Development Fee shall be \$\_\_\_\_,000.

**PRONTO FRANCHISE, L.L.C.**

**AREA DEVELOPER**

**Initial:\_\_\_\_\_ Date:\_\_\_\_\_**

**Initial:\_\_\_\_\_ Date:\_\_\_\_\_**

**PRONTO FRANCHISE, L.L.C.**  
**AREA DEVELOPMENT AGREEMENT**  
**EXHIBIT B**  
**LIST OF PRINCIPALS & DESIGNATED PRINCIPAL**

The following identifies all of Area Developer's Principals (as defined in Section 9.1 of the Area Development Agreement):

| <b>Name of Principal</b> | <b>Address, Telephone, E-mail</b> | <b>Interest (%) with Description<br/>(Must Own a Minimum of<br/>10%)</b> |
|--------------------------|-----------------------------------|--------------------------------------------------------------------------|
|                          |                                   |                                                                          |
|                          |                                   |                                                                          |
|                          |                                   |                                                                          |
|                          |                                   |                                                                          |
|                          |                                   |                                                                          |
|                          |                                   | <b>Total %:</b>                                                          |

**AREA DEVELOPER'S DESIGNATED PRINCIPAL**

The following identifies Area Developer's Designated Principal (as defined in Section 5.2 of the Area Development Agreement):

| <b>Name of Designated Principal</b> | <b>Address, Telephone, E-mail</b> | <b>Interest (%) with Description<br/>(Must Own a Minimum of<br/>10%)</b> |
|-------------------------------------|-----------------------------------|--------------------------------------------------------------------------|
|                                     |                                   |                                                                          |

**PRONTO FRANCHISE, L.L.C.**

**AREA DEVELOPER**

**Initial:\_\_\_\_\_ Date:\_\_\_\_\_**

**Initial:\_\_\_\_\_ Date:\_\_\_\_\_**

**PRONTO FRANCHISE, L.L.C.**  
**AREA DEVELOPMENT AGREEMENT**  
**EXHIBIT C**  
**GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGMENT**

As an inducement to Pronto Franchise, L.L.C. ("**Franchisor**") to enter into the Area Development Agreement between Franchisor and \_\_\_\_\_ ("**Area Developer**"), dated \_\_\_\_\_, 20\_\_\_\_ (the "**Agreement**"), the undersigned hereby unconditionally guarantees to Franchisor and Franchisor's successors and assigns that all of Area Developer's covenants and obligations, including, without limitation, monetary obligations, under the Agreement will be punctually paid and performed. This Guaranty, Indemnification, and Acknowledgment (this "**Guaranty**") is an unconditional, irrevocable and absolute guaranty of payment and performance and may not be cancelled, terminated, modified, or amended except by written agreement executed by both parties.

Upon demand by Franchisor, the undersigned hereby agrees to immediately make each payment required of Area Developer under the Agreement and waive any right to require Franchisor to: (a) proceed against Area Developer for any payment required under the Agreement; (b) proceed against or exhaust any security from Area Developer; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Area Developer; or (d) give notice of demand for payment by Area Developer. Without affecting the obligations of the undersigned under this Guaranty, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Area Developer, or settle, adjust, or compromise any claims against Area Developer, and the undersigned hereby waives notice of same and agrees to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned hereby agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorneys' fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Area Developer to perform any obligation of Area Developer under the Agreement, any amendment thereto, or any other agreement executed by Area Developer referred to therein.

The undersigned hereby acknowledges and expressly agrees to be personally bound by all of the covenants contained in the Agreement, including, without limitation, those covenants contained in Sections 7 and 8. Signature by the undersigned on this Guaranty constitutes the undersigned's signature on the Agreement related to all covenants. The undersigned asserts that he or she has read such covenants, been advised by counsel regarding their effect, and hereby affirmatively agree to them in order to secure the rights granted to Area Developer by Franchisor under the Agreement. The undersigned further acknowledge and agree that this Guaranty does not grant the undersigned any right to use the "Pronto" marks or system licensed to Area Developer under the Agreement.

This Guaranty shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guaranty, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

The undersigned, if more than one, shall be jointly and severally liable hereunder and the term

CA-Specific Area Development Agreement-Pronto Insurance-2024

"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.

