

## FRANCHISE DISCLOSURE DOCUMENT



**G J Gardner Homes USA, LLC**  
A Texas limited liability company  
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The franchisee will have the opportunity to become a unit-level franchisee under the G.J. Gardner Homes system, operating a "G.J. Gardner Homes" business (a "**Business**"), which is a management system for a home construction business, featuring a distinctive method, style and system of home-building.

The total initial investment necessary to begin operation of a franchised Business ranges from \$151,000 to \$348,000. This includes \$65,000 that you must pay to the franchisor or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Trent Gardner at 1114 S. St. Mary's Street, Suite 110, San Antonio, Texas 78210; telephone (310) 426-4812.

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, D.C. 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.

The issuance date of this Franchise Disclosure Document is 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 or Exhibit D.
<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 F 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 G.J. Gardner Homes 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 G.J. Gardner Homes franchisee?</b>	Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation and litigation only in Texas. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate 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 payments may result in termination of your franchise and loss of your investment.

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

**G J GARDNER HOMES USA, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

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**EXHIBITS**

A	Franchise Agreement and Related Attachments	F	Our Financial Statements
B	List of Administrators	G	Table of Contents for Manual
C	Agents for Service of Process	H	State-specific Disclosures
D	List of Current and Former Franchisees	I	State-specific Agreement Amendments
E	List of Company-Owned Businesses	J	General Release
		K	Receipts (2 copies)

**ITEM 1****THE FRANCHISOR, AND ANY PARENT, PREDECESSORS, AND AFFILIATES****The Franchisor**

G J Gardner Homes USA, LLC ("**us**," "**our**," or "**we**") is a Texas limited liability company formed on January 24, 2020. We maintain our principal place of business at 1114 S. St. Mary's Street, Suite 110, San Antonio, Texas 78210; telephone (310) 426-4812. We do not maintain any other offices. We conduct our business under the name and mark "G.J. Gardner Homes." We do not conduct business under any other name.

In this disclosure document, we offer G.J. Gardner unit franchises ("**Businesses**"). We do not currently operate Businesses (although we may do so in the future) and do not have any other business activity. As noted below, our predecessor offered master franchises for G.J. Gardner businesses from 2003 until May 1, 2020, and offered franchises for Businesses from December 2018 to May 1, 2020. We have offered franchises for Businesses since May 2020. We do not offer and have never offered franchises in any other lines of business.

**Our Parent, Predecessor, and Affiliates**

We do not have any parents.

Our predecessor is G.J. Gardner Homes (USA) PTY LTD ("**GJGHPL**"), as trustee for The G.J. Gardner (USA) Unit Trust, an Australian limited liability company formed on November 11, 2003. GJGHPL maintains its principal place of business at Level 1 Landmark Resort, Cnr. of The Esplanade & Burnett Street, Mooloolaba, Queensland 4557, Australia, telephone 011-61 7 5444 6555. GJGHPL was the U.S. franchisor of G.J. Gardner master franchise businesses from 2003 until May 1, 2020 and for Businesses from December 2018 to May 1, 2020. On May 1, 2020, GJGHPL assigned to us all of its rights and obligations under each of its franchise agreements and master franchise agreements and we became the U.S. franchisor for "G.J. Gardner Homes" Businesses and master franchise businesses. GJGHPL did not offer and has never offered franchises in any other lines of business.

Our affiliate is Corporate IP Holdings Pty Ltd., an Australian limited liability company ("**C.I. Holdings**"). C.I. Holdings' principal place of business is Level 1 Landmark Resort, Cnr. of The Esplanade & Burnett Street, Mooloolaba, Queensland 4557, Australia. As described more fully in Item 13 below, C.I. Holdings entered into a license agreement with us on May 1, 2020 (the "**License Agreement**") granting to us the right to use and license others the right to use the Proprietary Marks and System in the United States. C.I. Holdings does not conduct business in any other line of business, and does not offer franchises in any line of business.

C.I. Holdings obtained its rights and interest in and do the G.J. Gardner System in November 2007 from Nailey Pty Ltd, an Australian limited liability company ("**Nailey**"). Nailey no longer exists, but before November 2007, Nailey offered franchises for G.J. Gardner Homes Businesses in Australia and New Zealand from May 1995. Before that, Nailey was a home builder in Australia and New Zealand, and had acquired the right to operate as a G.J. Gardner Homes Business from Lintworth Pty Ltd. From GJGHPL's inception in 2003 until 2007, Nailey licensed GJGHPL the right to use the G.J. Gardner Proprietary Marks and System (as those terms are defined below) to offer franchises in the United States. Nailey did not conduct business in any other line of business.

Our other affiliate is Netdeen Pty Ltd., an Australian limited liability company ("**Netdeen**"). Netdeen's principal place of business is Level 1 Landmark Resort, Cnr. of The Esplanade & Burnett Street, Mooloolaba, Queensland 4557, Australia. Netdeen has offered franchises for G.J. Gardner Homes Businesses in Australia and New Zealand since January 1996, under a license to do so from Nailey (and since 2007, from C.I. Holdings). Netdeen does not conduct business or offer franchises in any other line of business.

None of our affiliates operate Businesses.

Our agents for service of process are listed in Exhibit C to this disclosure document.

### **The Franchise Rights Offered**

We offer franchises to become a G.J. Gardner Homes franchisee (a "**Franchised Business**" or, generally, the "**Business**") under the terms of franchise agreements (each, a "**Franchise Agreement**").

We offer to enter into Franchise Agreements with qualified corporations and persons ("**you**") that wish to establish and operate a Business. (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 Business from an agreed-upon specified location (the "**Approved Location**"). You will also be granted a specified territory (the "**Territory**") within which you may operate the Business and in which you will receive certain protected rights. The form of Franchise Agreement is attached to this disclosure document as Exhibit A.

Businesses are characterized by our system (the "**System**") relating to the development, establishment and operation of "G.J. Gardner" Businesses, which feature a distinctive method, style and system of home-building. Some of the features of our System include plans for interior layout of a business, design and decoration, equipment selection and installation, an integrated software package, merchandising, advertising, sales and promotional techniques, personnel training, office and site practice and procedure and other matters relating to the operation of a homebuilding business. We may periodically change and improve parts of the System.

Businesses also feature specific architectural plans and designs ("**Plans**") for construction of houses, multifamily units, remodels, additions, other dwellings or any industrial or commercial building units ("**Units**"), homebuilding techniques and methods, and related business and marketing procedures (all of which are also part of the System)

You must operate your Franchised Business in accordance with our standards and procedures, as set out in our confidential operations manual (the "**Manual**"). We will lend you, or make available electronically, a copy of the Manual for the duration of the Franchise Agreement. In addition, we will grant you the right to use our marks, including the mark "G.J. Gardner Homes" and any other trade names and marks that we designate in writing for use with the System (the "**Proprietary Marks**").



## **Industry-Specific Regulations**

You will need to comply with various home building laws, regulations and requirements, and obtain relevant occupational and professional licenses relating to home building and contractor licensing. You will also need to comply with any requirements to build homes and other dwellings in accordance with applicable building codes. You must comply with all local, state, and federal laws that apply to the operation of your Franchised Business, including for example health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect the construction, site elements, entrance ramps, doors, seating, and other facilities at the premises from which you will operate the Franchised Business. There are also regulations that pertain to handling consumer data and healthcare for employees. You will be required to comply with all applicable federal, state, and local laws and regulations in connection with the operation of your Franchised Business. You should consult with your attorney concerning those and other local laws and ordinances that may affect the operation of your Franchised Business.

## **Competition**

You can expect to compete in your market with locally-owned, as well as with national and regional, home building businesses. The market for these types of businesses is well-established and highly competitive. Home builders compete on the basis of factors such as design, style, price, customer service, and location. These businesses are often affected by other factors as well, such as changes in economic conditions, population fluctuation, and municipal and regional infrastructure growth.

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

Unless otherwise indicated, the location of the employer is San Antonio, Texas.

### **Director: Gregory John Gardner**

Mr. Gardner is the founder of G.J. Gardner Homes. He has been our Director since our inception in November 2003. He is also currently, and has been since January 1996, a Director for our affiliate Netdeen. He was Managing Director for Nailey from May 1995 to November 2007, and was Managing Director of Lintworth from February 1987 to October 1995.

### **Managing Director: Darren Wallis**

Mr. Wallis has been our Managing Director since our inception in November 2003. He is also currently, and has been since January 2001, a Managing Director for Netdeen (where prior to that he was a Director from January 1996 to January 2001). Mr. Wallis was an accountant for Nailey from March 1994 to November 2007.

### **Director and Chief Executive Officer: Trent Gardner**

Mr. Gardner has been our Director and Chief Executive Officer since May 2020. He was also our IT Manager from May 2020 to October 2020. Before that, he was GJGHPL's IT Manager from February 2010 to May 2020.



Division President and Director, G.J. Gardner Homes USA: Bobby Keen

Mr. Keen has been our Division President and a Director since September 2023. Before that, he was a Director of Research and Development for 3M Corporation in San Antonio, Texas from August 2018 to August 2023.

Head of Network Growth: Conrad Gardner

Mr. Gardner has been our Head of Network Growth since July 2022. Before that, he was our East Area Manager from January 2021 to July 2022. He was our South Central Area Manager from May 2020 to January 2021. Before that, he was South Central Area Manager for GJGHPL from September 2019 to May 2020. Mr. Gardner was Franchise System and Support Manager for GJGHPL from February 2014 to September 2019.

**ITEM 3**  
**LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4**  
**BANKRUPTCY**

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

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

**Initial Franchise Fee**

When you sign the Franchise Agreement, you must pay us an initial franchise fee of \$50,000. The initial franchise fee will be fully earned when paid, must be paid in one lump-sum amount, and is non-refundable. The initial franchisee fee is uniform for new franchisees.

**Initial Marketing Spend**

When you sign the Franchise Agreement, you must deposit with us an initial marketing expenditure in the amount of \$15,000 (the “**Initial Marketing Spend**”) for marketing and advertising to be conducted and administered by us for the Franchised Business. The Initial Marketing Spend will be used solely for the marketing and launch of the Franchised Business. The Initial Marketing Spend is uniform and is non-refundable.

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

<b>Type of Fee</b> (Note 1)	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty	The greater of 4% of Gross Sales or \$3,500 each month. (Note 2)	By the 7th day of each month. (See Note 2)	See Note 2 for the definition of Gross Sales.
Marketing Fund Contribution	1% of Gross Sales	Same as royalty	See Note 2 for the definition of Gross Sales.
Brand Protection Fund Contribution	\$150 for each home contract (Note 3)	Within 7 days of your receipt of an invoice from us based on the contracts signed during the preceding month	See Note 3.
Transfer Fee	Between 20% and 30% of the sale/transfer price. See Note 4.	At time of transfer	Payable if you sell your franchise or your company. (Note 4)
Renewal Costs	Our reasonable legal expenses and other costs associated with the negotiation, preparation and execution of a new franchise agreement	At time of renewal	Instead of a renewal fee, you must only reimburse us for these amounts if and when you renew the Franchise Agreement upon expiration of the initial term.
Interest on Overdue Payments	1.5% per month on the underpayment (Note 5)	Upon demand	Payable only on overdue amounts, from the date when originally due.
Costs and Attorneys' Fees	Will vary under circumstances	Upon demand	If you default under the Franchise Agreement, you must reimburse us for our expenses (including reasonable attorneys' fees) in enforcing or terminating the agreement.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Audit Costs	All costs and expenses associated with the audit, reasonable accounting and legal costs; and interest on the underpayment	Upon demand	Payable only if we audit because you did not submit sales statements or keep books and records, or if sales are underreported by 2% or more.
Indemnification	Will vary under circumstances	As incurred	Note 6
Securities Offering Fee	\$25,000, or our actual expenses, whichever is greater	Upon demand	If you engage in a securities offering, you must reimburse us for our reasonable costs and expenses (including legal and accounting fees) to evaluate your proposed offering and you also must indemnify us (see above).

## Notes:

1. All fees are uniformly applied to new franchisees and are non-refundable unless described otherwise below. However, in some instances in which it may be appropriate to do so, we reserve the right to waive some or all of these fees for a particular franchisee.
2. But, for any month where you pay a royalty fee ("**Royalty**") in excess of \$3,500, one-third (1/3) of that excess Royalty will be credited against the minimum Royalty amount (of \$3,500), if any, that would otherwise be due to us during the following three months.

As used in this disclosure document, the following terms have the following meanings:

**"Gross Sales"** means aggregate original Contract Amounts (as defined below), for which the slab (or where there is no slab, the floor stage) was laid during the preceding month, plus any adjustments for Change Orders (as defined below) for previous Contracts where Royalties have been paid or should have been paid. Gross Sales also includes all Contract Amounts for: (a) remodels or renovations of homes; (b) any Contracts (as defined below) signed for the Franchised Business before it terminates or expires regardless of whether a slab was laid or floor stage achieved prior to termination or expiration, and is deemed as Gross Sales at the time of termination or expiration; and (c) any Contracts that are ultimately signed with Leads (as defined below) obtained before termination or expiration of the Franchised Business, regardless of when such Contracts are signed, and is deemed as Gross Sales at the time such Contract is entered into by you or any of your affiliates. Gross Sales does not include any value-added taxes, or taxes related to a home site collected from customers by you and transmitted by you to the appropriate taxing authorities.

You may not charge to or receive any amounts from customers for taxes, charges or other amounts assessed by third parties if such amounts are not included in Gross Sales. For any amounts you are entitled under the Franchise Agreement to exclude from Gross Sales, you must deliver to us documentation regarding such amounts before the Royalty due date in order for those amounts to be excluded.

Gross Sales do not include the cost of any model home constructed for the long term purpose of demonstrating the construction, layout and features of other Units (a **"Model Home"**) constructed by you so long as:

- (1) You maintain that Model Home as a "G.J. Gardner Homes" Model Home;
- (2) You ensure that the Model Home is properly staffed in accordance with the Manual; and
- (3) You affix the necessary signage to the Model Home as specified in the Manual.

With respect to any homes you construct without a customer contract (**"Spec Homes"**), you must provide an estimated construction budget (exclusive of lot purchase cost) containing such information as we may reasonably require, including a bill of materials) (the **"Spec Home Estimate"**) to us before commencing construction. The Spec Home Estimate will count as Gross Sales for the month during which construction on the Spec Home begins until you enter into a contract for the sale of such Spec Home, at which time the Contract Amount for such Spec Home shall be used to recalculate the Royalty due with respect to such Spec Home, as follows:

- (a) If the Spec Home Estimate is greater than the Contract Amount (exclusive of any real estate and closing costs) for such Spec Home, we will refund to you the difference with respect to the Royalty previously paid by you.
- (b) If the Contract Amount (exclusive of any real estate and closing costs) is greater than the Spec Home Estimate for such Spec Home, you must pay us the difference between the Royalty previously paid on the Spec Home Estimate and the Royalty with respect to the Contract Amount.

**"Contract"** means a signed Unit building agreement with a customer for the construction of a Unit(s) at a designated site.

**"Contract Amount"** means the total price agreed by the customer with respect to the construction of a particular building project, as specified in the final construction Contract executed between the customer and you, irrespective of whether the contract is a lump sum/fixed price, "cost plus," or time and material contract.

**"Change Order"** means any change, either verbally or in writing, to a construction contract between you and a customer after the contract is signed. Change Orders include any and all extras for which the client pays as a result of a variation to the originally agreed specifications for a Unit. You must invoice customers for any Change Order at the time when such Change Order is made, and Change Orders shall be

recognized as Gross Sales during the month when, at our discretion, the month when the Change Order is made, or the month when you send the customer the final invoice for a particular Contract.

**“Lead”** means any customer or prospective customer of the Franchised Business solicited by you, or that otherwise contacts you, during the term of the Franchise Agreement in connection with the possibility of the construction or purchase of a Unit and/or entering into a Contract.

3. We will establish a fund for the purpose of protecting and furthering the interests of the G.J. Gardner Homes System, us, you and your customers, and our other franchisees (the **“Brand Protection Fund”**). You must contribute to the Brand Protection Fund as noted in the table. You must contribute to the Brand Protection Fund until your aggregate contributions and our other franchisees total \$1,000,000. The management and operation of the Brand Protection Fund and the application of the funds accrued is at our total discretion.
4. The amount of the transfer fee will be, if the transfer occurs: (a) within 18 months of the date of entering into the Franchise Agreement, 30% of the sale price; (b) more than 18 months, but less than 24 months after the date of entering into the Franchise Agreement, 25% of the sale price; or (c) more than 24 months after entering into the Franchise Agreement, 20% of the sale price.
5. Interest starts to accrue on the date your payment was initially due. Interest rates will not exceed any maximum rate permitted by law.
6. You must indemnify us, and reimburse us for our costs (including our attorneys’ fees), if we are sued or held liable in any case: (a) having anything to do with any securities offering you make; (b) your use of the marks (other than as we approve); or (c) that has anything to do with a claim arising out of the operation of your Franchised Business.

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

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	Low to	High			
Initial Franchise Fee (Note 1)	\$50,000	\$50,000	Lump Sum	When you sign the Franchise Agreement	Us
Initial Marketing Spend (Note 2)	\$15,000	\$15,000	Lump Sum	When you sign the Franchise Agreement	Us
Rent (Note 3)	\$10,000	\$55,000	As Arranged	As Arranged	Landlord and Contractors
Leasehold improvements (Note 4)	\$20,000	\$50,000	As Arranged	As Arranged	Suppliers and Contractors
Equipment (Note 5)	\$10,000	\$30,000	Lump sum	Before Opening	Vendors And Approved Suppliers
Local Area Marketing (Note 6)	\$1,000	\$3,000	As Incurred	Before Opening	Service Providers
Security deposits and other misc. opening exp. (Note 7)	\$4,000	\$12,000	As Arranged	As Arranged	Vendors and Service providers
Training expenses (Note 8)	\$10,000	\$20,000	As Incurred	As Incurred	Airlines, hotels, restaurants
Professional services (Note 9)	\$1,000	\$5,000	As Incurred	As Incurred	Lawyers, auditor
Payroll (Note 10)	\$24,000	\$96,000	As Incurred	As Incurred	Employees
Additional funds (3 months) (Note 11)	\$6,000	\$12,000	As Incurred	As Incurred	Vendors, utilities

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	Low to	High			
Total (Note 12)	\$151,000	\$348,000			

**Notes:**

The following notes are intended to be read with the chart above. Unless otherwise arranged, these amounts are not refundable to you.

Please note that we do not offer direct or indirect financing to you for any items. The availability and terms of financing from other sources will likely depend on factors such as the availability of financing generally, your creditworthiness, and the policies of lending institutions.

1. **INITIAL FRANCHISE FEE.** This amount is discussed in detail in Item 5. The fee must be paid when the Franchise Agreement is signed.
2. **INITIAL MARKETING SPEND.** The Initial Marketing Spend is deposited with us for us to spend on initial marketing and advertising for the Franchised Business.
3. **RENT.** You must establish an office located in the Territory. If you do not own a location suitable for this office, you must purchase or lease a space. Typical locations for an office are in retail store front and commercial areas. The typical office for a G.J. Gardner Homes business ranges from 1,500 to up to 2,000 square feet.

You will probably need to lease a space at least one month in advance of opening; however, you may attempt to negotiate an abatement from the landlord. Office locations and sizes vary. The figures in the estimate are calculated on the following assumptions: (a) you will have to pay five months' rent (made up of one month's rent before you open, three months' rent after you open, and one month's rent as a security deposit); (b) for space in the range of 1,500 to 2,000 square feet; (c) at \$20 to \$30 per square foot per year.

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 office, the terms of the lease, and the desirability of the location. If the site you choose is larger or has a higher rental cost, then your costs will also be higher than those in the chart.

If you decide to purchase the property for the location of your office, you will incur additional costs that we cannot estimate.

4. **LEASEHOLD IMPROVEMENTS.** The office needs to be finished in accordance with our specifications. We will provide you, at no charge, our construction requirements and layout and equipment specifications. You must adapt, at your expense, the layout we provide, subject to our approval. You will need to construct improvements, or "build out," the premises at which you will operate the Franchised Business. The typical cost of leasehold improvements for the office, including signage, will depend on factors such as size, condition, location, and contractor



conducting the work. The estimate in the table is for an office that is 1,500 to 2,000 square feet in size, at a build out cost of \$15 to \$25 per square foot.

5. EQUIPMENT. This includes items such as expendable office supplies, computers, office equipment/telephone system (including desks, chairs, filing cabinet, photocopier/fax. In different scenarios, you can lease a lot of the equipment thereby reducing the up-front costs. Some equipment may already be available for use from a previous business you operated, which will also reduce the costs.

6. LOCAL AREA MARKETING. These are amounts that you will spend on the marketing of the Franchised Business in your area, and include realtor presentations, local community events and sponsorship opportunities.

7. SECURITY DEPOSITS AND MISCELLANEOUS OPENING EXPENSES. Includes security deposits, utility costs, incorporation fees, licensing and insurance.

8. TRAINING EXPENSES. If you incur travel costs associated with training at all, the estimate assumes travel, meals, auto, and lodging, for your employees to attend our initial training program. The costs you incur will vary depending upon factors such as the distance traveled, mode of transportation, *per diem* expenses actually incurred, and the number of persons who will attend training. The estimate does not include employee compensation.