The undersigned represents and warrants to Franchisor that neither the undersigned (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this Guaranty shall be in writing and shall be personally delivered, in the manner provided under the Agreement.

Unless specifically stated otherwise, the terms used in this Guaranty shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with the Agreement. This Guaranty shall be governed by the dispute resolution provisions of the Agreement, and shall be interpreted and construed under the laws of the State of Texas. In the event of any conflict of law, the laws of the State of Texas shall prevail (without regard to, and without giving effect to, the application of Texas conflict of law rules).

**IN WITNESS WHEREOF**, the undersigned has executed this Guaranty, Indemnification and Acknowledgement as of the date of the Agreement.

**GUARANTOR(S):**

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

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

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

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

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

**PRONTO FRANCHISE, L.L.C.**  
**AREA DEVELOPMENT AGREEMENT**  
**EXHIBIT D**  
**AREA DEVELOPER CERTIFICATION**

The undersigned, personally and as an officer(s), member(s) or partner(s) of Area Developer, as applicable, does hereby certify that he/she has conducted an independent investigation of the business contemplated by this Area Development Agreement and the Pronto Franchise, L.L.C. Franchise Agreement, and that the decision to execute the Area Development Agreement was based entirely upon the independent investigation by the undersigned. The undersigned further certifies that he/she understands the risks involved in this investment and Pronto Franchise, L.L.C. makes no representation or guaranty, explicit or implied, that Area Developer will be successful or will recoup his/her investment.

**IN WITNESS WHEREOF**, the undersigned have signed and delivered this Certificate this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
AREA DEVELOPER

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

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

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

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

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

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

Each of the undersigned Principals own a beneficial interest in Area Developer and has read the Area Development Agreement, agree to be individually bound by all obligations of Area Developer hereunder and certify the foregoing:

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

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

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

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

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

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

**EXHIBIT 5**  
**TABLE OF CONTENTS OF CONFIDENTIAL OPERATING MANUAL**

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| <b>Welcome Letter (1 pg.)</b>                              |  |
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| <b>How to use This Manual (1 pg.)</b>                      |  |
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- Employee Safety
  - Safety & Security
  - Dealing with Theft
  - Workers Compensation
- Performance
- Termination
- Employment Disputes
- Compensation
- Payroll Deductions
- Employee Forms (7 pgs.)**
- Pronto Policies (42 pgs.)**
  - Customer Service.
    - Presentation
    - Attitude
    - Guest Relations
    - Resolution of Guest Issues
  - Uniform and Dress
  - Phone etiquette
  - Claim reporting
  - Help desk Service Request
  - Agent Licensing
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  - Required Training
  - Cash and Checks in the Office
    - Cash Control.
    - NSF Checks.
  - Insurance – Liability, Contents and E & O
  - Audits by corporate
  - Record Retention Requirements.
    - Insurance
    - Bookkeeping
  - Emergency situations
    - Recommended safety and security procedures
- Daily Procedures (14 pgs.)**
  - Opening and Closing
  - Cleaning procedures
  - Record Keeping
  - Daily Deposit Report
- QuickBooks (22 pgs.)**
  - Generating Reports
    - Generating GA Report
    - Daily Deposit Report
    - Daily Sales Report
    - Commission – Royalty Report
- Products (5 pgs.)**
  - Insurance
- Using the Pronto System (26 pgs.)**
  - Application.

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Processing EFT.

Agency Fees

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**EXHIBIT 6**  
**LISTS OF FRANCHISEES AND AREA DEVELOPERS**

**List of Franchisees and Area Developers with Open Franchised Businesses**  
**(As of December 31, 2023)**

| FR#   | Franchisee                         | Principal                           | Store Phone  | Store Address                       | City               | State | Zip   |
|-------|------------------------------------|-------------------------------------|--------------|-------------------------------------|--------------------|-------|-------|
| FR077 | BA&L LLC                           | Jorge Barcena                       | 956-350-3312 | 7097 N Expwy 77<br>Ste 1            | Brownsville        | TX    | 78575 |
| FR050 | BA&L LLC                           | Jorge Barcena                       | 956-350-8833 | 2680 W Alton Gloor                  | Brownsville        | TX    | 78520 |
| FR055 | R.E.& Perez Investments LLC        | Rosaelena Perez                     | 956-372-1251 | 5015 Paredes Line<br>Rd.            | Brownsville        | TX    | 78521 |
| FR016 | Ordaz Investments, LLC             | Manuel Ordaz                        | 830-422-2580 | 405 E Gibbs St                      | Del Rio            | TX    | 78840 |
| FR081 | Ordaz Investments, LLC             | Manuel Ordaz                        | 830-488-6033 | 1912 Veterans Blvd<br>Ste. 27       | Del Rio            | TX    | 78852 |
| FR003 | Ordaz Investments, LLC             | Manuel Ordaz                        | 210-577-0736 | 2230 N. Veterans<br>Blvd., Ste. 280 | Eagle Pass         | TX    | 78852 |
| FR028 | Ordaz Investments, LLC             | Manuel Ordaz                        | 830-773-5600 | 2907 El Indio Hwy                   | Eagle Pass         | TX    | 78852 |
| FR084 | ACSS Financial Services,<br>LLC    | Amado Sanchez                       | 956-685-1900 | 5300 Bosque Dr. Ste.<br>D           | Edinburg           | TX    | 78542 |
| FR052 | L&J Insurance Group LLC            | Liliana Dorado                      | 956-567-2275 | 523 W Edinburg<br>Ave, Suite 1      | Elsa               | TX    | 78543 |
| FR036 | EVG Enterprises LLC                | Evert Gonzalez                      | 817-625-5200 | 3209 N. Main Street<br>Ste 111      | Fort Worth         | TX    | 76106 |
| FR089 | Grupo VIP, LLP                     | Mauricio Vargas                     | 469-562-4221 | 5511 Broadway Blvd                  | Garland            | TX    | 75043 |
| FR002 | BA&L, LLC                          | Jorge Barcena                       | 956-364-2498 | 817 Ed Carey Dr.                    | Harlingen          | TX    | 78550 |
| FR045 | ACSS Financial Consultants,<br>LLC | Amado Sanchez                       | 956-843-2545 | 109 East Coma Ave                   | Hidalgo            | TX    | 78557 |
| FR020 | Ruelas Investments, LLC            | Veronica Ruelas<br>Martinez         | 956-277-0251 | 405 N. Main St                      | La Feria           | TX    | 78559 |
| FR068 | Ordaz Investments, LLC             | Manuel Ordaz                        | 956-728-7000 | 1919 E Saunders,<br>Ste. 2          | Laredo             | TX    | 78041 |
| FR046 | Domingo & Julian Reyna             | Domingo Reyna                       | 956-627-5300 | 4800 South 23rd<br>Street           | McAllen            | TX    | 78503 |
| FR024 | Cantu Insurance Svcs LLC           | Rosa Elena Cantu                    | 956-583-3780 | 2009 W 3 mi Line,<br>Ste 400        | Mission            | TX    | 78572 |
| FR083 | ACSS Financial Services,<br>LLC    | Amado Sanchez                       | 956-532-0250 | 1101 FM 1015 Ste.<br>C              | Progreso           | TX    | 78579 |
| FR042 | JLlamas Investments LLC            | Juan Lamas                          | 956-699-2303 | 365 E Hidalgo Ave                   | Raymondville       | TX    | 78580 |
| FR017 | DAFMAT, LLC                        | Susana Do Faial                     | 956-263-1676 | 5107 U.S. 8                         | Rio Grande<br>City | TX    | 78582 |
| FR034 | GPI Enterprises LLC                | Maribel Peña                        | 956-847-4158 | 606 Grant St Ste B                  | Roma               | TX    | 78584 |
| FR067 | GPI Enterprises, LLC               | Maribel Pena                        | 956-847-4149 | 4522 E. Hwy. 83,<br>Ste. I          | Roma               | TX    | 78584 |
| FR026 | R&M Tax Center Bandera             | Linda Ortegon                       | 210-431-7705 | 2003 Bandera                        | San Antonio        | TX    | 78228 |
| FR021 | R&M Tax Center                     | Michelle<br>Gutierrez               | 210-432-7300 | 414 N General<br>McMullen           | San Antonio        | TX    | 78228 |
| FR048 | Studio Wraphics LLC                | Erick Lopez and<br>Edgar J. Guillen | 210-924-6568 | 6818 S. Zarzamora                   | San Antonio        | TX    | 78207 |
| FR069 | Studio Wraphic, LLC                | Erik Lopez                          | 210-549-4035 | 4030 Culebra, Ste.<br>101           | San Antonio        | TX    | 78228 |