9. PROFESSIONAL SERVICES. We anticipate that you will need to engage a lawyer to review this offering and to establish your entity, and an auditor. We estimate that you will spend between \$1,000 and \$5,000 on the services of these professionals. However, in your locality, professional fees may be higher or lower, and you may choose how you engage those professionals (which may increase your costs).

10. PAYROLL. The estimate includes the cost of some employee salaries during this period, which is at least two full-time employees and other staff that are necessary during the initial phase. Your costs and expenses may vary depending on how much you pay your staff and for when you employ them before and after you open. The estimate also does not include compensation to the owner.

11. ADDITIONAL FUNDS. You will need capital to support on-going expenses of the Franchised Business, such as utilities, food, and uniforms, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. 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. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. Our estimate is based on information provided to us by franchisees.

12. TOTAL. The figures in the chart and the explanatory notes are only estimates. Your actual costs may vary considerably, depending, for example, on factors such as: local economic conditions (including the local real estate market); the local market for the Franchised Business; timing of your opening; 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. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established. Extensive start-up costs may be involved, depending upon your circumstances.

## **ITEM 8**

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

Every detail of the Franchised Business is important to you, us, and other System franchisees in order to develop and maintain high operating standards, to increase the demand for the services and products sold by all franchisees, and to protect our reputation and goodwill.

You must use only those equipment, supplies, products, and services which meet, to our continuing reasonable satisfaction, our then-current standards and specifications for such items, as specified in the Manual or elsewhere in writing. You are not, however, required to purchase products or services from any particular supplier, nor are we required to make available to prospective suppliers, standards and specifications that we, in our discretion, deem confidential. During our last fiscal year, we did not receive any revenues as a result of franchisee purchases or leases.

The proprietary house plans for homes sold and constructed by Businesses (“**Plans**”) are our proprietary products. We will provide the Plans to you. In order to maintain and protect our rights in and to the Plans, you must ensure that you:

- Unless otherwise approved by us in writing, authorize and use only those Plans in which we hold the copyright;
- Construct Units using only the Plans and techniques periodically specified in the Manual;
- Assign to us, for use by all G.J. Gardner Homes franchisees, the copyright in any house/residence plans and/or interior layout plans created or commissioned by you, any of your principals or employees, or your or their affiliates;
- Upon our request, immediately provide a copy of any Plans that, as noted above, are created by, or commissioned from, a third party by you; and
- Ensure that all house/residence plans and or new designs must relate to standard inclusions and not show options not mentioned or not described in the standard inclusions list, as we prescribe.

You must allow us to conduct inspections of your Franchised Business at any time. You must cooperate with our representatives in these inspections by giving them the assistance they may reasonably request. On notice from us you must immediately take the actions needed to correct any deficiencies found during the inspection. (We may, however, have other rights with respect to problems found during the inspection.)

We estimate that your product purchases from approved suppliers and according to our specifications will represent approximately 25% of your total product purchases in establishing the Franchised Business, and approximately 25% in the continuing operation of the Franchised

Business. We also estimate that your product purchases from designated suppliers will represent 10% of your total product purchases in establishing the Franchised Business, and 10% of your total product purchases in the continuing operation of the Franchised Business.

If you want to purchase any products or any other items from an unapproved supplier, you first must submit to us a written request asking for our approval to do so. You may not purchase from any proposed new supplier until we have, at our expense, reviewed and, if we think it is appropriate, approved in writing the proposed new supplier. When considering whether to approve any particular possible supplier, we will consider (among other things) whether the supplier can show, to our reasonable satisfaction, the ability to meet our then-current standards and specifications. We reserve the right, at our option, to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria. Although the Franchise Agreement does not require that we notify you of our approval or disapproval of a supplier within a specified time, we estimate that we will usually be able to notify you of approval or disapproval within 30 days after receipt of your written request. This is only an estimate and the actual approval time may be shorter or longer than 30 days.

We have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, “**Allowances**”) offered by suppliers to you or to us (or our affiliates) based upon your purchases of goods and services. Under the Franchise Agreement, you assign to us or our designee all of your right, title and interest in and to any and all such Allowances and authorize us (or our designee) to collect and retain any or all such Allowances without restriction.

We do not negotiate purchase arrangements with suppliers (including price terms) for the benefit of franchisees.

We and our affiliates are not a supplier of any inventory item. There are no suppliers in which our officers own an interest.

You must install, maintain, and at all times operate a computer system. More detailed information concerning the computer system can be found below in this disclosure document under the heading “Electronic Point-Of-Sale and Computer Systems.” In general terms, you must obtain such computer hardware and software and maintain such Internet access as we may specify, including such peripheral devices and equipment as we may specify in the Manual or otherwise in writing as reasonably necessary for the efficient management and operation of the Franchised Business and the transmission of data to and from us.

You are required to obtain and maintain during the term of the Franchise Agreement the insurance policies that we periodically require. You must provide us with certificates of insurance with respect to these insurance policies at least 30 days before the time we require you to carry that insurance, 30 days before the expiration of any policy, and at least 10 days before you renew the Franchise Agreement. The insurance must meet the following requirements:

- The insurance policies must name us (and any of our affiliates that we may require) as an additional insured.
- The insurance must be placed with an approved vendor and a carrier with an

A.M. Best's Rating of not less than A-XII and licensed to do business in the state in which the Franchised Business is located.

- The insurance may not be subject to cancellation or any material change except after 30 days' written notice.
- The insurance policies must provide that even if you do not comply with the contract, or engage in other conduct, the insurance coverage will not be voided or otherwise affect the coverage afforded to us and our affiliates.
- The insurance policies must contain a waiver of subrogation in favor of us for casualty losses.
- Minimum coverage requirements include:

Type of Coverage	Limits/Specifications
Comprehensive General Liability	\$2,000,000 Bodily Injury/Property Damage Per Occurrence / \$1,000,000 Aggregate
Employers' Liability	Minimum of \$100,000, up to Statutory Requirements
Commercial Umbrella	Not less than \$2,000,000
Owned, Hired and Non-Owned Automobile Liability	\$1,000,000 Combined Single Limit
Data theft and cybersecurity coverage	As applicable
Third Party Warranty Program for all Construction Projects	Periodically designated in the Manual or otherwise in writing

If you do not obtain or maintain the requisite coverage, we will have the right (but not the obligation) to pay any premium or obtain the required coverage on your behalf and charge you back for those premiums. All of your public liability and property damage policies, as required under the Franchise Agreement, must include us as an additional insured party.

Except as specified here, you are not required to purchase any other goods or services in accordance with our specifications or from approved suppliers.

## **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.**

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	§§ 1.2, 3.2 and 5.2	8 and 11
b. Pre-opening purchases / leases	§§ 3.2, 3.9 and 5.4	5, 7, and 8

Obligation	Section in Franchise Agreement	Disclosure Document Item
c. Site development and other pre-opening requirements	§§ 3.3, 3.4, 5.2 and 5.3	8 and 11
d. Initial and ongoing training	§§ 3.1, 5.6 and 5.7	11
e. Opening	§§ 3.3, 3.4 and 5.4	11
f. Fees	§§ 2.2.7, 4 and 12.2.2.10	5 and 6
g. Compliance with standards and policies / Operating Manual	§§ 3.6, 3.7, 5.1, 5.12, and 7	8, 11, and 14
h. Trademarks and proprietary information	§§ 6 and 8	13 and 14
i. Restrictions on products / services offered	§§ 3.9, 5.10 and 5.11	5, 8, and 16
j. Warranty and customer service requirements	§ 5.9	Not applicable
k. Territorial development	§ 1.4	12
l. Ongoing product/ service purchases	§§ 3.10 and 5.12	8
m. Maintenance, appearance and remodeling requirements	§§ 5.4, 5.10 and 5.11	8
n. Insurance	§ 11	7 and 8
o. Marketing	§§ 3.5, 3.10, 5.13, and 10	6 and 11
p. Indemnification	§ 17.4 and Exhibit B	Not applicable
q. Owner's participation/ management/ staffing	§§ 5.5 and 5.9	15
r. Records/reports	§§ 4.4 and 9	6
s. Inspection/ audits	§§ 3.7, 5.15 and 9.5	6 and 11
t. Transfer	§§ 5.16.3, 5.17.1, and 12	17
u. Renewal	§§ 2.2 and 2.3	17
v. Post-termination obligations	§ 14	17
w. Non-competition covenants	§ 15	17
x. Dispute resolution	§ 22	17
y. Taxes/permits	§ 16	1
z. Other: Personal Guarantee	Exhibit B	15

**ITEM 10**  
**FINANCING**

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

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

**Except as listed below, we need not provide any assistance to you.**

**Pre-opening Obligations**

We are required by the Franchise Agreement to provide certain assistance and service to you.

Before you open your Franchised Business:

- (1) We will provide the initial training program to you (and the number of your employees as we may determine), an initial training program at a location we designate. We will be responsible for the cost of instruction and materials. You will bear all other expenses incurred in connection with attending any training (including the costs of transportation, lodging, meals, wages, benefits, and worker's compensation insurance) (Franchise Agreement, Sections 3.1 and 5.6)
- (2) We will provide you, at no charge, certain information regarding the plans and specifications for the construction of an office from which you will operate the Franchised Business, and for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. (Franchise Agreement, Section 3.2)
- (3) We will 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, Section 3.3)
- (4) We will provide you, on loan, with one copy of the confidential operations manual (the "**Manual**"), which we will have the right to provide in any format we choose (including, but not limited to, paper, CD, or online). (Franchise Agreement, Section 3.6)

We are not required by the Franchise 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 sold and the services rendered by the Franchised Business. (Franchise Agreement, Section 3.7)
- (2) We will provide, as we deem advisable, and you must adhere to, periodic and continuing advisory assistance to you as to the operation and promotion of the Franchised Business. (Franchise Agreement, Section 3.8)
- (4) We will make available to you such promotional and marketing material as we deem appropriate for your use (or for adaptation by you to be used) in the Territory. (Franchise Agreement, Section 3.9)
- (5) We will provide such ongoing training as we may periodically deem appropriate. (Franchise Agreement, Section 3.1)

Neither the Franchise Agreement, nor any other agreement, requires us to provide any other assistance or services to you during the operation of the Franchised Business.

### Site Selection

When you enter into the Franchise Agreement, you must have a location selected within the Territory for an office from which you will operate the Franchised Business. The location for the Franchised Business office is the "Approved Location." You are solely responsible for the selection and acquisition of the Approved Location site, and for complying with all local zoning, regulatory, and licensing requirements. There is no time limit on our right to approve or disapprove a location for your office, but we will provide you with our approval or disapproval within 30 days of receipt of all relevant materials. You cannot open your office until you receive our approval to do so. You must not relocate the Franchised Business without our prior written consent. Any such relocation will be at your sole expense and you must pay to us any costs we incur in connection with any relocation.

When considering a site for the Franchised Business office, including any relocation, we consider factors such as general location and neighborhood; size and ease of access to the proposed site; availability of utilities; and zoning issues. We will make our site-selection criteria available to you upon request.

We estimate that the time period between the signing the Franchise Agreement and the start of operations will be approximately one to six months. The following factors may affect the length of time between signing the Franchise Agreement and opening the Business: financing; training; preparation, permits; and construction.

### Training

Before opening the Franchised Business, you, your controlling principal who is also designated to serve as your general manager who we have approved to serve in that role (the



**“Specified Person”**), and such other of your employees that we may require, must attend and successfully complete, to our satisfaction, the initial training program we offer. (Franchise Agreement, Section 5.6)

If the Specified Person ceases active employment with you, you must enroll a qualified replacement (who must be acceptable to us to serve in that capacity) in our training program within 30 calendar days of cessation of the former Specified Person's employment. The replacement Specified Person must attend and successfully complete the appropriate training program as soon as is practicable. (Franchise Agreement, Section 5.6)

Training sessions will be conducted at our corporate office in San Antonio, TX, as an online webinar or meeting, in your office, or at a designated location of our choosing. For all training courses, seminars, and programs, we may provide instructors and additional training materials at no cost to you. You will bear all other expenses you and your employees incur 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).

The subjects covered in the initial training program are described below.

### **TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of Training On-The-Job</b>	<b>Location</b>
History and background of the GJ Gardner, overview of the “GJ Way” (business process), G.J. Software, and Intranet.	8	0	Our office in San Antonio, TX, online, at your location, or another location we determine
Marketing process overview, marketing resources, website, network lead generation, house and land packages, lead mgt	8	0	
GJ Way of Selling process, standard inclusions, site visits, finance, sales quoting, proposal creation and delivery, and sales management.	12	4	
Estimating setup of items & components, cost centers, house and job estimates, price books, and purchase orders.	8	4	
Job administration process, office management, letter templates, color selection, job specifications, contracts, and handover process.	8	4	
Accounting overview, Xero training, draw process, change order management, bank reconciliations, financial reporting, job cost reporting, and chart of accounts.	8	4	
Supervisor overview, 5 Star Performance quality assurance checklists, subcontractor	6	0	

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of Training On-The-Job</b>	<b>Location</b>
relations, job schedule setup and management, and job reports.			
<b>Total</b>	<b>60</b>	<b>16</b>	

Training is supervised by Trent Gardner (who has over 13 years of experience with us and with the subjects taught). Training is conducted as frequently as we determine it necessary in order to hold a training class. You must maintain proficiency with the subjects taught, and you may be required to periodically attend and successfully complete such refresher courses, seminars, and other training programs that we may require.

The instructional materials for our training programs include the Manual, lecture, discussions, and practice.

### Marketing Fund

We have established a Marketing Fund. You are not required to participate in any other advertising funds or local/regional advertising cooperatives. The Marketing Fund, all contributions to that fund, and any of that fund's earnings, shall be used to meet any and all costs of maintaining, administering, directing, conducting, creating and/or otherwise preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System on a local, regional or national basis (including the costs of preparing and conducting: marketing and advertising campaigns in any medium, whether digital, print, direct-mail or other; marketing surveys and other public relations activities; employing marketing personnel, the costs of retaining advertising and/or public relations agencies; purchasing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; website development and updates; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Businesses and their competitors; and providing promotional and other marketing materials and services to the Businesses operated under the System). The Marketing Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, so long as we have given our prior written approval, which products, services, or improvements; and we will have the right to determine what methods to use in order to promote general public awareness of, and favorable support for, the System. In addition:

- The Marketing Fund will be organized and governed in a form and manner, and shall begin operations on a date we determine.
- The Marketing Fund will be organized for the exclusive purposes of administering promotional and advertising and developing, subject to approval, standardized promotional materials for use by you in local advertising.

- No promotional or advertising plans or materials may be used by the Marketing Fund or furnished to you for use without prior approval.
- You must contribute to the Marketing Fund in the amount and manner described in Item 6 above. We will maintain all funds of the Marketing Fund in a separate bank account. The funds received will not be used to solicit the sale of franchises.
- The Marketing Fund is intended to maximize general public recognition, acceptance, and use of the System, and we are not obligated in administering the Marketing Fund to make expenditures for any franchisee that are equivalent or proportionate to such franchisee's contribution or to ensure that any particular franchisee (including for example, you) benefits directly or pro rata from expenditures by the Marketing Fund.

During our fiscal year ended December 31, 2023, the expenditures of the Marketing Fund were as follows:

69.81% on digital marketing and advertising  
 0.17% on trade shows and events  
 20.6% on wages  
 1.82% on home designs/plans  
 0.85% on branded signage  
 6.76% on general/other expenses

We do not have an advertising council composed of franchisees.

#### Electronic Point-Of-Sale and Computer Systems

We require our franchisees to purchase a computer system. You must meet our requirements concerning the Computer System, including: : (a) data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at, and between and among, G.J. Gardner Homes Businesses, and you and us; (b) physical, electronic, and other security systems and measures; (c) printers and other peripheral devices; (d) archival back-up systems; (e) internet access mode (such as form of telecommunications connection) and speed; (f) technology used to enhance and evaluate the customer experience; (g) hardware, software, and firmware; and/or (h) cloud-based back-end management systems and storage sites (collectively, all of the above are referred to as the "**Computer System**").

We have the right to develop or have developed for us, or to designate: (a) computer software programs and accounting system software that you must use in connection with the Computer System ("**Required Software**"), which you must install; (b) updates, supplements, modifications, or enhancements to the Required Software, which you must install; (c) the tangible media upon which you must record data; and (d) the database file structure of your Computer System. If we require you to use any or all of the above items, then you must do so.

We rely on suppliers to provide support for the hardware and software and we may require that you enter into service contracts directly with the hardware and software suppliers and pay the suppliers directly for this support.

We estimate that the cost of purchasing required Computer System hardware and software will typically be \$6,000, plus sales tax applicable to location of your Franchised Business.

You must also periodically upgrade and update your Computer System, and there are no contractual limitations on the frequency and cost of these upgrades and updates. The estimated annual cost of maintenance, support, and upgrades for the Computer System is \$3,000. Neither we nor any of our affiliates have an obligation to provide ongoing maintenance, repairs, upgrades, or updates to your Computer System hardware or software.

You must be able to access information that is available on the Internet, and be able to send and receive email. We may periodically require you to upgrade and update the hardware and software used in connection with the Computer System. There are no contractual limitations on the frequency and cost of these upgrades and updates.

You must afford us unimpeded access to your Computer System in the manner, form, and at the times we may request. We will have the independent right at any time to retrieve and use this data and information from your Computer System in any manner we deem necessary or desirable.

You must use only the e-mail address we approve for all official correspondence associated with your Franchised Business, and only in the manner and for the purposes that we reasonably require. If required by us, you must immediately cease use of any e-mail address. We may permit or require you to use a specific e-mail address (that is, one that will contain a Top Level Domain Name designated by us, such as "Jane.Smith@gjgardner.com") (a "**GJG e-mail address**") in connection with the operation of the Franchised Business. We will retain all right and title to any e-mail address you use in connection with the Franchised Business, whether a GJG e-mail address or otherwise. Upon the expiration or termination of the Franchise Agreement for any reason, all e-mail accounts and addresses continue to be our sole property, and you have no claim of privilege, right of privacy or ownership or other rights in relation to any e-mail account, e-mail address, and/or any e-mail or other content stored within such e-mail account.

### Online Sites

Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish an Online Site relating in any manner whatsoever to your Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Online Site. The term "**Online Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, World Wide Web, webpages, microsites, social networking sites (e.g., Facebook, Twitter, LinkedIn, You Tube, Google Plus, Pinterest, Snapchat, Instagram, etc.), blogs, vlogs, applications to be installed on mobile devices (for example, iOS or Android apps), and other applications, etc. However, if we approve a separate Online Site for you (which we are not obligated to do), then each of the following provisions, among others, will apply: (1) you may neither establish nor use any Online Site without our prior written approval; (2) before establishing any Online Site, you must submit to us, for our prior written approval, a sample of the proposed Online Site, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta

tags), in the form and manner we may require; (3) you must not use or modify an Online Site without our prior written approval; (4) you must comply with the standards and specifications for Online Sites that we may periodically prescribe in the Manuals or otherwise in writing; (5) if we require, you must establish links to our Online Site and other Online Sites we designate; and (6) we may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf.

### Manuals

The table of contents of the Manual is attached as Exhibit G. The total number of pages in the Manual is 628 pages.

## ITEM 12 TERRITORY

During the term of the Franchise Agreement, and so long as you are at all times in compliance with your obligations under the Franchise Agreement (including the Development Schedule), we will not establish or license anyone else to establish, other G.J. Gardner Homes Franchised Businesses at any location within the “Territory” that is designated in your Franchise Agreement. There is no minimum sized Territory that will be granted to you. You may only operate the Franchised Business in the Territory, and you may not establish Businesses outside of the Territory, or through any other channels of distribution.

You will not receive an “exclusive” Territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We and our affiliates do not operate or plan to operate or franchise businesses under other names that are the same as or similar to Businesses.

We (and our affiliates) retain all rights not specifically granted to you. We will have the right (among other things), on any terms and conditions that we deem advisable, and without granting you any rights, to do any or all of the following: (a) use and license others to use the System and Proprietary Marks for the operation of G.J. Gardner Businesses outside of the Territory at any time, and within the Territory following the expiration or earlier termination of the Development Schedule; and (b) acquire and operate businesses of any kind and to grant others the right to operate businesses of any kind, at any location within or outside of the Territory, excluding Businesses operated under the G.J. Gardner System within the Territory during the Development Schedule. We may also, through other channels of distribution (such as the Internet) use our Proprietary Marks to advertise Businesses and the System. We are not required to pay you any compensation on account of such activities.

You will have the right to construct Units within the Territory and outside of the Territory, including within the territory granted to another G.J. Gardner Homes Business operating under the System (an “**Assigned Area**”), in the manner described below. Similarly, other G.J. Gardner Businesses will have the right to construct Units within the Territory, so long as those businesses comply with the Territorial Rules (defined below).

- You will not be permitted to enter into a contract or other direct or indirect arrangement to both sell land and construct a Unit on that land (a “**G.J. Gardner Homes house and land package**”) in an Assigned Area. Likewise, no other G.J. Gardner Homes Business operating under the System will be permitted to undertake the building of a G.J. Gardner Homes house and land package within the

Territory.