| FR#   | Franchisee                    | Principal       | Store Phone  | Store Address                      | City        | State | Zip   |
|-------|-------------------------------|-----------------|--------------|------------------------------------|-------------|-------|-------|
| FR029 | Ordaz Investments, LLC        | Manuel Ordaz    | 830-591-1999 | 807 E Main St                      | Uvalde      | TX    | 78801 |
| FR082 | ACSS Financial Services, LLC  | Amado Sanchez   | 956-351-5704 | 1609 N. International, Blvd, Ste H | Weslaco     | TX    | 78599 |
| FR097 | R.E.& Perez Investments, LLC. | Rosaelena Perez | 956-280-5938 | 1400 Palm Blvd #2                  | Brownsville | TX    | 78520 |

**List of Franchisees that Have Signed a Franchise Agreement  
but Not Opened a Franchised Business  
(As of December 31, 2023)**

| FR#   | Franchisee                  | Principal     | Store Phone  | Store Address   | City | State | Zip |
|-------|-----------------------------|---------------|--------------|-----------------|------|-------|-----|
| FR098 | L Ortegon & Associates, LLC | Linda Ortegon | 210-326-6737 | No Location yet | N/A  | TX    | N/A |

NOTE: None of the franchisees listed in the two tables above developed or are in the process of developing Franchised Businesses under an Area Development Agreement

**EXHIBIT 7**  
**LIST OF FRANCHISEES AND AREA DEVELOPERS WHO HAVE LEFT THE SYSTEM**  
**(As of December 31, 2023)**

**Terminations**

| Franchisee                                | Principal      | Phone        | City            | State |
|-------------------------------------------|----------------|--------------|-----------------|-------|
| FR092 - Nouman Professional Services, LLC | Camille Nouman | 817-480-4893 | Forest Hill     | TX    |
| FR094 (aka FR075) - GPI, LLC.             | Maribel Pena   | 956-208-1711 | Rio Grande City | TX    |

**Non- Renewals**

| Franchisee          | Principal   | Phone        | City        | State |
|---------------------|-------------|--------------|-------------|-------|
| CFR03-AIC Team, LLC | Andrew Frye | 310-577-7530 | Los Angeles | CA    |

**Outlets Reacquired from Franchisee**

| Franchisee                                 | Principal           | Phone         | City        | State |
|--------------------------------------------|---------------------|---------------|-------------|-------|
| FR062- Escain Insurance Services, LLC      | Claudia Ainslie     | 210-375-9005  | San Antonio | TX    |
| FR001 (aka FR075)- Ruelas Investments, LLC | Veronica Ruelas Mtz | 956- 971-0022 | McAllen     | TX    |

**Transfers**

| Franchisee | Principal | Phone | City | State |
|------------|-----------|-------|------|-------|
| None       |           |       |      |       |

NOTE: None of these franchisees are Area Developers.

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

**EXHIBIT 8**  
**FINANCIAL STATEMENTS**

## **Pronto Franchise, LLC**

**Financial Statements**  
With Independent Auditor's Report  
As of and for the Years Ended  
December 31, 2023, 2022 and 2021

# Pronto Franchise, LLC

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## **Independent Auditor's Report**

To the Member of  
Pronto Franchise, LLC  
Brownsville, Texas

### ***Opinion***

We have audited the financial statements of Pronto Franchise, LLC (a Texas Limited Liability Company) (the "Company"), which comprise the balance sheets as of December 31, 2023, 2022, and 2021, and the related statements of operations, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***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 issued or available to be issued.

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

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

In performing an audit in accordance with GAAS, we:

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

*Cohn, Therman & Matza, LLP*

March 13, 2024

# Pronto Franchise, LLC

## Balance Sheets

| <i>December 31,</i>                          | <b>2023</b>       | <b>2022</b>       | <b>2021</b>       |
|----------------------------------------------|-------------------|-------------------|-------------------|
| <b>Assets</b>                                |                   |                   |                   |
| <b>Current Assets</b>                        |                   |                   |                   |
| Cash and cash equivalents                    | \$ 64,242         | \$ 53,226         | \$ 21,331         |
| Due from a related party                     | 801,555           | 716,712           | 678,053           |
| Prepaid expenses and other assets            | 2,037             | 13,037            | 4,137             |
| <b>Total Current Assets</b>                  | <b>867,834</b>    | <b>782,975</b>    | <b>703,521</b>    |
| Property and equipment, net                  | 3,566             | 4,755             | 7,466             |
| <b>Total Assets</b>                          | <b>\$ 871,400</b> | <b>\$ 787,730</b> | <b>\$ 710,987</b> |
| <b>Liabilities and Member's Equity</b>       |                   |                   |                   |
| <b>Current Liabilities</b>                   |                   |                   |                   |
| Accounts payable and accrued liabilities     | \$ 308,425        | \$ 258,467        | \$ 204,201        |
| Due to parent                                | 291,735           | 379,295           | 261,753           |
| Deferred revenue                             | 39,297            | 53,637            | 115,350           |
| <b>Total current liabilities</b>             | <b>639,457</b>    | <b>691,399</b>    | <b>581,304</b>    |
| Commitments and contingencies                |                   |                   |                   |
| Member's equity                              | 231,943           | 96,331            | 129,683           |
| <b>Total Liabilities and Member's Equity</b> | <b>\$ 871,400</b> | <b>\$ 787,730</b> | <b>\$ 710,987</b> |

*See the accompanying notes to the financial statements.*

# Pronto Franchise, LLC

## Statements of Operations and Changes in Member's Equity

| <i>Years Ended December 31,</i>                 | <b>2023</b>       | <b>2022</b>      | <b>2021</b>       |
|-------------------------------------------------|-------------------|------------------|-------------------|
| <b>Revenues</b>                                 |                   |                  |                   |
| Franchise revenue                               | \$ 31,340         | \$ 87,984        | \$ 119,270        |
| Royalty revenue                                 | 416,086           | 292,484          | 305,937           |
| <b>Total revenues</b>                           | <b>447,426</b>    | <b>380,468</b>   | <b>425,207</b>    |
| <b>Operating Expenses</b>                       |                   |                  |                   |
| Salaries and wages                              | 148,329           | 165,548          | 250,490           |
| Marketing and advertising                       | 39,395            | 93,449           | 41,575            |
| Professional services                           | 49,382            | 69,931           | 85,347            |
| Depreciation and amortization                   | 1,189             | 2,711            | 23,219            |
| Loss on disposal of property and equipment      | -                 | -                | 500               |
| Bad debt expense                                | -                 | -                | 12,000            |
| General and administrative                      | 70,162            | 79,327           | 110,627           |
| <b>Total operating expenses</b>                 | <b>308,457</b>    | <b>410,966</b>   | <b>523,758</b>    |
| <b>Operating income (loss)</b>                  | <b>138,969</b>    | <b>(30,498)</b>  | <b>(98,551)</b>   |
| <b>State franchise taxes</b>                    | <b>(3,357)</b>    | <b>(2,854)</b>   | <b>(3,197)</b>    |
| <b>Net income (loss)</b>                        | <b>135,612</b>    | <b>(33,352)</b>  | <b>(101,748)</b>  |
| <b>Member's equity at beginning of the year</b> | <b>96,331</b>     | <b>129,683</b>   | <b>231,431</b>    |
| <b>Member's equity at end of year</b>           | <b>\$ 231,943</b> | <b>\$ 96,331</b> | <b>\$ 129,683</b> |