- You may market the Franchised Business and directly solicit customers and construction projects for Units anywhere, including outside Territory, so long as such marketing or direct solicitation is not directed into the territory granted to another G.J. Gardner Homes Business franchisee. **"Direct solicitation"** includes, among other things, solicitation in person, by telephone, by mail, by e-mail or other electronic means, advertising, marketing, and by distribution of brochures, business cards or other materials.
- If any of your advertising inside the Territory is in media that will or may reach a significant number of persons outside of the Territory, you must notify us in advance and obtain our prior written consent, which we will have the right to withhold. We may periodically establish rules and policies regarding such advertising.
- You acknowledge that: (a) other G.J. Gardner Homes Businesses will generally operate under restrictions similar to those set out here (the **"Territorial Rules"**). Although we will not knowingly permit violations of the Territorial Rules, we cannot represent nor guarantee that other G.J. Gardner Homes Businesses will always abide by the Territorial Rules, and we will have no liability to you if that takes place.

The location for the office of your Franchised Business will be approved under the Franchise Agreement. You may not relocate the office without our prior written approval. If you ask to relocate the office, we will evaluate your request on the basis of the same standards that we apply to reviewing the proposed location of an office for a new franchisee.

There are no circumstances under the Franchise Agreement that permit us to modify your Territory so long as you stay in compliance with the terms of your Franchise Agreement.

Under the Franchise Agreement you will not have any options, rights of first refusal, or similar rights to acquire additional franchises or other rights, whether inside the Territory or elsewhere.

### **ITEM 13** **TRADEMARKS, SERVICE MARKS, TRADE NAMES,** **LOGOTYPES, AND COMMERCIAL SYMBOLS**

We grant you the right to use certain Proprietary Marks under the Franchise Agreement. Our affiliate, C.I. Holdings, owns, and has registered the following trademark registration with the U.S. Patent and Trademark Office (the **"USPTO"**) on its Principal Register:

Mark	Registration No.	Registration Date
<b>G.J. GARDNER HOMES</b>	2,720,290	June 3, 2003

C.I. Holdings has filed and intends to file affidavits and make renewal filings when they come due for this application. C.I. Holdings owns the trademark registration and has granted us the right to use and franchise the Proprietary Marks. On May 1, 2020 we entered into a license



agreement with C.I. Holdings that licensed to us the use of the Proprietary Marks (the “**License Agreement**”). Under the License Agreement, C.I. Holdings granted us a non-exclusive right to use, and to license others to use, the Proprietary Marks in the United States (and elsewhere in North and South America) for the purpose of operating and franchising G.J. Gardner Homes Businesses and Franchised Businesses. The term of the License Agreement is indefinite. If the License Agreement is terminated, C.I. Holdings has agreed to allow you to continue use of the Proprietary Marks under the same terms and conditions as in your Franchise Agreement.

There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of this state, or of any court, nor any pending interference, opposition, or cancellation proceedings, nor any pending material litigation involving the trademarks, service marks, trade names, logotypes, or other commercial symbols which is relevant to their use in this state or any other state(s) in which the Franchised Business is to be located. There are no agreements currently in effect which significantly limit our rights to use or license the use of the Proprietary Marks (including trademarks, service marks, trade names, logotypes, or other commercial symbols) that are in any manner material to the franchise. There are no infringing uses actually known to us which could materially affect your use of the Proprietary Marks in this state or elsewhere.

You must promptly notify us of any suspected infringement of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, or your right to use, the Proprietary Marks licensed under the Franchise Agreement. Under the Franchise Agreement, we will have the sole right to initiate, direct, and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement of the action. We also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. If you used the Proprietary Marks in accordance with the Franchise Agreement, we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use. If you did not use the Proprietary Marks in accordance with the Franchise Agreement, we will defend you, at your expense, against those third party claims, suits, or demands.

If we undertake the defense or prosecution of any litigation concerning the Proprietary Marks, you must sign any documents and agree to do the things that, in our counsel's opinion, may be necessary to carry out the defense or prosecution (such as becoming a nominal party to any legal action). Except to the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we agree to reimburse you for your out of pocket costs in doing these things, except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement. To the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, you must reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement.



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

**Copyrights**

We have not registered any copyrights with the U.S. Copyright Office, but we own common law copyrights in the Manuals, the Plans, and advertising materials, and we will make these available to you. These materials are our proprietary property and must be returned to us upon expiration or termination of the Franchise Agreement.

We will furnish you, under the terms of the Franchise Agreement, with standard plans and specifications for construction of an office for the Franchised Business. You may be required to employ a licensed architect or engineer, who will be subject to our reasonable approval, to prepare plans and specifications for construction of your office, based upon our standard plans. If you create or have a third party create plans for a house or residence (including works prepared by any one or more of your employees or affiliates), then you must assign to us, for use by all G.J. Gardner Homes franchisees, the copyright in those works.

There are no currently effective determinations of the Patent and Trademark Office, Copyright Office, or any court concerning any copyright. There are no currently effective agreements pursuant to which we derive our rights in the copyrights which could limit your use of those materials. The Franchise Agreement does not obligate us to protect any of the rights that you have to use any copyright, nor does the Franchise Agreement impose any other obligation upon us concerning copyrights. We are not aware of any infringements that could materially affect your use of any copyright in any state.

**Patents**

We do not own any patents that are material to the franchise being offered.

**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 Manual. We will provide you with access to our Manual, which we have the right to provide in any format we choose (including paper, CD, or online), for the term of the Franchise Agreement.

You must at all times treat the Manual as confidential, and you must use all reasonable efforts to maintain this information as secret and confidential. You may never copy, duplicate, record, or otherwise reproduce the Manual and the related materials, in whole or in part (except for the parts of the Manual that are meant for you to copy, which we will clearly mark as such), nor may you otherwise let any unauthorized person have access to these materials. The Manual will always be our sole property. You must always keep the Manual in a secure place at the premises of the Franchised Business.

We may periodically revise the contents of the Manual, and you must make corresponding revisions to your copy of the Manual and comply with each new or changed standard. If there is ever a dispute as to the contents of the Manual, our master copy of the Manual (maintained at our home office) will be controlling.

Confidential Information

Except for the purpose of operating the Franchised Business under the Franchise Agreement, you may never (during the 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 operation of the Franchised Business that may be communicated to you or that you may learn by virtue of your operation of a Franchised 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 and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed confidential for purposes of the Franchise 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, you must require your principals, your Franchised Business managers, and Specified Person, to sign confidentiality covenants. We also require that persons who will attend training sign a confidentiality agreement. Every one 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 must include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants.

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

The Franchise Agreement requires that you or your Specified Person to devote full time, energy, and best efforts to the management and operation of the Franchised Business. You or your Specified Person must successfully complete our initial training program.

The Franchise Agreement does not require you to participate personally in the direct operation of the Franchised Business, although we encourage and recommend active participation by you. If you are a corporation, partnership, or other entity, we require each of your owners to sign the personal guarantee attached to the Franchise Agreement as Exhibit B.

You and your staff must, at all times, cooperate with us and with our representatives.

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

You must offer only such services which meet, to our continuing reasonable satisfaction, our then-current written standards and specifications for such items, as specified in the Manuals or elsewhere in writing. You must refrain from deviating from those standards and specifications by using or offering any non-conforming items or devices, without our prior written consent.

You must construct Units using only the Plans and techniques periodically specified in the Manual or as we may approve from third parties. The proprietary home Plans for "G.J.

Gardner” Units sold and constructed by Businesses are our proprietary products. In order to maintain and protect our rights in and to our proprietary Plans, you must use only those Plans in which we hold the copyright as we may indicate, and as we may otherwise approve.

We have the right to change the Plans and other authorized goods and services that you may provide, and there are no limits on either of our rights to make those changes.

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

### **THE FRANCHISE RELATIONSHIP**

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

<b>Provision*</b>	<b>Section in Agreement</b>	<b>Summary*</b>
a. Length of the franchise term	§ 2.1 of Franchise Agreement	Five years from the date of the Franchise Agreement.
b. Renewal or extension of the term	§ 2.2 of Franchise Agreement	One additional term, which will be the greater of five years or the same length as the initial term granted by the then-current G.J. Gardner form of franchise agreement, and subject to certain contractual requirements described in “c” below.
c. Requirements for you to renew or extend	§§ 2.2.1 - 2.2.9 of Franchise Agreement	Written notice, renovate/modernize Franchised Business premises, satisfaction of monetary obligations, not be in default of the Franchise Agreement, sign release, comply with then current qualification and training requirements, compliance with Franchise Agreement, sign our then-current form of Franchise Agreement (which may contain materially different terms and conditions than the original contract).
d. Termination by you	Not applicable	
e. Termination by us without cause	Not applicable	
f. Termination by us with cause	§ 13 of Franchise Agreement	Default under Franchise Agreement, abandonment, and other grounds; see § 14 of the Franchise Agreement.
g. “Cause” defined – curable defaults	§ 13.3 of Franchise Agreement	All other defaults not specified in §§ 13.1 and 13.2 of the Franchise Agreement

<b>Provision*</b>	<b>Section in Agreement</b>	<b>Summary*</b>
h. "Cause" defined - non-curable defaults	§§ 13.1 and 13.2 of Franchise Agreement	Abandonment, conviction of felony, and others; see § 13.2 of the Franchise Agreement.
i. Your obligations on termination/nonrenewal	§ 14 of Franchise Agreement	Cease operating Franchised Business, payment of amounts due, and others; see §§ 14.1 - 14.11.
j. Assignment of contract by us	§ 12.1 of Franchise Agreement	There are no limits on our right to assign the Franchise Agreement.
k. "Transfer" by you - definition	§ 12.2.1 of Franchise Agreement	Includes transfer of any interest.
l. Our approval of transfer by you	§ 12.2.1 of Franchise Agreement	We must approve transfers.
m. Conditions for our approval of transfer	§ 12.2.2 of Franchise Agreement	Release, signature of new Franchise Agreement, payment of transfer fee, and others; see §§ 12.2.2.1 – 12.2.2.12.
n. Our right of first refusal to acquire your business	§ 12.4 of Franchise Agreement	We can match any offer.
o. Our option to purchase your business	§ 14.9 of Franchise Agreement	Upon termination or expiration of the Franchise Agreement, we can purchase any or all of the assets of the Franchised Business at the lesser of your cost or fair market value, or if we fail to agree, then by an independent appraiser we select. see § 14.9
p. Your death or disability	§ 12.5 of Franchise Agreement	Your estate must transfer your interest in the Franchised Business to a third party we have approved.
q. Non-competition covenants during the term of the franchise	§§ 15., 15.2 and 15.3 of Franchise Agreement	Includes prohibition on engaging in a business that is the same as or similar to the Franchised Business; see §§ 13.2.3.
r. Non-competition covenants after the franchise is terminated or expires	§ 15.3 of Franchise Agreement	Includes a two-year prohibition similar to "q" (above), at or within 25 miles of the Approved Location or any other Business operated under the System.
s. Modification of the agreement	§ 22 of Franchise Agreement	Must be in writing signed by both parties.
t. Integration/merger clause	§ 20 of Franchise Agreement	Only the terms of the Franchise Agreement are binding (subject to state law). Any representation or promises outside of the disclosure document and Franchise Agreement may not be enforceable.

<b>Provision*</b>	<b>Section in Agreement</b>	<b>Summary*</b>
u. Dispute resolution by arbitration or mediation	§ 22.2 of Franchise Agreement	Before bringing an action, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). See Section 22.2 of the Franchise Agreement.
v. Choice of forum	§ 22.2 of Franchise Agreement	Federal or state court with jurisdiction over the place where our principal US office is located at the time the suit is filed (currently, San Antonio, Texas) (subject to state law)
w. Choice of law	§ 22.1 of Franchise Agreement	Texas law applies to the Franchise Agreement (subject to state law)

### **ITEM 18** **PUBLIC FIGURES**

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

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

The FTC's Franchise Rule permits a franchisor to disclose 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 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 performance at a particular location or under particular circumstances.

Presented below are historical financial operating results for franchised G.J. Gardner Homes Businesses that operated for the entire 2023 fiscal year in the United States. For comparative purposes, we also present below operating results for franchised G.J. Homes Businesses operating during 2023 in both Australia and New Zealand. Please read carefully all of the information in this Item 19 (including the table below as well as the notes that follow this table) for explanation of how these results are determined.

<b>2023 U.S. Franchisee Slab Revenue (Notes 4 and 5)</b>	
Average	\$5,420,916
Median	\$4,765,227
High	\$12,542,017
Low	\$1,543,594
Number of Franchisees that met or Exceeded the Average	4

<b>2023 Australia Franchisee Slab Revenue (Notes 4 and 5)</b>	
Average	\$6,886,462
Median	\$5,391,931
High	\$22,331,503
Low	\$609,606
Number of Franchisees that met or Exceeded the Average	36

<b>2023 New Zealand Franchisee Slab Revenue (Notes 4 and 5)</b>	
Average	\$13,277,975
Median	\$5,391,931
High	\$47,545,414
Low	\$3,002,256
Number of Franchisees that met or Exceeded the Average	14

Notes:

1. U.S. Franchisee Average Slab Revenue includes results from 11 active franchised Businesses operating in the U.S. during 2023 (January 1, 2023 through December 31, 2023), and does not include results from: (a) any franchised Businesses in the U.S. who signed franchise agreements during 2023 (there were 10 such franchisees), and (b) franchisees who during 2023 had not yet opened a required design center (there was one such franchisee).
2. Australia Franchisee Average Slab Revenue includes results from 80 active franchised Businesses operating in Australia during 2023 (January 1, 2023 through December 31, 2023), and does not include results from 17 franchisees in Australia who did not operate for the full 12 months of that period.
3. New Zealand Franchisee Average Slab Revenue includes results from 29 active franchised Businesses operating in New Zealand during 2023 (January 1, 2023 through December 31, 2023), and does not include results from 7 franchisees in New Zealand who did not operate for the full 12 months of that period.
4. "Slab Revenue" means the aggregate Contract amounts for Units during the period either for which a home slab has been laid, or for which the related payment for the slab has been paid by the customer.
5. The results in the tables are expressed in U.S. Dollars. The 2023 Australian results were converted from Australian Dollars to U.S. Dollars as of December 31, 2023, at a rate of AUS\$0.670184 to US\$1. The 2023 New Zealand results were converted from New Zealand Dollars to U.S. Dollars as of December 31, 2023, at a rate of NZD\$0.622655 to US\$1.
6. The financial performance representation does not include any information relating to costs or expenses that franchisees incurred or may incur. Some of the costs that you will incur in the operation of your Business include, among others, rent and occupancy costs, labor and employment costs, royalty fees (4%), marketing contributions (1%), local marketing expenses, computer hardware and software costs, legal and professional fees, income and other non-real estate taxes, and various other expenses. You will incur these and other

costs in connection with the operation of your Business.

7. **Some franchisees have earned this amount. Your individual results may differ. There is no assurance you will earn as much.**
8. Preparation. These tables were prepared from data compiled from information that was sent to us by our franchised PSM Locations, through information that we either access, or that is provided to us, from their computer systems. The results are unaudited.
9. Substantiation - We will make written substantiation of the data used in preparing the information presented above available to you upon reasonable request.

Except as provided above, 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 Trent Gardner at 1114 S. St. Mary's Street, Suite 110, San Antonio, Texas 78210; telephone (310) 426-4812, the Federal Trade Commission, and the appropriate state regulatory agencies.

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

**Table 1:**  
**Systemwide Outlet Summary For years 2021 - 2023 (Note 1)**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
<b>Franchised</b>	2021	21	17	-4
	2022	17	17	0
	2023	17	24	+6
<b>Company-Owned</b>	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
<b>Total Outlets</b>	2021	21	17	-4
	2022	17	17	0
	2023	17	24	+6

**Table 2:**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years 2021 to 2023 (Note 1)**

State (Note 2)	Year	Number of Transfers
<b>Any State</b>	2021	0
	2022	0
	2023	0
<b>Total</b>	2021	0
	2022	0
	2023	0

**Table 3:**  
**Status of Franchised Outlets For years 2021 - 2023 (Note 1)**

State	Year	Outlets At Start Of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operation Other Reason	Outlets At End Of The Year
California	2021	7	1	1	1	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	2	0	2	0	0	6
Colorado	2021	5	1	1	1	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	1	0	0	0	0	5
Florida	2021	4	1	1	0	0	0	4
	2022	4	2	3	0	0	0	3
	2023	3	3	0	0	0	0	6
Indiana	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	1	0	0	0	0	3
Missouri	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Texas	2021	4	0	3	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	2	1	0	0	0	3
<b>Total</b>	<b>2021</b>	<b>21</b>	<b>4</b>	<b>6</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>17</b>
	<b>2022</b>	<b>17</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17</b>
	<b>2023</b>	<b>17</b>	<b>10</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>24</b>

**Table 4:**  
**Status of Company-Owned Outlets**  
**for years 2021 – 2023 (Note 1)**

State (Note 2)	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Any State	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
<b>Totals</b>	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

**Table 5:  
Projected Openings as of January 1, 2024 for 2024**

State (Note 1)	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Year
California	0	3	0
Colorado	0	1	0
Florida	0	3	0
Texas	0	3	0
Total	0	10	0

**Notes to all item 20 Tables**

1. All numbers are as of December 31, each year. Our fiscal year ends on December 31 each year.
2. States not listed had no activity during the relevant time frame.
3. All numbers are as of the fiscal year ending on December 31. The tables include information on both Unit-level and Master franchisees in the states of Florida, Texas, Indiana, California, Colorado, and Oklahoma.

\*\*\*\*\*

The names, addresses, and telephone numbers of our franchisees as of the fiscal year ending December 31, 2023 are listed in Exhibit D.

The name and last known home address and telephone number of every one of our franchisees and master franchisees who has had an agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during one-year period ending December 31, 2023, or who has not communicated with us within ten weeks of the date of this disclosure document, are also listed in Exhibit D. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No franchisees have signed a confidentiality clause in a franchise agreement, settlement or other contract within the last three years that would restrict their ability to speak openly about their experience with us.

As of the date of this franchise disclosure document, there are no G.J. Gardner Homes franchisee associations in existence regardless of whether they use our trademark or not.

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

Attached as Exhibit F are our audited financial statements for the fiscal years ended December 31, 2023, December 31, 2022 and December 31, 2021.

**ITEM 22**  
**CONTRACTS**

Exhibit A	The Franchise Agreement with its 4 attachments: A. Territory and Development Schedule B. Guarantee, Indemnification and Acknowledgement
Exhibit J	General Release

**ITEM 23**  
**RECEIPTS**

The last two pages of this disclosure document (Exhibit K) are identical pages acknowledging receipt of this entire document (including the exhibits). Please sign and return to us one copy; please keep the other copy along with this disclosure document.

## **EXHIBIT A**

### **Franchise Agreement with Attachments**

# **G.J. Gardner Homes**

# **Franchise Agreement**

“G.J. GARDNER HOMES”  
UNIT-LEVEL FRANCHISE AGREEMENT

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Exhibit A Territory

Exhibit B Guarantee, Indemnification, and Acknowledgment

Exhibit C Conditional Assignment and Power of Attorney - Telephone Numbers and Listings



**G.J. GARDNER HOMES**  
**FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is entered into on \_\_\_\_\_, 202\_\_\_\_ (the “**Effective Date**”) by and between:

G J Gardner Homes USA, LLC  
A Texas limited liability company  
 (“**Franchisor**” or “**we**”)

- and -

\_\_\_\_\_  
a [resident of] [corporation organized in] [limited liability company organized in]  
the State of

(“**Franchisee**”)

RECITALS:

WHEREAS, Franchisor as the result of the expenditure of time, skill, effort, and money, has developed and owns a distinctive format and system (the “**G.J. Gardner System**” or “**System**”) relating to the development, establishment and operation of “G.J. Gardner” Businesses (each, a “**G.J. Gardner Homes Business**” or “**Business**”), which feature plans for interior layout of a business, design and decoration, equipment selection and installation, an integrated software package, merchandising, advertising, sales and promotional techniques, personnel training, office and site practice and procedure and other matters relating to the operation of a homebuilding business;

WHEREAS, G.J. Gardner Homes Businesses also feature specific architectural plans and designs (“**Plans**”) for construction of houses, multifamily units, remodels, additions, other dwellings or any industrial or commercial building units (“**Units**”), homebuilding techniques and methods, and related business and marketing procedures (all of which are also part of the System);

WHEREAS, Franchisor identifies the System by means of certain trade-marks, trade names, logos, emblems, and indicia of origin and indicia of origin as may be registered with the appropriate governing authorities in the United States and elsewhere and as may hereafter be designated by Franchisor in writing for use in connection with its System in the United States (the “**Proprietary Marks**”);

WHEREAS, Franchisor continues to develop, use, and control the use of such Proprietary Marks in order to identify for the public the source of services and products marketed thereunder and under the System, and to represent the System's high standards of quality, appearance, and service;

WHEREAS, Franchisee desires to enter into the business of operating a “G.J. Gardner Homes” Business under the System and wishes to obtain a franchise from Franchisor for that purpose, as well as to receive the training and other assistance provided by Franchisor in connection therewith; and

WHEREAS, Franchisee understands and acknowledges the importance of the System's high standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised hereunder in conformity with the System's standards and specifications.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereby agree as follows:

## 1 GRANT

1.1 Franchisor hereby grants to Franchisee the right, and Franchisee accepts the obligation, on the terms of this Agreement, the right: (a) to operate one “G.J. Gardner Homes” business (the “**Business**” or “**Franchised Business**”), only from the Approved Location, and only within the Territory (as those terms are defined in Sections 1.2 and 1.3 below); and (b) to use, solely in connection with the Business, the Proprietary Marks and System, all of which may periodically be changed, improved, and/or further developed. Franchisee agrees that it shall operate the Business, use the Proprietary Marks, and use the System all in accordance with the terms and conditions of this Agreement.

1.2 Franchisee must select a location at which Franchisee will operate the Franchised Business within sixty (60) days following the Effective Date. The street address of the location for the Franchised Business approved under this Agreement is or shall be specified in Exhibit A to this Agreement, and is referred to as the “**Approved Location**.”

1.2.1 Franchisor has the right to grant or withhold approval of the Approved Location under this Section 1.2. Franchisee understands, acknowledges, and agrees that Franchisor's review and approval of Franchisee's proposed location under this Section 1.2 does not constitute Franchisor's assurance, representation, or warranty of any kind that the Franchised Business at the Approved Location will be profitable or successful.

1.2.2 Franchisee agrees not to relocate the Franchised Business without Franchisor's prior written consent. Any proposed relocation will be subject to Franchisor's review of the new site under its then-current standards for site selection. In addition, Franchisee agrees to reimburse Franchisor for the out-of-pocket costs that Franchisor incurs in connection with reviewing and approving a proposed relocation, any related lease matters, and any necessary amendments to this Agreement (including Franchisor's attorneys' fees).

1.3 Franchisor agrees not to establish and operate, nor license anyone other than Franchisee to establish and operate, Businesses within the “Territory” (the area that Franchisor has designated in Exhibit A is referred to as the “**Territory**”) until the last date specified in the Development Schedule (as defined below); provided that Franchisee is at all times in compliance with its obligations under this Agreement (including but not limited to the Development Schedule), and subject to the other terms of this Agreement. Franchisor retains all other rights. This means that Franchisor has the right, among other things, on any terms and conditions it deems advisable, and without granting Franchisee any rights in these matters, to:

(a) use and license others to use the System and Proprietary Marks for the operation of G.J. Gardner Businesses outside of the Territory at any time, and within the Territory following the expiration or earlier termination of the Development Schedule; and (b) acquire and operate businesses of any kind and to grant others the right to operate businesses of any kind, at any location within or outside of the Territory, excluding Businesses operated under the G.J. Gardner System within the Territory during the Development Schedule. Franchisor may also, through other channels of distribution (such as the Internet) use the Proprietary Marks to advertise Businesses and the System. Franchisee is not entitled to any compensation on account of such activities.

1.4 During the term of this Agreement, Franchisee shall construct Units in accordance with the **“Development Schedule”** annexed hereto as Exhibit A. Each Unit constructed by Franchisee shall count toward meeting Franchisee’s obligations under the Development Schedule.

1.5 Franchisee shall have the right to construct Units within the Territory and outside of the Territory, including within the territory granted to another G.J. Gardner Homes Business operating under the System (an **“Assigned Area”**), in accordance with the terms of this Section 1.5. Similarly, and notwithstanding the terms of Section 1.3 above, other G.J. Gardner Businesses shall have the right to construct Units within the Territory, so long as those businesses comply with the Territorial Rules (defined below).

1.5.1 Franchisee shall not be permitted to enter into a contract or other direct or indirect arrangement to both sell land and construct a Unit on that land (a **“G.J. Gardner Homes house and land package”**) in an Assigned Area. Likewise, no other G.J. Gardner Homes Business operating under the System will be permitted to undertake the offer of a G.J. Gardner Homes house and land package within the Territory.

1.5.2 Franchisee may market the Business and directly solicit customers and construction projects for Units anywhere, including outside Territory, so long as such marketing or direct solicitation is not directed into the territory granted to another G.J. Gardner Homes Business franchisee. **“Direct solicitation”** includes, but is not limited to, solicitation in person, by telephone, by mail, by e-mail or other electronic means, advertising, marketing, and by distribution of brochures, business cards or other materials.

1.5.3 If any of Franchisee’s advertising inside the Territory is in media that will or may reach a significant number of persons outside of the Territory, Franchisee must notify Franchisor in advance and obtain Franchisor’s prior written consent (in addition to the requirements in Section 10.2 below), which Franchisor will have the right to withhold. Franchisor may periodically establish rules and policies regarding such advertising.

1.5.4 Franchisee acknowledges that: (a) other G.J. Gardner Homes Businesses will generally operate under restrictions similar to those set out in this Section 1.5 (the **“Territorial Rules”**). Although Franchisor will not knowingly permit violations of the Territorial Rules, Franchisor cannot represent nor guarantee that other G.J. Gardner Homes Businesses will always abide by the Territorial Rules, and Franchisor will have no liability to Franchisee if that takes place.

## 2 TERM AND RENEWAL

2.1 The term of this Agreement shall expire five (5) years from the Effective Date (unless earlier terminated in accordance with the provisions of this Agreement).

2.2 Franchisee may, subject to Franchisor's approval as provided in Section 2.3 below, renew this Agreement for one (1) additional term which shall be the greater of five (5) years or the same length as the initial term granted by Franchisor's then-current form of franchise agreement, and shall be subject to the following conditions all of which must be met prior to renewal:

2.2.1 Franchisee shall give Franchisor written notice of Franchisee's election to renew not less than six (6) months (but not more than twelve (12) months) prior to the end of the initial term;

2.2.2 Franchisee shall make or provide for, in a manner satisfactory to Franchisor, such renovation and modernization of the Business Premises as Franchisor may reasonably require, including addition and/or renovation of signs, interior furnishings, fixtures, and decor, to reflect the then-current standards and image of the System;

2.2.3 Franchisee shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor or its subsidiaries and affiliates; and, in the reasonable judgment of Franchisor, Franchisee shall have substantially complied with all the terms and conditions of such agreements during the terms thereof and with the operating standards prescribed by Franchisor during the term of this Agreement;

2.2.4 Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its subsidiaries and affiliates and shall have timely met those obligations throughout the term of this Agreement;

2.2.5 Franchisee shall present satisfactory evidence that Franchisee has the right to remain in possession of the Approved Location (or such other location acceptable to Franchisor) for the duration of the renewal term of this Agreement;

2.2.6 Franchisee shall execute Franchisor's then-current form of franchise agreement, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including a higher percentage Royalty fee and advertising/marketing contributions (including contributions to the Brand Protection Fund); provided, however, that Franchisee shall not pay any renewal fee or initial franchise fee;

2.2.7 Franchisee shall reimburse Franchisor's reasonable legal and other costs associated with the negotiation, preparation and execution of the new Franchise Agreement;

2.2.8 Franchisee (and its direct and indirect owners, as well as all such parties' officers and directors) shall execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, officers, directors, agents, and employees; and

2.2.9 Franchisee (and its direct and indirect owners, as well as all such parties' officers and directors) shall, if required by Franchisor, comply with Franchisor's then-current qualification and training requirements.

2.3 Notwithstanding the provisions of Section 2.1 above, Franchisor may refuse to renew the Agreement upon grounds, honestly and reasonably held, and/or terminate, modify or reduce the size of the Territory upon grounds honestly and reasonably held, that renewal of the Agreement would not be in the best interests of Franchisor, Franchisor's other franchisees, and other G.J. Gardner Homes franchisees. Franchisor may exercise its right not to renew, or to reduce the size of the Territory, by providing written notice to Franchisee within twenty-one (21) days after Franchisor's receipt of Franchisee's notice of intent to renew pursuant to Section 2.2.1. In making such a determination, which shall be at Franchisor's discretion, Franchisor may consider, without limitation, Franchisee's:

- 2.3.1 percentage of market share to date;
- 2.3.2 ability to service customers to date;
- 2.3.3 customer testimonials;
- 2.3.4 demonstrated skill and performance to date;
- 2.3.5 ability to achieve the targets set out in the Development Schedule;
- 2.3.6 use and exploitation of the Territory to date;
- 2.3.7 any complaints made concerning Franchisee by customers, suppliers, subcontractors, staff and/or any other person;
- 2.3.8 proof that all credit accounts are paid according to the terms and conditions; and
- 2.3.9 provision by Franchisee and its owners of a current satisfactory credit report.

### 3 FRANCHISOR'S DUTIES

3.1 Before the Business opens, Franchisor shall provide to Franchisee (and the number of Franchisee's employees as Franchisor shall have the right to determine), an initial training program at a location designated by Franchisor. Franchisor shall provide such ongoing training as it may periodically deem appropriate. Franchisor shall be responsible for the cost of instruction and materials for the initial training program, subject to the terms set forth in Section 5.7 of this Agreement. Franchisee shall bear all other expenses incurred in connection with attending any training (including the costs of transportation, lodging, meals, wages, benefits, and worker's compensation insurance).

3.2 Franchisor shall make available, at no charge to Franchisee, Franchisor's plans and specifications for the construction of an office from which Franchisee shall operate the

Business (the “**Business Premises**”) and for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs.

3.3 Franchisor shall inspect and approve the Business for opening prior to the opening of the Business. Franchisee shall not commence operation of the Business until receiving such approval from Franchisor.

3.4 Franchisor will provide such additional on-site pre-opening and opening supervision and assistance as Franchisor deems advisable.

3.5 Franchisor shall have the right to review and approve or disapprove all advertising and promotional materials which Franchisee proposes to use, pursuant to Section 10 below.

3.6 Franchisor shall provide Franchisee with access to Franchisor’s confidential operations manual (the “**Manual**”), as more fully described in Section 7 below. Franchisor shall have the right to furnish the Manual in one or more printed volumes or in an electronic or any other format.

3.7 Franchisor shall seek to maintain the high standards of quality, appearance, and service of the System, and to that end may conduct, as it deems advisable, periodic inspections of the Business franchised hereunder, and may provide evaluations of the products sold and services rendered by the Franchised Business.

3.8 Franchisor will provide periodic and continuing advisory assistance to Franchisee as to the operation and promotion of the Business, as Franchisor deems advisable.

3.9 Franchisor shall identify and authorize, in the Manual and otherwise in writing, approved equipment, supplies, products, and services. Franchisee will only use such equipment, supplies, products, and services as have been approved by Franchisor in writing. Notwithstanding the foregoing, nothing in this Agreement obligates Franchisee to purchase equipment, supplies, products or services from any particular supplier.

3.10 Franchisor shall establish and operate the Brand Protection Fund as defined in Section 4.6 below.

## 4 FEES

4.1 Upon execution of this Agreement, Franchisee shall have paid to Franchisor an initial franchise fee in an amount equal to Fifty Thousand Dollars (\$50,000) (the “**Initial Franchise Fee**”). The Initial Franchise Fee is fully earned and 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.

4.2 For each month during the initial term of this Agreement, Franchisee shall pay Franchisor a continuing monthly royalty (“**Royalty**”) in an amount equal to the greater of:

4.2.1 Four percent (4%) of the Gross Sales of the Business during the preceding month (as the term “Gross Sales” is defined in Section 4.4 below); and

#### 4.2.2 Three Thousand Five Hundred Dollars (\$3,500);

provided, however, that, for any month where Franchisee pays Royalties in excess of Three Thousand Five Hundred Dollars (\$3,500), one-third (1/3) of such excess Royalties shall be credited against the minimum Royalty (if any) due pursuant to Section 4.2.2 during the following three (3) months.

4.3 Notwithstanding the provisions of Section 4.2, Franchisor shall waive payment of the Royalty with respect to the first three (3) months following the date Franchisee's Business opens, if no slab or foundation stage is laid during those months.

4.4 All monthly payments required by this Section 4 and by Section 10 below shall be paid on or before the seventh (7<sup>th</sup>) day of each month based on the Gross Sales for the preceding month, and shall be delivered to Franchisor together with any reports or statements required under Section 9.4 below. Any payment or report not actually received by Franchisor on or before such date shall be deemed overdue. If any payment is overdue, Franchisee shall pay Franchisor, in addition to the overdue amount, interest on such amount from the date it was due until paid, at the rate of one and one half percent (1.5%) per month (but not to exceed any maximum rate permitted by law, if any). Entitlement to such interest shall be in addition to any other remedies Franchisor may have.

4.5 As used in this Agreement, the term "**Gross Sales**" means aggregate original Contract Amounts (as defined below), for which the slab (or where there is no slab, the floor stage) was laid during the preceding month, plus any adjustments for Change Orders (as defined below) for previous contracts where Royalties have been paid or should have been paid. Gross Sales shall also include all Contract Amounts for: (a) remodels or renovations of homes; (b) any Contracts (as defined below) signed for the Business prior to termination or expiration of this Agreement regardless of whether a slab was laid or floor stage achieved prior to termination or expiration, and shall be deemed as Gross Sales at the time of termination or expiration; and (c) any Contracts that are ultimately signed with Leads (as defined below) obtained prior to termination or expiration of this Agreement, regardless of when such Contracts are signed, and shall be deemed as Gross Sales at the time such Contract is entered into by Franchisee or any affiliate of Franchisee. Gross Sales shall not, however, include any value-added taxes, or taxes related to a home site collected from customers by Franchisee and transmitted by Franchisee to the appropriate taxing authorities. Franchisee shall not charge to or receive any amounts from customers for taxes, charges or other amounts assessed by third parties if such amounts are not included in Gross Sales. For any amounts Franchisee is entitled to exclude from Gross Sales as set out in this Section 4.5, Franchisee must deliver such documentation that Franchisor may require regarding any such amounts before the payment date required in Section 4.4 above in order for such amounts to be excluded from Gross Sales, and therefore the Royalty due at that time.

4.5.1 As used in this Agreement, ("**Contract**") a signed Unit building agreement with a customer for the construction of a Unit(s) at a designated site.

4.5.2 As used in this Agreement, "**Contract Amount**" means the total price agreed by the customer with respect to a Contract, as specified in the final construction Contract executed between the customer and Franchisee, irrespective of whether the Contract is a lump sum/fixed price, "cost plus," or time and material contract.



4.5.2 As used in this Agreement, “**Change Order**” means any change, either verbally or in writing, to a construction contract between a Franchisee and a customer after the contract is signed. Change Orders include any and all extras for which the client pays as a result of a variation to the originally agreed specifications for a Unit. Franchisee shall invoice customers for any Change Order at the time when such Change Order is made, and Change Orders shall be recognized as Gross Sales during the month when, at Franchisor’s discretion, the month when the Change Order is made, or the month when the Franchisee sends the customer the final invoice for a particular contract.

4.5.3 As used in this Agreement, “**Lead**” means any customer or prospective customer of the Business solicited by Franchisee, or that otherwise contacts Franchisee, during the term of this Agreement in connection with the possibility of the construction or purchase of a Unit and/or entering into a Contract.

4.5.4 With respect to any homes constructed by Franchisee without a customer contract (“**Spec Homes**”), Franchisee shall provide an estimated construction budget (exclusive of lot purchase cost) containing such information as Franchisor may reasonably require, including without limitation a bill of materials) (the “**Spec Home Estimate**”) to Franchisor before commencing construction. The Spec Home Estimate shall be counted as Gross Sales for the month during which construction on the Spec Home begins until Franchisee enters into a contract for the sale of such Spec Home, at which time the Contract Amount for such Spec Home shall be used to recalculate the Royalty due with respect to such Spec Home, as follows:

4.5.4.1 If the Spec Home Estimate is greater than the Contract Amount (exclusive of any real estate and closing costs) for such Spec Home, Franchisor shall refund to Franchisee the difference with respect to the Royalty previously paid by Franchisee.

4.5.4.2 If the Contract Amount (exclusive of any real estate and closing costs) is greater than the Spec Home Estimate for such Spec Home, Franchisee shall pay Franchisor the difference between the Royalty previously paid on the Spec Home Estimate and the Royalty with respect to the Contract Amount.

Franchisee shall provide Franchisor with a complete copy of the relevant construction contract, together with a copy of the Spec Home Estimate, within seven (7) days after execution of such construction contract.

4.5.5 Gross Sales shall not include the cost of any model home constructed for the long term purpose of demonstrating the construction, layout and features of other Units (a “**Model Home**”) constructed by Franchisee so long as:

4.5.5.1 Franchisee maintains such Model Home as a “G.J. Gardner Homes” Model Home;

4.5.5.2 Franchisee insures the Model Home is properly staffed in accordance with the Manual; and

4.5.5.3 Franchisee affixes the necessary signage to the Model Home as specified in the Manual.

4.6 Franchisor shall establish a fund for the purpose of protecting and furthering the interests of the G.J. Gardner Homes System, Franchisor, Franchisee and its customers, and

other franchisees of Franchisor (the “**Brand Protection Fund**”). In addition to the Royalty fee described above, Franchisee shall contribute One Hundred Fifty Dollars (\$150) to the Brand Protection Fund for each new single family home, multi family home or remodel/addition contract Franchisee signs with a customer. Franchisee shall pay the required contribution to the Brand Protection Fund within seven (7) days of Franchisee’s receipt of an invoice from Franchisor based on the contracts signed during the preceding month. Franchisee shall contribute to the Brand Protection Fund as described above until the aggregate contributions of Franchisee and Franchisor’s other franchisees total One Million Dollars (\$1,000,000). The management and operation of the Brand Protection Fund and the application of the funds accrued therein shall be at the total discretion of Franchisor.

4.7 Franchisor shall have the right to designate, in its sole discretion, an accounting period other than month end for the calculation and payment of payments required under Sections 4 and 10 hereunder, but in no event with greater frequency than on a bi-weekly basis.

## 5 FRANCHISEE'S DUTIES

5.1 Franchisee understands and acknowledges that every detail of the Franchised Business is important to Franchisor, Franchisee, and other franchisees in order to develop and maintain high operating standards, to increase the demand for the services and products sold by all franchisees, and to protect Franchisor’s reputation and goodwill.

5.2 Before commencing any construction of the Business, Franchisee, at its expense, shall comply, to Franchisor's satisfaction, with all of the following requirements:

5.2.1 Franchisee shall, at its own expense, select and acquire a site within the Territory for the Approved Location of the Business. Franchisee is solely responsible for the selection and acquisition of the Approved Location site, and for complying with all local zoning, regulatory, licensing requirements, and other legal requirements. Franchisee shall not relocate the Business without Franchisor’s prior written consent.

5.2.2 Franchisee shall employ a qualified, licensed architect or engineer who is reasonably acceptable to Franchisor to prepare, for Franchisor's approval, preliminary plans, and specifications for site improvement and construction of the Business based upon prototype plans furnished by Franchisor.

5.2.3 Franchisee shall be responsible for obtaining all zoning classifications and clearances which may be required by all applicable laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to Franchisee's Approved Location. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor.

5.2.4 Franchisee shall obtain all permits and certifications required for the lawful construction and operation of the Business and shall certify in writing to Franchisor that all such permits and certifications have been obtained.

5.3 Franchisee shall construct and furnish the Approved Location, and open the Business according to the requirements contained in this Agreement and Franchisee shall open the Business not later than the opening date specified in the Development Schedule annexed hereto as Exhibit A (the “**Commencement Date**”). Time is of the essence. Prior to opening for business, Franchisee shall comply with all pre-opening requirements set forth in this Agreement, the Manual, and/or elsewhere in writing by Franchisor. Franchisee shall be solely responsible for developing the Business. Franchisor shall furnish to Franchisee mandatory and suggested specifications and prototype plans for the Business, including requirements for dimensions, design, image, interior layout, decor fixtures, equipment, signs, furnishings, and color scheme. Franchisor shall have the right, but not the obligation, to furnish guidance to Franchisee in developing the Business and may periodically inspect the Business during its development.

5.4 In connection with the opening of the Business:

5.4.1 Franchisee shall provide at least fourteen (14) days' prior notice to Franchisor of the date on which Franchisee proposes to first open the Business for business.

5.4.2 Franchisee agrees to use in construction of the Approved Location and the development and operation of the Business only those fixtures, furnishings, equipment, décor and signs that Franchisor has approved in writing for the Approved Location and Businesses as meeting its specifications and standards for quality, design, appearance, function, and performance. Franchisee further agrees to place or display at the Approved Location (interior and exterior) only such signs, emblems, lettering, logos, and display materials that Franchisor periodically approves in writing. Franchisee shall purchase or lease approved brands, types, or models of fixtures, furnishings, equipment, and signs only from suppliers designated or approved by Franchisor in writing. If Franchisee proposes to purchase, lease or otherwise use any fixture, furnishings, equipment, or sign which is not then approved by Franchisor, Franchisee shall first notify Franchisor in writing and shall submit to Franchisor in writing, upon its request, sufficient specifications, photographs, drawings and/or other information or samples to enable Franchisor to determine whether such fixture, furnishings, equipment and/or sign complies with Franchisor's specifications and standards, however, Franchisee shall not install or use any such item without Franchisor's prior written approval.

5.5 If Franchisee is an entity, Franchisee shall designate its controlling principal who is also designated to serve as Franchisee's general manager who Franchisor has previously approved to serve in that role as the “**Specified Person**.” Franchisee agrees that if the Franchisee is an entity, the Specified Person will personally supervise and operate the Business on behalf of the Franchisee diligently, in accordance with the standards, practices and obligations set forth in this Agreement and the Manual and so as to maximize the revenue and profits of the Business and to reflect favorably on Franchisor and the System. Franchisee or the Specified Person shall devote their full time and best efforts to the operation of the Business.