*See the accompanying notes to the financial statements.*

# Pronto Franchise, LLC

## Statements of Cash Flows

| <i>Years ended December 31,</i>                                                                    | <b>2023</b> | <b>2022</b> | <b>2021</b>  |
|----------------------------------------------------------------------------------------------------|-------------|-------------|--------------|
| <b>Cash Flows from Operating Activities</b>                                                        |             |             |              |
| Net income (loss)                                                                                  | \$ 135,612  | \$ (33,352) | \$ (101,748) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |             |             |              |
| Depreciation and amortization expense                                                              | 1,189       | 2,711       | 23,219       |
| Loss on disposal of property and equipment                                                         | -           | -           | 500          |
| Changes in operating assets and liabilities:                                                       |             |             |              |
| Trade receivables                                                                                  | -           | -           | 17,000       |
| Prepaid expenses and other assets                                                                  | 11,000      | (8,900)     | (350)        |
| Accounts payable and accrued liabilities                                                           | 49,958      | 54,266      | 23,849       |
| Due to/from related parties                                                                        | (172,403)   | 78,883      | (96,873)     |
| Deferred revenue                                                                                   | (14,340)    | (61,713)    | (87,350)     |
| Net cash provided by (used in) operating activities                                                | 11,016      | 31,895      | (221,753)    |
| <b>Cash Flows from Investing Activities</b>                                                        |             |             |              |
| Purchase of property and equipment                                                                 | -           | -           | (3,845)      |
| Net cash used in investing activities                                                              | -           | -           | (3,845)      |
| Net increase (decrease) in cash and cash equivalents                                               | 11,016      | 31,895      | (225,598)    |
| Cash and cash equivalents at beginning of year                                                     | 53,226      | 21,331      | 246,929      |
| Cash and cash equivalents at end of year                                                           | \$ 64,242   | \$ 53,226   | \$ 21,331    |
| <b>Supplemental Information</b>                                                                    |             |             |              |
| State income taxes paid                                                                            | \$ -        | \$ -        | \$ -         |

*See the accompanying notes to the financial statements.*

# Pronto Franchise, LLC

## Notes to Financial Statements

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### 1. Organization and Business

Pronto Franchise, LLC (the “Company”) is a registered limited liability company organized under the laws of the state of Texas and wholly-owned by Pronto Holdco, Inc. (the “Parent”). The Company markets and operates franchise agreements for Pronto General Agency, Ltd. (“PGA”), a Managing General Agency (“MGA”) and the main operating entity under the Pronto group of companies.

On June 4, 2018, Arthur J. Gallagher and Co. acquired 100% ownership of Pronto Holdco, Inc. As provided by Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 805-50-25, *Business Combinations - Related Issues - Pushdown Accounting*, the Company has elected to continue to prepare its financial statements using its historical basis that existed before the acquirer obtained control of the entity.

### 2. Summary of Significant Accounting Policies

#### ***Basis of Accounting***

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is solely responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”) and have been consistently applied in the preparation of the financial statements.

#### ***Management Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of certain 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.

#### ***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the Company considers cash on hand, demand deposits at banks and all highly liquid instruments with an original maturity of three months or less to be cash and cash equivalents.

#### ***Property and Equipment***

Property and equipment are carried at cost. When retired or otherwise disposed of, the related carrying value and accumulated depreciation are removed from the respective accounts, and the net difference, less any amount realized from the disposition, is recorded in operations. Maintenance and repairs are charged to operating expenses as incurred. Costs of significant improvements and renewals are capitalized.

# Pronto Franchise, LLC

## Notes to Financial Statements

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Property and equipment are depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are amortized using the straight-line method based on the lesser of the useful life of the asset or the term of the lease. The estimated useful lives of significant assets are as follows:

|                        | Years |
|------------------------|-------|
| Furniture and fixtures | 5     |
| Leasehold improvements | 4-5   |
| Computer equipment     | 3     |

### ***Impairment of Long-Lived Assets***

The Company follows the authoritative guidance under ASC Topic 360-10-05, *Accounting for the Impairment or Disposal of Long-lived Assets*, to account for the impairment of its long-lived assets. In the event that facts and circumstances indicate that long-lived assets related to specifically acquired assets may be impaired, an evaluation of the recoverability of currently recorded carrying values will be made.

If an evaluation is required, the estimated value of undiscounted future net cash flows associated with the asset or asset group is compared to the asset's carrying value to determine if a write-down to fair value is required. The Company believes no evidence of impairment exists at December 31, 2023, 2022 or 2021 and no impairment losses were recognized during the years ended December 31, 2023, 2022 or 2021.