5.6 Prior to the opening of the Business, Franchisee, the Specified Person, and such other employees of Franchisee that Franchisor may reasonably require, shall enroll in, attend, and successfully complete, to Franchisor's satisfaction, an initial training course conducted by Franchisor. If the Specified Person ceases active employment at the Business, Franchisee shall enroll a qualified replacement who is acceptable to Franchisor in Franchisor's training program within thirty (30) days of cessation of the former Specified Person's employment. The replacement Specified Person shall attend and successfully complete the basic management training program as soon as is practicable. Franchisee, the Specified Person, and such of Franchisee's employees as Franchisor designates may also be required to attend such

refresher courses, seminars, and other training programs as Franchisor may reasonably require from time to time.

5.7 All training courses, seminars, and programs conducted by Franchisor shall be held at Franchisor's principal place of business, or such other location as Franchisor may designate. For all training courses, seminars, and programs, Franchisor shall provide instructors and training materials without cost to Franchisee, and Franchisee shall be responsible for any and all other expenses incurred by himself or his employees in connection with any such courses, seminars, and programs, including the costs of transportation, lodging, meals, wages, and worker's compensation insurance.

5.8 Franchisee shall use the premises of the Business solely for the operation of the Business franchised hereunder; shall keep the Business open and in normal operation for such hours and days as Franchisor may from time to time specify in the Manual or as Franchisor may otherwise approve in writing; and 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.

5.9 Franchisee agrees to maintain a competent, conscientious, trained staff in numbers sufficient to promptly service customers, including at least two (2) full time sales staff at the Business and two (2) sales staff at each Model Home, and to take such steps as are necessary to ensure that its employees preserve good customer relations and comply with such dress code as Franchisor may prescribe.

5.9.1 All employees of Franchisee are solely employees of Franchisee, not Franchisor. Franchisee shall not be an agent of Franchisor for any purpose, whether in regard to Franchisee's employees, or otherwise.

5.9.2 Franchisor shall not have any labor relationship whatsoever with Franchisee or with its personnel. Accordingly, any payment or indemnity to the Franchisee's personnel, pertaining to labor, social security and related matters will be the sole and exclusive responsibility of Franchisee. In addition, any type of obligations and benefits, including (i) employment, such as payments of salaries, contributions, indemnities and overtime payment for working on night shifts, holidays and Sundays are only an exclusive responsibility of the Franchisee; (ii) civil and criminal, (iii) social security; and (iv) tax duties; with regards to its dependent personnel for every and any workplace accident and all risks or damages that might occur in occasion of this Agreement will be the sole and exclusive responsibility of the Franchisee; matters to which the Franchisee shall take and maintain all security and safeguard measures to comply with laws that are in force and taking into account the nature and circumstances which the services may require. Franchisee shall defend, indemnify and hold Franchisor and its affiliates and their respective parent company, affiliates, employees, representatives and agents harmless from and against any and all claims, liabilities, damages, costs and expenses (including attorneys' fees), including those arising as a result of Franchisor's negligence or alleged negligence, brought against or suffered or incurred by Franchisor, should the Franchisee or any of its employees, agents, representatives, assistants or associates ever claim payments against Franchisor relating to (i)-(iv) above in this Section.

5.10 Franchisee shall at all times maintain the Business in a high degree of repair and condition, and in connection therewith shall make such additions, alterations, repairs, and replacements thereto (but no others without Franchisor's prior written consent) as may be

required for that purpose, including such periodic upgrades and replacements as Franchisor may reasonably direct.

5.11 At Franchisor's request, which shall not be more often than once every five (5) years, Franchisee shall refurbish the premises of the Business at its expense to conform to the design, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the image then in effect for new Businesses under the System, including remodeling, redecoration, and modifications to existing improvements.

5.12 To insure that the highest degree of quality and service is maintained, Franchisee shall operate the Business in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manual or otherwise in writing. Franchisee agrees:

5.12.1 To use only the equipment, supplies, products, and to offer only such services which meet, to the continuing reasonable satisfaction of Franchisor, Franchisor's then-current written standards and specifications for such items, as specified in the Manuals or elsewhere in writing, and to refrain from deviating therefrom by the use or offer of any non-conforming items or devices, without Franchisor's prior written consent. Nothing in the foregoing shall be construed to require Franchisee to purchase products or services or services from any particular supplier, nor to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor, in its sole discretion, deems confidential.

5.12.2 Franchisee acknowledges and agrees that: (a) the proprietary home plans located in the plan library for "G.J. Gardner" Units sold and constructed by Businesses are proprietary products of Franchisor; (b) Franchisee shall be solely responsible for adapting any plans located in the System's plan library and used by Franchisee for design and/or construction of Units and must adapt such plans when designing and/or constructing Units; and (c) Franchisor shall not be liable to Franchisee or any other party for any claims, losses, damages (including claims, losses or damages arising as a result of the negligence or alleged negligence of Franchisor) as a result of Franchisee's use of any plans (whether or not from the System's plan library) in connection with the design and/or construction of any Unit.

5.12.3 Franchisee shall assign to Franchisor, for use by all G.J. Gardner Homes franchisees, the copyright in any house/residence plans and/or interior layout plans created by or commissioned of a third-party by Franchisee, any principal or employee of Franchisee (including the Specified Person), or an affiliate of Franchisee.

5.12.4 Franchisee shall, upon request of Franchisor, immediately provide a copy of any home plans created under Section 5.12.3 above.

5.12.5 Franchisee shall ensure that all home plans and or new designs must relate to standard inclusions and not show options not mentioned or not described in the standard inclusions list, as prescribed by Franchisor.

5.13 Franchisee shall require all advertising and promotional materials, signs, decorations, paper goods (including all forms and stationery), and other items which may be designated by Franchisor to bear the Proprietary Marks in the form, color, location, and manner prescribed by Franchisor.

5.14 Franchisee shall require that the Specified Person and all employees comply with such dress code or standards as Franchisor may require, which may include use of branded (or other “**uniform**”) apparel, and otherwise identify themselves with the Proprietary Marks at all times in the manner Franchisor specifies (whether in the Manual or otherwise in writing) while on a job for the Business. Franchisor may also require that Franchisee and its employees comply with personal appearance standards (including but not limited to dress code, shoes, hair color, body art, piercing, sanitation and personal hygiene, foundation garments, personal displays at work stations, etc.).

5.15 Franchisee grants Franchisor and its respective agents, representatives and designees the right any reasonable time to enter upon the premises of the Business, any Model Home, or any other Unit or building site associated with the Business for the purpose of conducting inspections. Franchisee shall cooperate with Franchisor’s representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor’s other rights under this Agreement, Franchisee shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection.

5.16 If Franchisee is a corporation, the following requirements shall also apply to Franchisee:

5.16.1 Franchisee’s charter shall at all times provide that its activities are confined solely and exclusively to operating the Business franchised under this Agreement.

5.16.2 Copies of Franchisee's Articles of Incorporation, Bylaws, and other governing documents, and any amendments thereto, including the resolution of the Board of Directors authorizing entry into this Agreement, shall be promptly delivered to Franchisor.

5.16.3 Franchisee shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and shall issue no securities upon the face of which the following printed legend does not legibly and conspicuously appear:

The transfer of this stock is subject to the terms and conditions of a Sub-Franchise Agreement between G.J. Gardner Homes USA, LLC and \_\_\_\_\_, dated \_\_\_\_\_, 202\_\_\_\_. Reference is made to the provisions of the said Franchise Agreement and to the Articles and Bylaws of this Corporation.

5.16.4 Franchisee shall maintain a current list of all owners of record and all beneficial owners of any class of voting securities of Franchisee and shall furnish the list to Franchisor upon request. Each of Franchisee’s direct or indirect principal owners (owning directly or indirectly thirty percent (30%) or more of its voting and/or non-voting beneficial interests) shall sign and deliver to Franchisor the Guarantee, Indemnification, and Acknowledgment attached as Exhibit A of this Agreement.

5.17 If Franchisee is a partnership or a limited liability company, then it shall comply, except as otherwise approved in writing by Franchisor, with the following requirements throughout the term of this Agreement:



5.17.1 Franchisee shall furnish Franchisor with its partnership or LLC agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto, which shall contain a restriction or transfer of any partnership and/or LLC interest without the prior written consent of Franchisor.

5.17.2 Franchisee shall prepare and furnish to Franchisor, upon request, a list of all general and limited partners in a partnership (or owners of any interest in an LLC) Franchisee.

5.18 With respect to computer systems and required software:

5.18.1 Franchisor has the right to specify or require that Franchisee must use certain brands, types, makes, and/or models of communications, computer systems, and hardware in accordance with our standards, including: **(a)** data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at, and between and among, G.J. Gardner Homes Businesses, and Franchisee and Franchisor; **(b)** physical, electronic, and other security systems and measures; **(c)** printers and other peripheral devices; **(d)** archival back-up systems; **(e)** internet access mode (e.g., form of telecommunications connection) and speed; **(f)** technology used to enhance and evaluate the customer experience; **(g)** hardware, software, and firmware; and/or **(h)** cloud-based back-end management systems and storage sites (collectively, all of the above are referred to as the **“Computer System”**).

5.18.2 Franchisor has the right, but not the obligation, to develop or have developed for the System, or to designate: **(a)** computer software programs and accounting system software that Franchisee must use in connection with the Computer System (including applications, technology platforms, and other such solutions) (**“Required Software”**), which Franchisee must install, maintain and use; **(b)** updates, supplements, modifications, or enhancements to the Required Software, which Franchisee must install and maintain; **(c)** the media upon which data is recorded; and/or **(d)** the database file structure of the Computer System. If Franchisor requires Franchisee to use any or all of the above items, then Franchisee agrees to do so. Franchisee shall ensure that only authorized employees and users have access to the Required Software, and Franchisee shall not copy or attempt to reproduce or reverse engineer the Required Software or the data stored on the Required Software in any manner.

5.18.3 Franchisee agrees to install, use, maintain, update, and replace (as needed) the Computer System and Required Software at Franchisee’s expense. Franchisee agrees to pay Franchisor or third party vendors, as the case may be, initial and ongoing fees in order to install, maintain, and continue to use the Required Software, hardware, and other elements of the Computer System.

5.18.4 Franchisee agrees to implement and periodically make upgrades and other changes at Franchisee’s expense to the Computer System and Required Software as Franchisor may reasonably request in writing (collectively, **“Computer Upgrades”**).

5.18.5 Franchisee agrees to comply with all specifications that Franchisor issues with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at Franchisee’s expense. Franchisee agrees to afford Franchisor unimpeded access to Franchisee’s Computer System and Required Software, including all information and data maintained thereon, in the manner, form, and at the times that Franchisor requests.



5.18.6 Franchisee agrees that all data (including all information related to Leads) that Franchisee collects, creates, provides, or otherwise develops on Franchisee's Computer System (whether or not uploaded to Franchisor's system and/or downloaded from Franchisee's system to Franchisor's system) is and will be owned exclusively by Franchisor, and that Franchisor will have the right to access, download, and use that data in any manner that Franchisor deems appropriate without compensation to Franchisee. In order to operate the Franchised Business under this Agreement, Franchisor hereby licenses use of such data back to Franchisee, at no additional cost, solely for Franchisee's use in connection with operating the Franchised Business during the term of this Agreement. Franchisee acknowledges and agrees that except for the right to use the data under this clause, Franchisee will not develop or have any ownership rights in or to the data.

5.18.7 Franchisee agrees to transfer to Franchisor all data, including all Leads (in the format(s) that Franchisor specifies, whether digital machine-readable or otherwise, and/or printed copies, and/or originals) promptly upon Franchisor's request when made, whether periodically during the term of this Agreement, upon termination and/or expiration of this Agreement, any transfer of an interest in Franchisee, and/or a transfer of the Franchised Business.

5.19 Data Requirements and Usage. Franchisor may periodically specify in the Manual or otherwise in writing the information that Franchisee must collect and maintain on the Computer System, and Franchisee agrees to provide to Franchisor such reports that Franchisor may reasonably request from the data so collected and maintained. In addition:

5.19.1 Franchisee agrees to abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**").

5.19.2 Franchisee agrees to comply with the standards and policies that Franchisor has the right to issue (if Franchisor issues any) pertaining to the privacy of data (including consumer, employee, and transactional information). If there is a conflict between Franchisor's standards and policies and Privacy Laws, Franchisee agrees to: **(a)** comply with the requirements of Privacy Laws; **(b)** immediately give Franchisor written notice of such conflict; and **(c)** promptly and fully cooperate with Franchisor and its counsel in determining the most effective way, if any, to meet Franchisor's standards and policies pertaining to privacy within the bounds of Privacy Laws.

5.19.3 Franchisee agrees to not publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent as to such policy and/or changes.

5.19.4 Franchisee agrees to implement at all times appropriate physical and electronic security as is necessary to secure the Computer System, including complex passwords that Franchisee changes periodically, and to comply any standards and policies that Franchisor may issue (without obligation to do so) in this regard.

5.20 Franchisee may determine the prices and Contract Amount at which the Franchisee sells houses, units, duplexes, other dwellings or any industrial or commercial buildings, as well as the terms and conditions of such sale. Franchisee agrees that Franchisor may set reasonable restrictions on the maximum and minimum prices Franchisee may charge for the houses, units, duplexes, other dwellings or any industrial or commercial buildings offered and sold under this Agreement. With respect to the sale of all such items, Franchisee will have

sole discretion as to the prices to be charged to customers; provided, however, that Franchisor will have the right to set maximum or minimum prices on such items (subject to applicable law). If Franchisor imposes a maximum price on a particular house, unit, duplex, other dwellings or any industrial or commercial building, then Franchisee may charge any price for that item, up to and including the maximum price Franchisor has set. If Franchisor imposes a minimum price on a particular item, then Franchisee may charge any price for that item, down to and including the minimum price that Franchisor has set.

5.21 Franchisee agrees that Franchisor has the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to Franchisee or to Franchisor (or its affiliates) based upon Franchisee's purchases of goods and services pursuant to this Agreement. Franchisee assigns to Franchisor or its designee all of Franchisee's right, title and interest in and to any and all such Allowances and authorizes Franchisor (or its designee) to collect and retain any or all such Allowances without restriction.

## 6 PROPRIETARY MARKS

6.1 With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees that:

6.1.1 Franchisee shall use only the Proprietary Marks designated by Franchisor, and shall use them only in the manner authorized and permitted by Franchisor.

6.1.2 Franchisee shall use the Proprietary Marks only for the operation of the Business franchised hereunder and only at or from the Approved Location authorized hereunder, or in Franchisor-approved advertising for the Business.

6.1.3 Unless otherwise authorized or required by Franchisor, Franchisee shall operate and advertise the Franchised Business only under the name "G.J. Gardner Homes" without prefix or suffix, or a translation.

6.1.4 During the term of this Agreement and any renewal hereof, Franchisee shall identify itself (in a manner reasonably acceptable to Franchisor) as the owner of the Franchised Business in conjunction with any use of the Proprietary Marks, including uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business as Franchisor may designate in writing.

6.1.5 Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of Franchisor's rights.

6.1.6 Franchisee shall not use the Proprietary Marks or any of Franchisor's other trademarks to incur any obligation or indebtedness on behalf of Franchisor.

6.1.7 Franchisee shall not use any of the Proprietary Marks or any variations thereof, nor the letters "GJG", as part of: (a) its corporate or other legal name; (b) any e-mail address, domain name, and/or other identification of Franchisee in any electronic

medium; and/or (c) in connection with any employment or H.R. documents (including but not limited to employment applications, paychecks, pay stubs, and employment agreements).

6.1.8 Franchisee agrees that it shall not, directly or indirectly, file an application or otherwise attempt to register the Proprietary Marks or any other of Franchisor's marks with any governmental, quasi-governmental, public, or private registry (including Internet domain name registries).

6.1.9 Franchisee shall execute any documents deemed necessary by Franchisor or its counsel to obtain protection for the Proprietary Marks or to maintain the continued validity and enforceability of the Proprietary Marks and the license contained in this Agreement.

6.1.10 Franchisee shall promptly notify Franchisor of any suspected infringement of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to Franchisor's ownership of, or Franchisee's right to use, the Proprietary Marks licensed hereunder. Franchisee acknowledges that Franchisor shall have the sole right to initiate, direct, and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. Franchisor shall also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

6.1.10.1 Provided that Franchisee has used the Proprietary Marks in accordance with this Agreement, Franchisor shall defend Franchisee (at Franchisor's expense) against any third party claim, suit, or demand involving the Proprietary Marks arising out of Franchisee's use thereof. If Franchisee has not used the Proprietary Marks in accordance with this Agreement, Franchisor shall defend Franchisee, at Franchisee's expense, against such third party claims, suits, or demands, and Franchisee shall reimburse them for the cost of doing so (including, without limitation, attorney's fees as well as the costs of any judgment or settlement).

6.1.10.2 If Franchisor undertakes the defense or prosecution of any litigation relating to the Proprietary Marks, Franchisee shall execute any and all documents and do such acts and things as may, in the opinion of counsel for Franchisor, be necessary to carry out such defense or prosecution, including becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for its out of pocket costs in doing such acts and things, except that Franchisee shall bear the salary costs of its employees, and Franchisor shall bear the costs of any judgment or settlement.

6.2 Franchisee expressly understands and acknowledges that:

6.2.1 Franchisor is the owner of all right, title and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.

6.2.2 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System.

6.2.3 Franchisee shall not directly or indirectly contest the validity or Franchisor's ownership of the Proprietary Marks, nor shall Franchisee, directly or indirectly,

seek to or assist any person in registering the Proprietary Marks with any government agency except with Franchisor's express prior written consent.

6.2.4 Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

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

6.2.6 The right and license of the Proprietary Marks granted hereunder to Franchisee is non-exclusive, and Franchisor thus have and retain the rights, among others:

6.2.6.1 To use the Proprietary Marks in connection with selling products and services;

6.2.6.2 To grant other licenses for the Proprietary Marks, in addition to those licenses already granted to existing franchisees and licensees;

6.2.6.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to Franchisee.

6.2.7 Franchisor reserves the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating thereunder if Franchisor so directs, or if Franchisor, in its sole discretion, determines that substitution of different Proprietary Marks will be beneficial to the System.

## 7 CONFIDENTIAL OPERATING MANUAL

7.1 In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under the Proprietary Marks, Franchisee shall conduct its business in accordance with the Manual, access to which Franchisee acknowledges having received from Franchisor for the term of this Agreement.

7.2 Franchisee shall at all times treat the Manual (whether electronic, printed, or in any other format), any other manuals created for or approved for use in the operation of the Franchised Business, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential. Franchisee shall not at any time copy, duplicate, record, translate, transmit or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person. Franchisee shall not:

7.2.1 permit any part of the manual to be copied, transmitted or printed for redistribution without Franchisor's prior written approval;

7.2.2 disclose or permit access to the Manual or any of its contents to anyone not having a need to know its contents for purposes of operating the Business;

7.2.3 remove the Manual from the Business without Franchisor's prior written approval; and/or

7.2.4 transmit the Manual or any of its contents by means of Internet, intranet or other electronic communication without Franchisor's prior written approval.

7.3 The Manual shall at all times remain the sole property of Franchisor and shall at all times be secured by Franchisee.

7.4 Franchisor may periodically revise the contents of the Manual, and Franchisee expressly agrees to comply with each new or changed standard.

7.5 Franchisee shall at all times ensure that the Manual and access to the Manual is kept current and up to date; and, if there is any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor shall be controlling.

## 8 CONFIDENTIAL INFORMATION

8.1 Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised hereunder 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. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate the Business. Any and all information, knowledge, know-how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

8.2 Franchisee acknowledges that any failure to comply with the requirements of this Section 8 will cause Franchisor irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 8.

## 9 ACCOUNTING AND RECORDS

9.1 Franchisee shall maintain during the term of this Agreement, and shall preserve for at least ten (10) years from the dates of their preparation, full, complete, and accurate books, records, and accounts in accordance with International Accounting Standards (IAS) and in the form and manner prescribed by Franchisor from time to time in the Manual or otherwise in writing. Franchisee shall maintain during the term of this Agreement, and shall preserve for at

least three (3) years from the date of their preparation, all computer system records from the Business.

9.2 No later than the twentieth (20th) day of each month during the term of this Agreement after the opening of the Franchised Business, Franchisee shall submit to Franchisor, in a format specified by Franchisor, a monthly and fiscal year-to-date profit and loss statement and a quarterly balance sheet (which may be unaudited) for the Franchised Business, and shall submit copies of all sales and value added tax returns and filings for the Franchised Business.

9.3 Franchisee shall, at its expense, provide to Franchisor, in a format specified by Franchisor, a complete annual financial statement, on a review basis, prepared by an independent chartered accountant satisfactory to Franchisor, within ninety (90) calendar days after the end of each fiscal year of the Franchised Business during the term hereof, showing the results of operations of the Franchised Business during said fiscal year.

9.4 Franchisee shall also submit to Franchisor, for review or auditing, such other forms, reports, records, information, and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in the Manual or otherwise in writing.

9.5 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 tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection should reveal that any payments have been understated in any report to Franchisor, then Franchisee shall immediately pay Franchisor the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate and in the manner set forth in Section 4.4 above. If an inspection discloses an understatement in any report of two percent (2%) or more, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including travel, lodging, and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

## 10 ADVERTISING

10.1 All local advertising and promotion by Franchisee 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 advertising or promotional plans or materials unless and until Franchisee has received written approval from Franchisor, pursuant to the procedures and terms set forth in Section 10.2 below.

10.2 Franchisee shall submit to Franchisor samples of all proposed advertising and promotional materials, as well as all proposed advertising and promotional plans and materials, for Franchisor's prior written approval (except with respect to prices to be charged). Franchisor shall provide its written response within fifteen (15) days after it has received all such materials. Unless and until Franchisee receives Franchisor's written approval, Franchisee shall not use such proposed advertising and/or promotional materials, nor shall Franchisee implement such proposed advertising and promotional plans and/or materials. Upon submission of the proposed advertising and promotional materials to Franchisor: (a) the proposed advertising and promotional materials, and any copyrights therein, shall become Franchisor's property and Franchisee agrees to sign and, where so requested, cause its advertising agency and others to



sign, such documents as may be reasonably necessary in order to implement this provision; and (b) Franchisor shall grant a non-exclusive license back to Franchisee to use said advertising and promotional materials for so long as Franchisee is in good standing under this Agreement.

10.3 Franchisee shall contribute an amount equal to one percent (1%) of the Gross Sales of the Business during the preceding month, each month, to an advertising and marketing fund established by Franchisor (the “**Marketing Fund**”). The following provisions shall apply to the Marketing Fund:

13.3.2 The Marketing Fund, all contributions to that fund, and any of that fund's earnings, shall be used to meet any and all costs of maintaining, administering, directing, conducting, creating and/or otherwise preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System (including the costs of preparing and conducting: marketing and advertising campaigns in any medium, whether digital, print, direct-mail or other; marketing surveys and other public relations activities; employing marketing personnel, the costs of retaining advertising and/or public relations agencies; purchasing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; website development and updates; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Businesses and their competitors; and providing promotional and other marketing materials and services to the Businesses operated under the System). The Marketing Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, so long as we have given our prior written approval, which products, services, or improvements; and we will have the right to determine what methods to use in order to promote general public awareness of, and favorable support for, the System. In addition:

10.3.1 The Marketing 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.

10.3.2 The Marketing Fund shall be organized for the exclusive purposes of administering promotional and advertising and developing, subject to approval as provided in Section 10.2 above, standardized promotional materials for use by the franchisees in local advertising.

10.3.3 No promotional or advertising plans or materials may be used by the Marketing Fund or furnished to its franchisees for use without prior approval, to be sought in accordance with the procedure set forth in Section 10.2 above.

10.3.4 All funds of the Marketing Fund shall be maintained by the Franchisor in a separate bank account.

10.3.5 Franchisee agrees and acknowledges that the Marketing Fund is intended to maximize general public recognition, acceptance, and use of the System, and that the Franchisor is not obligated in administering the Marketing Fund to make expenditures for



any franchisee which are equivalent or proportionate to such franchisee's contribution or to ensure that any particular franchisee (including for example, Franchisee) benefits directly or *pro rata* from expenditures by the Marketing Fund.

10.4 In addition to any contributions to the Marketing Fund, Franchisee agrees to deposit with Franchisor an initial marketing expenditure in the amount of Fifteen Thousand Dollars (\$15,000) (the "**Initial Marketing Spend**") for marketing and advertising to be conducted and administered by Franchisor for the Franchised Business. The Initial Marketing Spend will be used solely for the marketing and launch of the Franchised Business. Franchisor will distribute the Initial Marketing Spend amounts and will upon request report to Franchisee the manner in which such amounts are spent.

10.5 Unless otherwise approved in writing by Franchisor, Franchisee agrees to neither establish nor permit any other party to establish an Online Site (defined below) relating in any manner whatsoever to the Businesses or referring to the Proprietary Marks. Franchisor will have the right, but not the obligation, to provide one or more references or webpage(s) for Franchisee, as Franchisor may periodically designate, within Franchisor's own Online Site(s). The term "**Online Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, webpages, microsites, social networking sites (e.g., Facebook, Twitter, LinkedIn, You Tube, TikTok, Pinterest, Instagram, etc.), blogs, vlogs, applications to be installed on mobile devices (e.g., iPad or Droid apps), and other applications, etc. If Franchisor provides Franchisee its prior written consent to establish a separate Online Site (which Franchisor is not obligated to approve), then each of the following provisions shall apply:

10.5.1 Franchisee specifically acknowledges and agrees that any Online Site owned or maintained by or for the benefit of Franchisee will be deemed "marketing" under this Agreement, and will be subject to (among other things) Franchisor's approval under Section 10.2 above.

10.5.2 Franchisee will not establish or use any Online Site without Franchisor's prior written approval.

10.5.3 Before establishing any Online Site, Franchisee agrees to submit to Franchisor, for Franchisor's prior written approval, a sample of the proposed Online Site name (e.g., domain name or screen name), format, visible content (including proposed screen shots), and non-visible content (including meta tags) in the form and manner Franchisor may reasonably require.

10.5.4 Franchisee agrees not to use or modify such Online Site without Franchisor's prior written approval as to such proposed use or modification.

10.5.5 In addition to any other applicable requirements, Franchisee agrees to comply with the Standards and specifications for Online Sites that Franchisor may periodically prescribe in the Manual or otherwise in writing (including requirements pertaining to designating Franchisor as the sole administrator or co administrator of the Online Site).

10.5.6 If Franchisor requires Franchisee to do so, Franchisee will establish such links to Franchisor's Online Site and others as Franchisor may request in writing.

10.5.7 If Franchisor requires Franchisee to do so, Franchisee must make weekly or other periodic updates to Franchisor Online Site to reflect information regarding promotions at the Business.

10.5.8 Franchisor may require Franchisee to make Franchisor the sole administrator (or co-administrator) of any social networking pages that Franchisee maintains or that are maintained on Franchisee's behalf.

10.5.9 Franchisee agrees to undertake its best efforts to ensure that any and all proposed or actual marketing materials used by Franchisee and/or submitted by Franchisee to Franchisor is accurate and truthful, and that Franchisee is solely responsible for the accuracy and truthfulness of its proposed and actual marketing materials used by Franchisee and/or submitted by Franchisee to Franchisor.

## 11 INSURANCE

11.1 Prior to the commencement of any activities or operations pursuant to this Agreement, Franchisee shall procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the Term of this Agreement), at Franchisee's expense, the following insurance policy or policies in connection with the Business or other facilities on premises, or by reason of the construction, operation, or occupancy of the Business or other facilities on premises. Such policy or policies shall be written by an insurance company or companies reasonably satisfactory to Franchisor, and shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified for all franchisees from time to time by Franchisor in the Manual or otherwise in writing), the following:

11.1.1 Comprehensive general liability insurance, on an occurrence form, with a combined single limit in an amount equal to at least Two Million Dollars (US\$2,000,000) for both bodily injury and property damage.

11.1.2 Business automobile liability insurance, including bodily injury and property damage coverage for all owned, non-owned, and hired vehicles, with limits of liability in an amount equal to not less than One Million Dollars (US\$1,000,000) combined single limit for both bodily injury and property damage. Such policy shall have the contractual exclusion removed, unless Franchisee provides separate evidence that contractual liability for automobile exposure is otherwise insured.

11.1.3 Statutory workers' compensation insurance and employer's liability insurance for a minimum limit in an amount equal to at least One Hundred Thousand Dollars (\$100,000), as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Business is located. Such policy shall contain an "Alternate Employer Endorsement" including the Franchisor as the alternate employer.

11.1.4 Commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages (comprehensive general liability, business auto liability, and employers liability) to an amount equal to not less than Two Million Dollars (\$2,000,000) total limit of liability. Such umbrella liability will provide at a minimum those coverages and endorsements required in the underlying policies.

11.1.5 A third party warranty program for all construction projects to be periodically designated in the Manuals or otherwise in writing by the Franchisor.

Notwithstanding anything to the contrary contained herein: (a) neither the issuance of any insurance policy required hereunder, nor the minimum limits specified herein with respect to Franchisee's insurance coverage, shall be deemed to limit or otherwise restrict in any way Franchisee's liability arising under, out of and/or in relation to the Agreement; and (b) all insurance policies required to be procured by Franchisee herein shall be written as primary coverage, not contributing with, nor in excess of coverage that Franchisor may carry and shall contain an express waiver of any right of subrogation by the insurance company against Franchisor, Franchisor's affiliates and principals.

11.2 All policies listed in Section 11.1 above (unless otherwise noted below) shall contain such endorsements as shall, from time to time, be provided in the Manual.

11.3 In the event of cancellation, material change, or non-renewal of any policy, sixty (60) days advance written notice must be provided to Franchisor in the manner provided in Section 19 below.

11.4 In connection with all significant construction, reconstruction, or remodeling of the Business during the term hereof, Franchisee will cause the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Manual, all written by insurance or bonding companies satisfactory to Franchisor.

11.5 Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 17.4 of this Agreement.

11.6 All of Franchisee's public liability and property damage policies, as required under this Section 11, shall include Franchisor as additional insured parties. Notwithstanding any other provision of this Agreement, said policies shall permit Franchisor to recover thereunder on any loss occasioned to Franchisor and/or its agents or employees by reason of the negligence of Franchisee and/or its agents or employees.

11.7 At least thirty (30) 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 such policy, Franchisee shall deliver to Franchisor certificates of insurance evidencing the proper coverage with limits not less than those required hereunder. All certificates shall expressly provide that no less than sixty (60) days' prior written notice shall be given Franchisor in the event of material alteration to, or cancellation of, or non-renewal of the coverages evidenced by such certificates. Further certificates evidencing the insurance required by Section 11.1 above shall name Franchisor, and each of its affiliates, directors, agents, and employees as additional insureds, and shall expressly provide that any interest of same therein shall not be affected by any breach by Franchisee of any policy provisions for which such certificates evidence coverage.

11.8 Franchisor may, from time to time, and in its sole discretion, make such changes in minimum policy limits and endorsements as it may determine; provided, however, all changes shall apply to all franchisees of Franchisor who are similarly situated.

## 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 herein to any person or legal entity.

### 12.2 Transfer by Franchisee:

12.2.1 Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this franchise in reliance on the business skill, financial capacity, and personal character of Franchisee or the owners of Franchisee. Accordingly, neither Franchisee nor any immediate or remote successor to any part of Franchisee's interest in this franchise, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in this franchise, shall sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any interest (whether direct, indirect, beneficial, or otherwise) in this franchise, in this Agreement, or in Franchisee (including any direct, indirect, and/or beneficial interest in an entity that is the Franchisee), or in substantially all of the assets of the Franchised Business, without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of Franchisor required by this Section 12.2.1 shall be null and void and shall constitute a fundamental breach of this Agreement, for which Franchisor may then terminate without opportunity to cure pursuant to Section 13.2.5 below.

12.2.2 Franchisor shall not unreasonably withhold its consent to a transfer of any direct or indirect interest in Franchisee, this Agreement, Franchisee's rights and obligations hereunder, the Franchised Business, or substantially all of the assets of the Franchised Business. If any transfer, alone or together with other previous, simultaneous, or proposed transfers, would have the effect of transferring any interest in Franchisee, this Agreement, Franchisee's rights and obligations hereunder, or the Franchised Business, Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval:

12.2.2.1 All of Franchisee's accrued monetary obligations and all other outstanding obligations to Franchisor and its affiliates shall have been satisfied;

12.2.2.2 Franchisee is not in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor, or its affiliates;

12.2.2.3 The transferor shall have executed a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and/or its officers, directors, shareholders, and employees, in their corporate and individual capacities, including claims arising under any laws, rules, and ordinances;

12.2.2.4 The transferee shall enter into a written assignment, under seal and in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Franchisee's obligations under this Agreement;

12.2.2.5 The transferee shall demonstrate to Franchisor's satisfaction that it can meet Franchisor's educational, managerial, and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the business franchised herein (as may be evidenced by prior related business experience or otherwise); and has adequate financial resources and capital to operate the business;

12.2.2.6 The transferee shall execute, for a term ending on the expiration date of this Agreement and with such renewal term as may be provided by this Agreement, the standard form franchise agreement then being offered to new System franchisees and such other ancillary agreements as Franchisor may require for the Franchised Business, which agreements shall supersede this Agreement in all respects and the terms of which agreements may differ from the terms of this Agreement, including a higher percentage Royalty rate and advertising contribution; provided, however, that the transferee shall not be required to pay any initial franchise fee;

12.2.2.7 If the transferee is a corporation, then such owners of a beneficial interest in the transferee as Franchisor may request shall execute a guarantee of the performance of Franchisee's obligations under this Agreement in the form attached hereto as Exhibit A.

12.2.2.8 If so requested by Franchisor, the transferee, at its expense, shall upgrade the Business to conform to the then-current standards and specifications of System Businesses, and shall complete the upgrading and other requirements within the time specified by Franchisor;

12.2.2.9 At the transferee's expense, the transferee (or if the transferee is a legal entity, a principal of the entity designated to supervise the operation of the Business, previously approved by Franchisor) and the transferee's Business general manager shall successfully complete any training programs then in effect for franchisees upon such terms and conditions as Franchisor may reasonably require;

12.2.2.10 Franchisee shall pay a transfer fee in an amount equal to the following: (a) thirty percent (30%) of the total sale/transfer price of the transfer if the transaction is closed within eighteen (18) months after the Commencement Date; (b) twenty-five percent (25%) of the total sale/transfer price of the transfer if the transaction is closed within two (2) years after the Commencement Date; (c) twenty percent (20%) of the total sale/transfer price of the transfer if the transaction is closed within three (3) years after the Commencement Date; and (d) fifteen percent (15%) of the total sale/transfer price of the transfer if the transaction is closed at any time after three (3) years following the Commencement Date. However, in the case of a Franchisee transfer to a newly-formed corporation, formed solely for the convenience of ownership and provided that the ownership structure of Franchisee remains the same, no such transfer fee will be required;

12.2.2.11 The transferor shall have first offered to sell such interest to Franchisor, pursuant to Section 12.4 below; and

12.2.2.12 The transferor shall abide by the terms of Section 15 below relating to covenants not to compete and shall execute such documents as Franchisor may reasonably require in order to give effect to this provision.

12.2.3 Franchisee shall grant no security interest in any of the assets of the Franchised Business unless the secured party agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option to be substituted as obligor to the secured party and to cure any default of Franchisee, except that any acceleration of indebtedness due to the Franchisee's default shall be void.

12.2.4 Franchisee acknowledges and agrees that each condition which must be met by the transferee is necessary to assure such transferee's full performance of the obligations hereunder.

12.3 Securities Offers. All materials for an offering of stock, ownership, and/or partnership interests in Franchisee or any of its affiliates that are required by federal or state law must be submitted to Franchisor for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering must be submitted to us for such review before their use.

12.3.1 Franchisee agrees that: (a) no offering by Franchisee or any of its affiliates may imply (by use of the Proprietary Marks or otherwise) that Franchisor is participating in an underwriting, issuance, or offering of Franchisee's securities or its affiliates; (b) Franchisor's review of any offering will be limited solely to the relationship between Franchisee and Franchisor (and, if applicable, any of Franchisee's affiliates and Franchisor); and (c) Franchisor will have the right, but not obligation, to require that the offering materials contain a written statement that Franchisor requires concerning the limitations stated above.

12.3.2 Franchisee (and the offeror if Franchisee is not the offering party), Franchisee's Principals, and all other participants in the offering must fully indemnify Franchisor and all of the GJG Parties (as defined in Section 17.4 below) in connection with the offering.

12.3.3 For each proposed offering, Franchisee agrees to pay Franchisor a non-refundable fee of Twenty Five Thousand Dollars (\$25,000) or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering.

12.3.4 Franchisee agrees to give Franchisor written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 12.3 commences. Any such offering will be subject to all of the other provisions of this Section 12; and further, without limiting the foregoing, it is agreed that any such offering will be subject to Franchisor's approval as to the structure and voting control of the offeror (and Franchisee, if Franchisee is not the offeror) after the financing is completed.

12.3.5 Franchisee must also, for the remainder of the term of the Agreement, submit to Franchisor for Franchisor's review and prior written approval all additional securities documents Franchisee is required to prepare and file (or use) in connection with any offering of stock, ownership, and/or partnership interests. Franchisee must reimburse Franchisor for the reasonable costs and expenses Franchisor incurs in connection with the review of those materials.



12.4 Right of First Refusal: If Franchisee or any of its Principals wish to accept any bona fide offer from a third party to purchase Franchisee, any of Franchisee's material assets, or any direct or indirect interest in Franchisee, then all of the following shall apply:

12.4.1 Franchisee (or the Principal who proposes to sell his/her interest) shall promptly notify Franchisor in writing of the offer and provide to Franchisor the information and documentation relating to the offer that Franchisor may require. Franchisor will have the right and option, exercisable within thirty (30) days after Franchisor has received all such information that Franchisor has requested, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same economic terms and conditions offered by the third party. After exercising its right, Franchisor will also have the right to conduct additional reasonable due diligence and to require the seller to enter into a purchase agreement in a form mutually acceptable to Franchisor and to the seller. If Franchisor elects to purchase the seller's interest, then 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.

12.4.2 Any material change in the terms of the offer before closing shall constitute a new offer subject to Franchisor's same right of first refusal (as set forth in this Section 12.4) as in the case of the third party's initial offer. If Franchisor does not exercise the option afforded by this Section 12.4, that shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 12, with respect to a proposed transfer.

12.4.3 If the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one independent appraiser, then Franchisor shall promptly designate an independent appraiser and Franchisee shall promptly designate another independent appraiser and those two appraisers shall, in turn, promptly designate a third appraiser; and all three appraisers shall promptly confer and reach a single determination, which determination shall be binding upon both Franchisee and Franchisor. The cost of any such appraisal shall be shared equally by both parties.

12.4.4 If Franchisor exercises its rights under this Section 12.4, then Franchisor will have the right to set off all amounts due from Franchisee, including one-half (½) of the cost of the appraisal, if any, specified above in Section 12.4.3 against any payment to Franchisee.

12.5 Transfer Upon Death or Mental Incapacity: Upon the death or mental incapacity of any person with an interest in the franchise, the transfer of which interest which would have the effect of transferring control of the franchise, the executor, administrator, or personal representative of such person shall transfer within six (6) months after such death or mental incapacity, his interest to a third party approved by Franchisor. Such transfers, including transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Section 12, the personal representative of the deceased shall have a reasonable time to dispose of the deceased's interest, 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 a reasonable time, Franchisor may terminate this Agreement.

12.6 Non-Waiver of Claims: Franchisor's consent to a transfer of any interest in the franchise granted herein shall not constitute a waiver of any claims it 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 transferee.

## 13 DEFAULT AND TERMINATION

13.1 Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if:

13.1.1 Franchisee becomes insolvent, enters into liquidation (whether compulsory or voluntarily), or makes any arrangement or composition with its creditors or has a receiver appointed in respect of all or any part of its assets, or takes any similar action in consequence of debt;

13.1.2 Franchisee is dissolved (if Franchisee is a limited liability company, corporation, partnership, or other entity);

13.1.3 the Business is seized, taken over or foreclosed by a governmental official in the exercise of his duties, by a creditor, lienholder or lessor, provided that a final judgment against the Franchisee remains unsatisfied for sixty (60) calendar days (or an appeal has been lodged); or

13.1.4 a levy of execution has been made upon the license granted by this Agreement or upon any property used in the Business, and it is not discharged within five (5) calendar days of such levy.

13.2 Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon the delivery of written notice to Franchisee by Franchisor (in the manner set forth under Section 19 below), upon the occurrence of any of the following events:

13.2.1 If Franchisee fails to construct and open the Franchised Business within the time limits as provided in Section 5.3 of this Agreement, and within the requirements set forth in Section 5.4.2 of the Agreement;

13.2.2 If Franchisee at any time ceases to operate or otherwise abandons the Franchised Business, or loses the right to possession of the premises at the Approved Location, or loses any license to operate the Business, or otherwise forfeits the right to do or transact business in the jurisdiction where the Business is located; provided, however, that if, through no fault of Franchisee, the premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within ninety (90) days thereafter, then Franchisee shall have thirty (30) days after such event in which to apply for Franchisor's approval to relocate and/or reconstruct the premises, which approval shall not be unreasonably withheld;



13.2.3 If Franchisee or any principal, officer, or director of 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;

13.2.4 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Business;

13.2.5 If Franchisee or any partner or shareholder in Franchisee purports to transfer any rights or obligations under this Agreement or any interest in Franchisee to any third party without Franchisor's prior written consent, contrary to the terms of Section 12 of this Agreement;

13.2.6 If Franchisee fails to comply with the covenants in Section 15.2 below or fails to obtain execution of the covenants required under Section 15.5 below;

13.2.7 If, contrary to the terms of Sections 7 or 8 above, Franchisee discloses or divulges the contents of the Manual or other confidential information provided to Franchisee by Franchisor;

13.2.8 If an approved transfer of an interest in Franchisee is not effected within a reasonable time, as required by Section 12.5 above;

13.2.9 If Franchisee knowingly maintains false books or records, or submits any false reports (including information provided as part of Franchisee's application for this franchise) to Franchisor;

13.2.10 If Franchisee, after curing a default pursuant to this Section 13, commits the same default again within a thirty-six (36) month period of the previous default, whether or not cured after notice; or

13.2.11 If Franchisee repeatedly is in default under this Section 13 for failure substantially to comply with any of the requirements imposed by this Agreement, whether or not cured after notice.