### ***Income Taxes***

The Company is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable by or provided for by the Company. The member is taxed individually on their proportionate share of the Company's earnings and losses. The Company, however, is subject to Texas Franchise tax.

The Company records a liability for uncertain tax positions where it is more likely than not that the tax position will not be sustained upon examination by the appropriate tax authority. Changes in the liability for uncertain tax positions are reflected in the statement of operations in the period when a new uncertain tax position arises, judgment changes about the likelihood of uncertainty, the tax issue is settled, or the statute of limitation expires. Any potential net interest income or expense and penalties related to uncertain tax positions is recorded in the statement of operations. No interest expense and penalties were recognized for state income tax for the years ended December 31, 2023, 2022 or 2021.

### ***Marketing and Advertising***

Marketing and advertising costs are charged to expense as incurred.

# Pronto Franchise, LLC

## Notes to Financial Statements

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### ***Revenue Recognition***

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014- 09, “*Revenue from Contracts with Customers (Topic 606)*”. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the new standard effective January 1, 2019, the first day of the Company’s fiscal year using the modified retrospective approach.

Under the new standard, the Company determines revenue recognition through the following steps:

- 1) Identification of the contract with a customer,
- 2) Identification of the performance obligations in the contract,
- 3) Determination of the transaction price,
- 4) Allocation of the transaction price to performance obligations in the contract, and
- 5) Recognition of revenue when, or as, the Company satisfies a performance obligation.

The Company has assessed that a franchise contract involves distinct series of performance obligations over the contract term and essentially is a license that allows the franchisee to use the franchisor’s intellectual property. For such performance obligation, the Company receives a nonrefundable initial franchise fee or renewal fees and royalties as a percentage of premiums collected. The initial franchise fee consideration is recorded as deferred revenue and recognized as revenue on a straight-line basis over the related contract periods. The royalties are recognized when earned and collected.

The Company does not incur any material incremental cost to obtain and fulfill its revenue contracts with customers under ASC 340, *Other Assets and Deferred Costs*, and it has elected the practical expedient to expense the incremental cost when incurred as all amortization periods would be one year or less.

For the years ended December 31, 2023, 2022 and 2021, the Company opened no new franchises.

### ***Concentration of Credit Risk***

The Company maintains its cash in well-known banks selected based upon management’s assessment of the bank’s financial stability. Balances periodically exceed the federal depository insurance limit; however, the Company has not experienced any losses on deposits.

# Pronto Franchise, LLC

## Notes to Financial Statements

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### *Concentration of Business Risk*

All franchises for the Company are located in the state of Texas. During the years ended December 31, 2023, 2022, and 2021, the Company had franchisees that represented over 10% of total royalty revenue. The Company expects to maintain relationships with these franchisees. In the event that any franchisee is unable to fulfill their obligations in accordance with their respective franchise agreement, all policies and related policy expirations revert back to the Company, and Pronto Franchise, LLC is contractually permitted to continue to operate any franchised location in the event the franchisee is unable or unwilling to do so. Franchisees that represented over 10% of total royalty revenue for the years ended December 31, 2023, 2022, and 2021 are as follows:

| <i>Years ended December 31,</i> | <b>2023</b> | <b>2022</b> | <b>2021</b> |
|---------------------------------|-------------|-------------|-------------|
| Franchise A                     | 12%         | 12%         | 12%         |
| Franchise B                     | 12%         | 15%         | 13%         |
| Franchise C                     | 34%         | 31%         | 32%         |

### *Fair Value Measurements and Disclosures*

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and due from/to related parties. Fair value of these instruments approximates book value due to their short maturities. The Company includes fair value information in the notes to financial statements when the fair value of its financial instruments is different from the book value. When the book value approximates fair value, no additional disclosure is made.