13.3 Except as otherwise provided in Sections 13.1 and 13.2 above, upon any other default by Franchisee (including if Franchisee is in default for failure to make any payments to Franchisor), Franchisor may terminate this Agreement only by giving written notice of termination (in the manner set forth under Section 19 below) stating the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the thirty-day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

## 14 OBLIGATIONS UPON TERMINATION OR EXPIRATION

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

14.1 Franchisee shall immediately cease to operate the Business franchised under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

14.2 Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the System; the Proprietary Marks "G.J. Gardner Homes" and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms, telephone listings, Online Site, and any other articles which display the Proprietary Marks or make any reference to the System.

14.3 Franchisee shall execute and deliver such documents as may be required by Franchisor, and Franchisee shall in good faith cooperate with Franchisor to give effect to this Section 14, and to cancel any assumed name or equivalent registration which contains the Proprietary Mark "G.J. Gardner Homes" or any other of Franchisor's marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

14.4 Franchisee shall, at Franchisor's option, assign to Franchisor any interest which Franchisee has in any lease or sublease for the premises of the Franchised Business. If Franchisor does not elect to exercise its option to acquire the lease or sublease for the premises of the Franchised Business, Franchisee shall make such modifications or alterations to the premises operated hereunder (including the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other Businesses under the System, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose.

14.5 Franchisee agrees, if it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Franchisor's rights in and to the Proprietary Marks, and further agrees not to utilize any designation of origin, description, trade mark, service mark, or representation which suggests or represents a present or past association or connection with Franchisor, the System, or the Proprietary Marks.

14.6 Franchisee shall promptly pay all sums owing to Franchisor and its subsidiaries and affiliates. In the event of termination for any default of Franchisee, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Franchisee and on the premises operated hereunder at the time of default.

14.7 Franchisee shall pay Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 14.

14.8 Franchisee shall immediately deliver to Franchisor the Manual, and all other manuals, records, and instructions containing confidential information (including without limitation any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be the property of the Franchisor.

14.9 Franchisor shall have the option, to be exercised within thirty (30) days after termination, to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of Franchisee related to the operation of the Franchised Business, at Franchisee's cost or fair market value, whichever is less. If the parties cannot agree on a fair market value within a reasonable time, an independent appraiser shall be designated by Franchisor, and his determination shall be binding. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee, and one-half (½) of the cost of the appraisal, if any, against any payment therefor.

14.10 If Franchisor elects to exercise its option to acquire the lease or sublease for the premises of the Franchised Business, Franchisee shall, upon the request of Franchisor, execute any and all forms necessary to assign the telephone number of the Franchised Business to Franchisor. Franchisee shall also appoint, on a form provided and accepted by the telephone company servicing the premises of the Franchised Business, an officer of Franchisor as Franchisee's attorney-in-fact for the transfer of the Franchised Business' telephone number. For purposes of this Section 14.10, Franchisee shall enter into the conditional assignment and power of attorney for the telephone numbers and listings attached to this Agreement as Exhibit C.

14.11 Franchisee shall comply with the covenants contained in Section 15.3 of this Agreement.

## 15 COVENANTS

15.1 Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (or one designated management employee who will assume primary responsibility for the franchise operations and shall have been previously approved in writing by Franchisor) shall devote full time, energy, and best efforts to the management and operation of the business franchised hereunder.

15.2 Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and confidential information, including information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation:

15.2.1 Divert or attempt to divert any business or customer of the Franchised Business or of any Business using 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 Franchisor's Proprietary Marks and the System.

15.2.2 Franchisee covenants that during the term of this Agreement, Franchisee shall not remove the assets of the Franchised Business from the premises thereof other than as necessary for the day-to-day operation of the Franchised Business, subject to Section 12 of this Agreement. Franchisee acknowledges that the assets of the Franchised Business are to be retained on the premises as ongoing security for the monies due and owing by Franchisee to Franchisor pursuant to this Agreement.

15.3 Franchisee covenants that, except as otherwise approved in writing by Franchisor, Franchisee shall not, during the term of this Agreement, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business; and shall not for a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 12, above; (b) expiration or termination of this Agreement (regardless of the cause for termination); or (c) a final order of a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section 15.3; either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any persons, partnership, or corporation, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business and which business is, or is intended to be, located at the Approved Location or within twenty (25) miles of the premises of the Franchised Business, or any other Business operated under the System.

15.4 Section 15.3 above shall not apply to ownership by Franchisee of less than one percent (1%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

15.5 At Franchisor's request, Franchisee shall require and obtain execution of covenants similar 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 14 above, as modified to apply to an individual) from any or all of the following persons: (1) Franchisee's Business Specified Person; (2) Franchisees other general managers and supervisors; (3) all officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of Franchisee, and of any corporation directly or indirectly controlling Franchisee, if Franchisee is a corporation; and (4) the general partners (including any corporation, and the officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general partner), if Franchisee is a partnership. Every covenant required by this Section 15.5 shall be in a form satisfactory to Franchisor, including specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them. Failure by Franchisee to obtain execution of a covenant required by this Section 15.5 shall constitute a default under Section 13.2.6 above.

15.6 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 Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 15.2 and 15.3 above, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 20 below.

15.8 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. 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 Franchisee acknowledges that Franchisee's violation of the terms of this Section 15 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting any conduct by Franchisee in violation of the terms of this Section 15.

## 16 TAXES, PERMITS, AND INDEBTEDNESS

16.1 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 conduct of the business franchised under this Agreement. Franchisee shall pay Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax (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.

16.2 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; however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business, or any improvements thereon.

16.3 Franchisee shall comply with all 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 franchised under this Agreement, including licenses to do business, fictitious name ("dba" or "doing business as") registrations, sales tax permits, and fire clearances.

16.4 Franchisee shall notify Franchisor in writing within five (5) days of the 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 the Franchised Business.

## 17 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

17.1 It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that Franchisee shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

17.2 At all times during the term of this Agreement and any extensions hereof, Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise 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 in the franchised premises, the content of which Franchisor reserves the right to specify.

17.3 It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on behalf of Franchisor, or to incur any debt or other obligation in the name of Franchisor; and that Franchisor shall not in any 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 conduct of the Franchised Business or for any claim or judgment arising therefrom against Franchisee or Franchisor.

17.4 Franchisee shall indemnify and hold the GJG Parties (defined below) harmless against any and all claims, including but not limited to claims arising from the negligence or alleged negligence of Franchisor, arising directly or indirectly from, as a result of, or in connection with: (a) Franchisee's operation of the Franchised Business, as well as the costs, including attorneys' fees, of defending against them; (b) any claim from consumers due to an alleged violation or limitation to their rights under applicable law, as well as the costs, including attorneys' fees, of defending against them; and (c) Franchisee's failure to comply with any applicable ordinance, law, rule, permit or regulation; including but not limited to any fines, fees, sanctions, costs or expenses (including reasonable attorneys' fees and costs) in connection with Franchisee's errors, omissions or failures to comply with any local applicable environmental, tax, labor, social security or any other laws related to the Franchised Business. Franchisee's indemnification obligations described above shall continue in full force and effect after the expiration or termination of this Agreement. The term "**GJG Parties**" means Franchisor and its affiliates, and their respective officers, directors, members, managers, agents, and employees.

## 18 APPROVALS AND WAIVERS

18.1 Whenever this Agreement requires the prior 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.

18.2 Franchisee acknowledges and agrees that Franchisor does not make any warranties or guarantees upon which Franchisee may rely, and Franchisor does not assume any liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.



18.3 No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Franchisee under any of the terms, provisions, covenants, or conditions hereof, shall constitute a waiver by Franchisor to enforce any such right, option, duty, or power as against Franchisee, or as to subsequent breach or default by Franchisee. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, provisions, covenants, or conditions of this Agreement.

## 19 NOTICES

Any and all notices that are required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by certified U.S. mail, or by other means that affords the sender evidence of delivery, of rejected delivery, or attempted 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 that gives the sender evidence of delivery, rejected delivery, or delivery not possible because the recipient has moved and left no forwarding address shall be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery. The Manual, any changes that we make to the Manual, and/or any other written instructions that we provide relating to operational matters, are not considered to be “notices” for the purpose of the delivery requirements in this Section 19.

## 20 ENTIRE AGREEMENT AND AMENDMENT

This Agreement and the documents referred to herein constitute the entire, full, and complete Agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede all 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 or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that Franchisor furnished to Franchisee.

## 21 SEVERABILITY AND CONSTRUCTION

21.1 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.

21.2 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, Franchisor's officers, directors, and employees, and such of Franchisee's and Franchisor's respective successors and assigns as may be contemplated (and, as to Franchisee, permitted) by Section 12 above, any rights or remedies under or by reason of this Agreement.

21.3 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 may hold to be unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

21.4 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.

21.5 All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, shall so survive the expiration and/or termination of this Agreement.

21.6 All references to "days" in this Agreement mean calendar days, unless otherwise indicated.

21.7 Wherever the term "including" is used in this Agreement, the parties agree that it means "with respect to" and without limitation.

## 22 APPLICABLE LAW

22.1 This Agreement takes effect when we accept and sign this document. This Agreement will be interpreted and construed exclusively under the laws of the State of Texas, which laws will prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Texas choice-of-law rules); provided, however, that if the covenants in Section 19 of this Agreement would not be enforced as written under Texas law, then the parties agree that those covenants will instead be interpreted and construed under the laws of the state in which the Franchised Business is located. Nothing in this Section 22.1 is intended by the parties to invoke the application of any franchise, business opportunity, antitrust, implied covenant, unfair competition, fiduciary, and/or other doctrine of law of the State of Texas (or any other state) that would not otherwise apply without this Section 22.1.

22.2 Dispute Resolution. In the event of a dispute arising out of or relating to this contract (including but not limited to any question regarding its existence, validity or termination):

22.2.1 Subject to Section 22.3 below, the parties agree that any action that Franchisee brings against Franchisor, in any court, whether federal or state, must be brought only within the courts that have jurisdiction over San Antonio, Texas. Any action that Franchisor brings against Franchisee in any court, whether federal or state, may be brought within the state and judicial district in which Franchisor maintains its principal place of business.



27.2.1 The parties agree that this Section 22.2 will not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue will be as set forth above.

27.2.2 The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

27.2.3 Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action.

22.2.2 Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 22.3 below). Any such mediation will be non-binding and will be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS, Inc. (formerly, "Judicial Arbitration and Mediation Services, Inc.") at its location nearest to our then-current principal place of business.

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

**22.2.4 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, and further agree that if there is a dispute between them, each shall be limited to the recovery of any actual damages that it has sustained.**

**22.2.5 Each party to this agreement irrevocably waives trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of them against the other, whether or not there are other parties in such action or proceeding.**

**22.2.6 Each party to this Agreement agrees that any and all claims and actions arising out of or relating to this Agreement, the parties' relationship, and/or Franchisee's operation of the Franchised Business, brought by any party hereto against the other, shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or, it is expressly acknowledged and agreed by all parties, such claim or action shall be irrevocably barred.**

**22.2.7 All actions, lawsuits, and/or claims shall be conducted on an individual basis, and not as part of a consolidated, common, or class action.**

22.3 Injunctive Relief. Nothing in this Agreement bars Franchisor from exercising its right to obtain preliminary or permanent injunctive relief against threatened conduct that will cause it loss or damage, in accordance with the rules for obtaining injunctive relief in any jurisdiction. (Without limiting the foregoing, Franchisee specifically acknowledges that Franchisor intends to seek such relief if Franchisee violates Sections 6, 7, 8, or 15 above.) Franchisee agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining such relief.

22.4 Liquidated Damages. Nothing herein contained shall bar Franchisor's right to seek injunctive relief against threatened conduct that will cause it loss or damages. Notwithstanding the foregoing, if a court or tribunal in the Territory (or elsewhere) is unable to grant such relief (including but not limited to if Franchisee directly or indirectly does any of the acts or things that are not permitted under Section 13.2 above), the Parties agree that it will be impossible for the Parties to settle upon a specific amount of damages and, therefore, Franchisee and Franchisor agree that a proper amount of liquidated damages for such a breach would be Five Thousand U.S. Dollars (US\$5,000) for each day that the violation occurs and for each day that it continues, up to a maximum amount of One Hundred Thousand U.S. Dollars (US\$100,000) for each such violation. Franchisor shall be entitled to such additional damages as Franchisor may prove.

22.5 Payment of Legal Fees. Franchisee agrees to pay Franchisor all damages, costs and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that Franchisor incurs after the termination or expiration of the franchise granted under this Agreement in: **(a)** obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including without limitation Sections 7, 8 or 15 above); and/or **(b)** successfully defending a claim from Franchisee that Franchisor misrepresented the terms of this Agreement, fraudulently induced Franchisee to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

## 23 ACKNOWLEDGMENTS

23.1 Franchisee's Independence. Franchisee acknowledges and agrees that:

23.1.1 Franchisee is the only party that employs its employees (even though Franchisor may provide Franchisee with advice, guidance, and training);

23.1.2 Franchisor is not the employer of any of Franchisee's employees, and Franchisor will not play any role in decisions regarding their employment (including but not limited to matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);

23.1.3 the guidance that Franchisor provides and requirements under which Franchisee will operate are intended to promote and protect the value of the brand and the Proprietary Marks;

23.1.4 when forming and in operating the Franchised Business, Franchisee had to adopt standards to operate that business, and that instead of developing and implementing its own standards (or those of another party), Franchisee chose to adopt and implement Franchisor's standards for its business (including but not limited to Franchisor's System and the requirements under this Agreement); and

23.1.5 Franchisee has made (and will remain responsible at all times for) all of the organizational and basic decisions about establishing and forming its entity, operating its business (including but not limited to adopting Franchisor's standards as Franchisee's standards), and hiring employees and employment matters employment (including but not

limited to matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal) engaging professional advisors, and all other facets of Franchisee's operation.

23.2 Franchisee acknowledges that it has conducted an independent investigation of the business franchised hereunder, 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 and, if a corporation or a partnership, its owners, as an independent businessperson. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

23.3 Franchisor expressly disclaims the making of, and Franchisee acknowledges that he or she has not received, or relied upon, any warranty or guaranty, express or implied, regarding the potential volume profits or success of the business contemplated by this Agreement. The Franchisor further acknowledges that he or she has no knowledge of any representations by Franchisor, or its officers, employees or agents that are contrary to the information contained in Franchisor's Franchise Disclosure Document or the terms of this Agreement.

23.4 Franchisee acknowledges that it has read and understood this Agreement, the Attachment(s) 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.

24.4 Franchisee agrees to execute and deliver to Franchisor such additional documents as Franchisor may reasonably request to implement the terms of this Agreement, in such form as Franchisor may reasonably prescribe and that adheres to the provisions and business terms set forth in this Agreement, including but not limited to a trademark license agreement and a software license agreement.

24.5 Franchisee acknowledges that it shall have sole and complete responsibility for the choice of the Approved Location; that Franchisor has not (and shall not be deemed to have) given any representation, promise, or guarantee of Franchisee's success at the Approved Location; and that Franchisee shall be solely responsible for its own success at the Approved Location.

24.6 Franchisee acknowledges that this Agreement, the Manuals and any other contract or agreement related to the Business and between Franchisee on the one hand, and Franchisor on the other hand, is not a contract, subcontract, or agreement for materials or labor for the construction, alteration, renovation, repair, maintenance, design, planning, supervision, inspection, testing, or observation of any building, building site, structure, highway, street, roadway bridge, viaduct, water or sewer system, gas or other distribution system, or other work dealing with construction or for any moving, demolition, or excavation connected with such construction.

[remainder of page left blank]

**IN WITNESS WHEREOF**, and intending to be legally bound by this Agreement, the parties have duly signed, sealed, and delivered this Agreement on the day and year first above written.

**G J Gardner Homes USA, LLC**

\_\_\_\_\_  
**[Franchisee]**

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

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

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

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

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

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

Address for notices:

Address for notices:

G J Gardner Homes USA, LLC

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

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

Tel - \_\_\_\_\_

Tel - \_\_\_\_\_

Fax - \_\_\_\_\_

Fax - \_\_\_\_\_

Attn - \_\_\_\_\_

Attn - \_\_\_\_\_

G.J. GARDNER HOMES FRANCHISE AGREEMENT

EXHIBIT A

**TERRITORY; DEVELOPMENT SCHEDULE**

1. The Territory is: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_.
2. The street address of the Approved Location is: \_\_\_\_\_  
\_\_\_\_\_.
3. The Commencement Date is: \_\_\_\_\_.
4. The Development Schedule under this Agreement (see Section 1.4 above) shall be:

By this time following the Effective Date	This is the total number of Job Starts that must be commenced
Months 0-6	None
Months 7-12	6
Months 12-24	2 per month, averaged over Months 12-24
After month 24	3 per month, averaged over each year, as measured from the anniversary of the Effective Date

Initials

\_\_\_\_\_  
Franchisor

\_\_\_\_\_  
Franchisee

## G.J. GARDNER HOMES FRANCHISE AGREEMENT

## EXHIBIT B

**GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT**

In order to induce G J Gardner Homes USA, LLC ("**Franchisor**") to execute the G.J. Gardner Homes Franchise Agreement between Franchisor and \_\_\_\_\_ ("**Franchisee**"), dated \_\_\_\_\_, 202\_\_\_\_ (the "**Agreement**"), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee's obligations (monetary and otherwise) under the Agreement as well as any other contract between Franchisee and Franchisor (and/or Franchisor's affiliates) will be punctually paid and performed.

Each person signing this Personal Guarantee acknowledges and agrees, jointly and severally, that:

- Upon Franchisor's demand, s/he will immediately make each payment required of Franchisee under the Agreement and/or any other contract with Franchisor and/or its affiliates.
- S/he waives any right to require Franchisor to: **(a)** proceed against Franchisee for any payment required under the Agreement (and/or any other contract with Franchisor and/or its affiliates); **(b)** proceed against or exhaust any security from Franchisee; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; and/or **(d)** give notice of demand for payment by Franchisee.
- Without affecting the obligations of the undersigned persons under this Guarantee, 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. Each of the undersigned persons waive notice of amendment of the Agreement (and any other contract with Franchisor and Franchisor's affiliates) and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement (and any other contract with Franchisor and Franchisor's affiliates).
- S/he will defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related 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 (and any other contract with Franchisor and Franchisor's affiliates) and/or any amendment to the Agreement.
- S/he will be personally bound by all of Franchisee's covenants, obligations, and promises in the Agreement.
- S/he agrees to be personally bound by all of Franchisee's covenants, obligations, and promises in the Agreement, which include, but are not limited to, the covenants in the following Sections of the Agreement: **Section 6** (generally regarding trademarks), **Section 8** (generally regarding confidentiality), **Section 12** (generally regarding Transfers), **Section 14** (generally regarding obligations upon termination or expiration of this Agreement), and **Section 15** (generally regarding covenants against competition) of the Agreement.

- S/he understands that: **(a)** this Guarantee does not grant them any rights under the Agreement (including the right to use any of Franchisor's marks such as the "G.J. Gardner" marks) and/or the system licensed to Franchisee under the Agreement; **(b)** that they have read, in full, and understand, all of the provisions of the Agreement that are referred to above in this paragraph, and that they intend to fully comply with those provisions of the Agreement as if they were printed here; and **(c)** that they have had the opportunity to consult with a lawyer of their own choosing in deciding whether to sign this Guarantee.

This Guarantee will be interpreted and construed in accordance with **Section 22** of the Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions). Among other things, that means that this Guarantee will be interpreted and construed exclusively under the laws of the State of Texas, and that in the event of any conflict of law, Texas law will prevail (without applying Texas conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned persons has signed this Guarantee as of the date of the Agreement.

_____ (in his/her personal capacity)	_____ (in his/her personal capacity)	_____ (in his/her personal capacity)
Printed Name:_____	Printed Name:_____	Printed Name:_____
Date:_____	Date:_____	Date:_____
Home Address:  _____ _____	Home Address:  _____ _____	Home Address:  _____ _____

## G.J. GARDNER HOMES FRANCHISE AGREEMENT

## EXHIBIT C

CONDITIONAL ASSIGNMENT AND POWER OF ATTORNEY  
TELEPHONE NUMBERS AND LISTINGS

This Assignment and Power of Attorney ("**Assignment**") is made this \_\_\_\_ day of \_\_\_\_\_, 202\_\_, by and between \_\_\_\_\_ ("**Franchisor**") and \_\_\_\_\_ ("**Franchisee**").

FOR VALUE RECEIVED, and pursuant to Franchisee's obligations under the G.J. Gardner Homes Franchise Agreement dated \_\_\_\_\_, 202\_\_ by and between Franchisor and Franchisee (the "**Franchise Agreement**"), Franchisee hereby assigns to Franchisor all of Franchisee's right, title and interest in and to those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the "**Telephone Numbers and Listings**") used from time to time in connection with Franchisee's operations under the Franchise Agreement.

*Assignment.*

- Upon termination or expiration of the Franchise Agreement (without renewal or extension), Franchisor will have the right (and Franchisor is hereby empowered) to implement this Assignment of the Telephone Numbers and Listings, and, in such event, Franchisee will have no further right, title or interest in the Telephone Numbers and Listings but will remain liable to the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as the "**Telephone Company**") for all past due fees owing to the Telephone Company on or before the effective date of this Assignment.
- Franchisee acknowledges and agrees that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement (without renewal or extension), Franchisor will have the sole right to and interest in the Telephone Numbers and Listings.