## 3. Property and Equipment

Property and equipment were comprised of the following as of December 31:

| <i>December 31,</i>            | <b>2023</b> | <b>2022</b> | <b>2021</b> |
|--------------------------------|-------------|-------------|-------------|
| Furniture and fixtures         | \$ 14,864   | \$ 14,864   | \$ 14,864   |
| Leasehold improvements         | -           | -           | -           |
| Computer equipment             | 48,542      | 48,542      | 48,542      |
| Total property and equipment   | 63,406      | 63,406      | 63,406      |
| Less: accumulated depreciation | (59,840)    | (58,651)    | (55,940)    |
| Property and equipment, net    | \$ 3,566    | \$ 4,755    | \$ 7,466    |

# Pronto Franchise, LLC

## Notes to Financial Statements

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### 4. Related Party Transactions

As discussed above, the Company markets and operates franchises for PGA. Royalty revenues presented in the statements of operations relates to royalties/commissions earned by the Company for insurance contracts sold for PGA. As of December 31, 2023, 2022 and 2021, the Company's receivable balance from PGA amounted to \$801,555, \$716,712, and \$678,053, respectively. These balances represent cash due on demand to the Company, and their settlement represents an intercompany transaction between the Company and PGA.

The Parent initially pays all salaries for the Company. For the years ended December 31, 2023, 2022 and 2021, salaries expense amounted to \$148,329, \$165,548, and \$250,490, respectively. As of December 31, 2023, 2022 and 2021, the Company had outstanding payable balances of \$291,735, \$379,295, and \$261,753, respectively, related to salary expenses.

### 5. Liquidity

For the year ended December 31, 2023, the Company incurred a net Income of \$135,612 and generated cash flows from operating activities of \$11,016. As of December 31, 2023, the Company had a working capital surplus of \$228,377. For the year ended December 31, 2022, the Company incurred a net loss of \$33,352 and generated cash flows from operating activities of \$31,895. As of December 31, 2022, the Company had a working capital surplus of \$91,576. For the year ended December 31, 2021, the Company incurred a net loss of \$101,748 and used cash flows from operating activities of \$221,753. As of December 31, 2021, the Company had a working capital surplus of \$122,217. If needed, Parent would make an additional capital infusion into the Company.

### 6. Commitments and Contingencies

The Company is subject to various claims and litigation arising in the ordinary course of business. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, a liability is accrued for the estimated loss. Significant judgments are required for the determination of probability and the range of outcomes. Due to the inherent uncertainties, estimates are based only on the best information available at that time. Actual outcomes may differ from our estimates. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Such revisions may have a material impact on our results of operations and financial position. In the opinion of management, the ultimate impact of these legal proceedings will not have a material adverse effect on the financial position or results of operations of the Company.

### 7. Subsequent Events

The Company has evaluated all events or transactions that occurred after December 31, 2023 through March 13, 2024, the date these financial statements were available to be issued and has concluded there were no significant events to be reported.

### **State Effective Dates**

The following states 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   | Pending               |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**RECEIPT**  
**(YOUR COPY)**

This Disclosure Document summarizes certain provisions of the franchise agreement and area development agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If we offer you a franchise, we 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. Iowa and New York require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do 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, DC 20580 and the appropriate state agency listed on Exhibit 1.

The franchisor is Pronto Franchise, L.L.C. located at 805 Media Luna Drive, Suite 300, Brownsville, Texas 78520. Its telephone number is (956) 574-9787.

The name, principal business address and telephone number of each franchise seller offering the franchise is as follows: Rex Martin, Pronto Franchise, L.L.C., 805 Media Luna Drive, Suite 300, Brownsville, Texas 78520, (956) 574-9787; and \_\_\_\_\_

The issuance date of this Disclosure Document is: April 19, 2024.

See Exhibit 1 for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated April 19, 2024, that included the following Exhibits:

Exhibit 1 – State Administrators/Agents for Service of Process  
Exhibit 2 – State Specific Addenda  
Exhibit 3 – Franchise Agreement  
Exhibit 4 – Area Development Agreement  
Exhibit 5 – Table of Contents of Confidential Operating Manual  
Exhibit 6 – Lists of Franchisees and Area Developers  
Exhibit 7 – List of Franchisees and Area Developers Who Have Left the System  
Exhibit 8 – Financial Statements

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee

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

PLEASE KEEP THIS COPY FOR YOUR RECORDS.

**RECEIPT**  
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\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee

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

PLEASE SIGN THIS COPY OF THE RECEIPT, DATE YOUR SIGNATURE, AND RETURN IT TO REX MARTIN, PRONTO FRANCHISE, L.L.C., 805 MEDIA LUNA DRIVE, SUITE 300, BROWNSVILLE, TEXAS 78520.