*Power of Attorney.*

- Franchisee appoints Franchisor as Franchisee's true and lawful attorney in fact to direct the Telephone Company to assign same to Franchisor (or to the party Franchisor designates) and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee will immediately notify the Telephone Company to assign the Telephone Numbers and Listings to Franchisor (or Franchisor's designee). If Franchisee fails to promptly direct the Telephone Company to assign the Telephone Numbers and Listings to Franchisor (or Franchisor's designee), Franchisor may direct the Telephone Company to effectuate the assignment contemplated hereunder to Franchisor (or Franchisor's designee).
- The parties agree that the Telephone Company may accept Franchisor's written direction, the Franchise Agreement or this Assignment as conclusive proof of



Franchisor's exclusive rights in and to the Telephone Numbers and Listings upon such termination or expiration (without renewal or extension) and that such assignment will be made automatically and immediately effective upon Telephone Company's receipt of such notice from Franchisor or Franchisee.

- The parties further agree that if the Telephone Company requires that the parties execute the Telephone Company's assignment forms or other documentation at the time of termination or expiration (without renewal or extension) of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee will be sufficient to document that Franchisee has given its consent and agreement to the assignment.
- The parties agree that at any time after the date hereof, they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration (without renewal or extension) of the Franchise Agreement.

This Assignment will inure to the benefit of Franchisor and will be binding upon Franchisee and its successors and assigns.

IN WITNESS WHEREOF, the parties to this Assignment have executed and delivered this Assignment effective as of this \_\_\_\_ day of \_\_\_\_\_, 202\_\_.

\_\_\_\_\_  
Franchisor

\_\_\_\_\_  
Franchisee

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

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

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

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

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

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

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

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

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

**EXHIBIT B**  
**LIST OF ADMINISTRATORS**

We intend to register this disclosure document as a “franchise” in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

<b>CALIFORNIA</b> Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677	<b>NEW YORK</b> New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21 <sup>st</sup> Floor New York, New York 10005 (212) 416-8285
<b>HAWAII</b> Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 (808) 586-2722	<b>NORTH DAKOTA</b> North Dakota Securities Department State Capitol , Department 414 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
<b>ILLINOIS</b> Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	<b>RHODE ISLAND</b> Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
<b>INDIANA</b> Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	<b>SOUTH DAKOTA</b> Division of Insurance Securities Regulation 124 South Euclid Avenue, 2 <sup>nd</sup> Floor Pierre, South Dakota 57501 (605) 773-3563
<b>MARYLAND</b> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	<b>VIRGINIA</b> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
<b>MICHIGAN</b> Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1 <sup>st</sup> Floor Lansing, Michigan 48913 (517) 335-7567	<b>WASHINGTON</b> Department of Financial Institutions Securities Division – 3 <sup>rd</sup> Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760
<b>MINNESOTA</b> Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	<b>WISCONSIN</b> Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

**EXHIBIT C**  
**AGENTS FOR SERVICE OF PROCESS**

We intend to register this disclosure document as a “franchise” in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

<b>CALIFORNIA</b> Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677	<b>NEW YORK</b> New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, New York 12231-0001 (518) 473-2492
<b>HAWAII</b> Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 / (808) 586-2722	<b>NORTH DAKOTA</b> North Dakota Securities Commissioner State Capitol 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
<b>ILLINOIS</b> Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	<b>RHODE ISLAND</b> Director of Department of Business Regulation Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
<b>INDIANA</b> Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	<b>SOUTH DAKOTA</b> Division of Insurance Director of the Securities Regulation 124 South Euclid Avenue, 2 <sup>nd</sup> Floor Pierre, South Dakota 57501 (605) 773-3563
<b>MARYLAND</b> Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	<b>VIRGINIA</b> Clerk of the State Corporation Commission 1300 East Main Street, 1 <sup>st</sup> Floor Richmond, Virginia 23219 (804) 371-9733
<b>MICHIGAN</b> Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1 <sup>st</sup> Floor Lansing, Michigan 48913 (517) 335-7567	<b>WASHINGTON</b> Director of Department of Financial Institutions Securities Division – 3 <sup>rd</sup> Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760
<b>MINNESOTA</b> Commissioner of Commerce Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	<b>WISCONSIN</b> Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

**Exhibit D****G.J. Gardner Homes Franchisees**  
(as of December 31, 2023)

<b>Franchisee</b>	<b>Contact</b>	<b>Address</b>	<b>Telephone</b>
J&B Valley Construction Inc.	Destiny DeLeon	2020 2nd Street, #100, Selma, CA 93662	(559) 896-7788
Southshore Homes	Kyle Carson	2821 Oceanside Blvd Suite A Oceanside, CA 92054	(760) 231-1527
RWFC Inc	Lisa Rayman	930 Alhambra Blvd #270 Sacramento, CA 95816	(916) 346-4454
Premier Home Remodeling & Construction INC	Steven Melchor	1177 N Willow Ave., Unit 101 Clovis, CA 93611	(559) 614-8300
O'hara Builds	Sean O'hara, Robert Bryant	856 N Sacramento, Lodi, CA 95240	(916) 601-0444
Home Access Fresno, LLC	Dan Evans, Destiny DeLeon	1035 U Street Fresno, CA 93721	(559) 234-4556
Structure Custom Builds, LLC	Bill Anner	12001 Tejon Street; Suite 110 Westminster, CO 80234	(303) 658-0146
Urban Solutions, LLC	Bill Stenberg	5621 McWhinney Blvd. Loveland, CO 80538	(970) 669-0822
Structure Custom Builds, LLC	Bill Anner, Dakota Shafer	1955 Dominion Way, Suite 100 Colorado Springs, CO 80918	(719) 649-7195
Infineum Properties LLC	Vince Coviello	4705 W. 38th Avenue, Denver, CO 80212	(303) 327-6211
S & J Property, LLC	Brook Swientisky	10247 Dunsford Dr., Lone Tree, CO 80124	(303) 529-2359
TBJ Construction, LLC	Thomas Jausi	757 Maleta Ln #201, Castle Rock, CO 80108	(720) 664 2744
G.J. Gardner Homes of Lafayette, Inc.	Mark Bousquet	2637 Duncan Road, Lafayette, IN 47904	(765) 523-6234
Lebanon Homes LLC	Mark Bousquet	120 W. 250 South, Lebanon, IN 46052	(765) 523-4958
Integrity Design and Build LLC	Jordan Vanwyne	6024 W 30th St. Indianapolis, IN 46224	(317) 979-6187
Bag Chasers Inc.	Willie McMillian	1308 N 34th St, Tampa, FL 33605	(813) 590-6020
HP FL Construction LLC	David Gembutis	18948 North Dale Mabry #101, Lutz, FL 33548	(813) 803-3875
Villard Home Builders, LLC	Stephen Villard	2455 W International Speedway Blvd #207, Daytona Beach, FL 32114	(407) 431-4263
Reiter Homes LLC	Mith Reiter	170 Fitzgerald Rd Ste. 1 Lakeland, FL 33813	(863) 869-2526
Echelon Construction Co. LLC	Stephen Jaron	784 Bayshore Dr. Naples, FL 34112	(239) 293-0575
Brian Webb Sole Proprietor	Brian Webb	17251 Alico Center Rd. Suite 1 Fort Myers, FL 33967	(239) 345-9350

Willow Tree builders LLC	Bobby Tapia	7427 N Loop 1604 W Suite 101 San Antonio, TX 78255	(210) 771-0157
Millennium Renovations, LLC	Maxine Saenz, Joel Guel	904 S Main St, Boerne, TX 78006	(956) 500-6232
The Weimer Group, LLC	Joel Weimer	6905 K Ave #202, Plano, TX 75074	(214) 558-2488

**G.J. Gardner Homes -- Former Franchisees**  
(as of December 31, 2023, or who has not communicated with us within  
10 weeks of the date of this disclosure document)

Franchisee	Address	Telephone
Integrity Building Inc.	1455 Shaw Ave, Suite B Clovis, CA 93611	(559) 325-7017
Energy Homes Inc.	119 S Douty Street Hanford, CA 93230	(559) 772-8538
Queta Homes LLC	121 Bulverde Crossing, Suite 116, Bulverde, TX 78163	(210) 941-2107

## **Exhibit E**

### **G.J. Gardner Homes Affiliate-Owned Franchised Businesses** (as of December 31, 2023)

None.

**Exhibit F**  
**G J Gardner Homes USA, LLC Financial Statements**





Audited Financial Statements and  
Independent Auditor's Report  
For the Year Ended December 31, 2023

# GJ Gardner Homes USA, LLC

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## **INDEPENDENT AUDITOR'S REPORT**

To the Members of  
GJ Gardner Homes USA, LLC  
San Antonio, Texas

### **Opinion**

We have audited the financial statements of GJ Gardner Homes USA, LLC, which comprise the balance sheet as of December 31, 2023, and the related statements of income, changes in members' equity, and cash flows for the year 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 GJ Gardner Homes USA, LLC as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GJ Gardner Homes USA, LLC 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 GJ Gardner Homes USA, LLC's ability to continue as a going concern for one year after the date that the financial statements are 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 GJ Gardner Homes USA, LLC'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 GJ Gardner Homes USA, LLC'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.

Sincerely,



Colleyville, Texas

March 14, 2024

**GJ Gardner Homes USA, LLC**  
**Balance Sheet**  
**As of December 31, 2023**

**ASSETS**

**CURRENT ASSETS:**

Cash and Cash Equivalents	\$ 215,238
Accounts Receivable, net of \$348,649 allowance	201,802
Accrued revenue	192,264
Total current assets	<u>609,304</u>

**OTHER ASSETS:**

Fixed Assets	19,462
Investment in Sub-franchisors (net)	251,809
Due from related party	197,785
Right of Use Asset	78,870
Rent Security Deposit	3,000
Organization Costs	2,029
Total other assets	<u>552,955</u>

**TOTAL ASSETS**

\$ 1,162,259

**LIABILITIES AND MEMBERS' EQUITY**

**CURRENT LIABILITIES:**

Accounts Payable	\$ 102,199
Business Credit Card	75,804
Payroll Liabilities	35,118
Current Portion of Lease Liability	35,200
Total current liabilities	<u>248,321</u>

**NON-CURRENT LIABILITIES:**

Lease Liability, Net of Current Portion	45,337
Total non-current liabilities	<u>45,337</u>

**MEMBERS' EQUITY:**

Contributions	795,796
Retained earnings	72,805
Total members' equity	<u>868,601</u>

**TOTAL LIABILITIES AND MEMBERS' EQUITY**

\$ 1,162,259

**GJ Gardner Homes USA, LLC**  
**Statement of Income**  
**For the Year Ended December 31, 2023**

<b>REVENUE</b>	
Continuing Franchise Fees	\$ 1,880,893
Initial Franchise Fees	510,000
Total Marketing Fund	501,650
Brand Protection Fund	13,505
Management Fee	589,894
Other Revenue	38,245
Total revenue	<u>3,534,187</u>
<b>GROSS PROFIT</b>	<u>3,534,187</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	
Wages and salaries	1,826,847
Marketing	537,263
Office and administrative	747,522
Professional fees	66,303
Total general and administrative expenses	<u>3,177,935</u>
<b>OTHER EXPENSE</b>	<u>(138,778)</u>
<b>NET INCOME</b>	<u><u>\$ 217,474</u></u>

**GJ Gardner Homes USA, LLC**  
**Statement of Changes in Members' Equity**  
**For the Year Ended December 31, 2023**

Members' equity, beginning	\$	651,127
Net Income		217,474
<b>Members' equity, ending</b>	<b>\$</b>	<b><u>868,601</u></b>



**GJ Gardner Homes USA, LLC**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2023**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income	\$ 217,474
Adjustments to reconcile net income to net cash provided by operating activities	
Amortization	20,000
(Increase)/decrease in current assets	
Accounts Receivable, net	91,883
Right of Use Asset	(78,870)
Accrued revenue	(40,414)
Increase/(decrease) in current liabilities	
Accounts Payable	90,814
Business Credit Card	4,494
Lease Liability	80,537
Payroll Liabilities	-
<b>Net cash provided by operating activities</b>	<b>385,918</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of fixed assets	(19,462)
<b>Net cash used by investing activities</b>	<b>(19,462)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Loans to related party	(197,785)
<b>Net cash used by financing activities</b>	<b>(197,785)</b>

NET INCREASE IN CASH & CASH EQUIVALENTS 168,671

CASH and CASH EQUIVALENTS - beginning of year 46,567

CASH and CASH EQUIVALENTS - end of year \$ 215,238

**GJ Gardner Homes USA, LLC**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2023**

**NOTE 1 — NATURE OF OPERATIONS**

GJ Gardner Homes USA, LLC (“the Company”) was formed on January 27, 2020, as a Limited Liability Company in the State of Texas. The Company is a franchisor, whose franchisees are construction contractors in the business of building residential homes. Currently, the Company is in various market areas, including California, Colorado, Texas, Indiana, and Florida, with a total of 22 franchisees.

The members of the Company are Centrad, LLC and OIST USA, Inc., who own 70% and 30% of the membership units, respectively. The Company is a limited liability company; therefore, the members’ liability is limited to the contributed capital.

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Revenue and Cost Recognition** — The Company’s sources of revenue are as follows:

- **Initial Franchise Fees (IFF):** These fees represent the initial amounts charged to franchisees at the time they sign the franchise agreement. Due to the nonrefundable nature of these fees and the services provided at the time of initiation of the agreement, management considers them fully earned and recognizes the revenue thereon in full at the time the franchise agreement is signed.

However, in the past, the Company has financed the initial franchise fees rather than receive payment in full, and would receive payments as continuing franchise fees are earned. Due to the uncertainty of the continuity of its new franchisees, the Company elected to recognize these financed initial franchise fees as payments are received. The practice of financing these fees was discontinued during the year ended December 31, 2023.

- **Continuing Franchise Fees (CFF)** – These fees represent a royalty fee charged to franchisees as they earn revenue from their customers (i.e., the owners of the construction projects). The fee is equal to 3-4% of the franchisee’s total construction contract value and is due and recognized at the time the franchisee completes the slab or foundation of the building it is constructing, or at the time 15% of contract value is received by the franchisee, whichever is sooner.
- **Marketing Fees (MF)** – These fees represent a royalty fee charged to franchisees as they earn revenue from their customers (i.e., the owners of the construction projects). The fee is equal to 1% of the franchisee’s total construction contract value and is due and recognized at the time the franchisee completes the slab or foundation of the building it is constructing, or at the time 15% of contract value is received by the franchisee, whichever is sooner. The marketing fees are restricted by the franchise agreement to only be spent by the Company on expenses related to the marketing of the brand and company.
- **Brand Protection Fees (BPF)** – The brand protection fees are earned and recognized at the time the Continuing Franchise Fees and Marketing Fees are earned. The fee is in the amount of \$150 for each single-family or multifamily home, or \$100 for each model or home addition contract signed by the franchisee. The purpose of the BPF is for protecting and furthering the interests of the Company, against any infringements to the Company. In particular, the company might use the funds to compensate project owners for any construction failures by franchisees.

**GJ Gardner Homes USA, LLC**  
**Notes to Financial Statements (cont'd)**  
**For the Year Ended December 31, 2023**

Selling, general, and administrative costs are charged to expenses as incurred. Provisions for estimated losses on unprofitable franchisees are made in the period in which such losses have occurred. Changes in start date may result in revisions to costs and income, which are recognized in the period in which the revisions are determined.

**Use of Estimates** — The preparation of financial statements in conformity with the Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the 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 balance sheet and statement of cash flows, the Company considers all highly liquid investments, which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents. There were no cash equivalents as of December 31, 2023.

**Income Taxes** — The Company is a pass-through entity for federal income tax purposes. Accordingly, no provision for income taxes has been made for federal income taxes in the accompanying financial statements.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Company to report information regarding its exposure to various tax positions taken by the Company. Management has determined whether any tax positions have met the recognition threshold and has measured the Company's exposure to those tax positions. Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Company are recorded in operating expenses.

**Accounts receivable** — The accounts receivable are recorded at amounts the company expects to collect on balances outstanding at year end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that prove to be uncollectible by the time the financial statements are issued. There was a \$348,649 allowance for uncollectible amounts outstanding as of December 31, 2023.

**Accrued revenue** — The Company generally bills its franchisees for continuing franchise fees, marketing fees, and brand protection fees in the month subsequent to the month when they are earned. As such, an accrued revenue amount is recorded for these amounts. As of December 31, 2023, there was \$192,264 in accrued revenue presented as a current asset in the accompanying balance sheet.

**Investment in Sub-franchisors (net)** — The investment is composed of two buyouts of former sub-franchisors that occurred in 2020. The agreed-upon settlement price for termination of the two sub-franchisor agreements and the assumption of their franchise agreements was a total of \$300,000. They are carried at cost less accumulated amortization in the Balance Sheet. The investment in sub-franchisors is being amortized over 15 years. As of December 31, 2023, \$69,166 accumulated amortization has been recognized on these agreements.

**Leases** - In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)", which requires the recognition of right-of-use assets and lease liabilities by lessees for certain leases classified as operating leases, and also requires expanded disclosures regarding leasing activities. The accounting for financing leases (previously "capital leases") remains substantially unchanged. The Company implemented Topic No. 842 (as amended) during the year ended December 31, 2023, see Note 5 - Leases.

**GJ Gardner Homes USA, LLC**  
**Notes to Financial Statements (cont'd)**  
**For the Year Ended December 31, 2023**

The Company has elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allows for the carry forward of historical lease classifications. The Company also made an accounting policy election to exclude leases with an initial term of 12 months or less from the balance sheet. The Company will recognize those lease payments in the statement of income on a straight-line basis over the lease term.

**NOTE 3 — MARKET CONCENTRATIONS**

For the year ended December 31, 2023, the Company had 5 primary market segments. The percentage of revenue for each segment are as follows:

Colorado	43%
California	28%
Florida	16%
Texas	6%
Indiana	6%
Other	1%
	<hr/> 100%

**NOTE 4 - RELATED PARTY**

The members of the Company (i.e., Centrad, LLC and OIST USA Inc) are owned by two individuals who also own various affiliates and subsidiaries within the GJ Gardner Homes consolidated entity, which was incorporated in 1983 and is headquartered in Queensland, Australia. The Company is principally funded by these related entities and has a General Services Agreement in place which allows for allocation of global expenses to the Company as well as operating loans to and from the related entities.

In connection with the General Services Agreement, during the year ended December 31, 2023, the Company recognized \$589,894 in management fee revenue from Netdeen. As of December 31, 2023, the Company has a receivable due from Netdeen in the amount of \$197,785.

**NOTE 5 — LEASES**

On March 1, 2019, the Company signed a 3-year lease with JJ Real Co Inc to rent out a 1,900 sq. ft. office space located at 1114 S St Mary's St which requires monthly payments of \$3,000. On March 1, 2022, the Company renewed the lease for another year which requires monthly payments of \$3,000 through February 28, 2023. On February 15, 2023, the Company entered into a thirty six-month office lease extension commencing on March 1, 2023.

The terms of the lease call for monthly lease payments of \$3,000, \$3,167, and \$3,334 for each of the subsequent 12-month periods ended February 28, 2024, February 28, 2025, and February 28, 2026, respectively.

Operating lease Right-of-Use (ROU) assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company's leases do not provide an implicit rate, therefore the Company used a risk-free borrowing rate commensurate with the underlying lease terms to

**GJ Gardner Homes USA, LLC**  
**Notes to Financial Statements (cont'd)**  
**For the Year Ended December 31, 2023**

determine present value of operating lease liabilities. Additionally, the Company does not allocate the consideration between lease and non-lease components. The Company's lease terms may include options to extend when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Variable lease components, such as fair market value adjustments, are expensed as incurred and not included in ROU assets and operating lease liabilities. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

Other information related to leases for the year ended December 31, 2023 was as follows:

Weighted average remaining lease term 2.17 years  
 Weighted average discount rate: 4.01%

As of December 31, 2023, future minimum lease payments under noncancellable operating leases with initial or remaining lease terms in excess of one year were as follows:

December 31, 2024	\$ 37,667
December 31, 2025	39,667
December 31, 2026	6,667
December 31, 2027	-
December 31, 2028	-
Total lease payments	<u>\$ 84,001</u>
Less: liability accretion	<u>(3,463)</u>
Present value of lease liabilities	<u><u>\$ 80,538</u></u>

Total rent expense for the year ended December 31, 2023 was \$58,083.

**NOTE 6 — SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 14, 2024, which is the date the financial statements were available to be issued.



Audited Financial Statements and  
Independent Auditor's Report

For the Year Ended December 31, 2022

# GJ Gardner Homes USA, LLC

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## **INDEPENDENT AUDITOR'S REPORT**

To the Members of  
GJ Gardner Homes USA, LLC  
San Antonio, Texas

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of GJ Gardner Homes USA, LLC, which comprise the balance sheet as of December 31, 2022, and the related statements of income, changes in members' equity, and cash flows for the year 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 GJ Gardner Homes USA, LLC as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GJ Gardner Homes USA, LLC 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 GJ Gardner Homes USA, LLC's ability to continue as a going concern for one year after the date that the financial statements are 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 GJ Gardner Homes USA, LLC'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 GJ Gardner Homes USA, LLC'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.

Sincerely,



Colleyville, Texas

April 18, 2023

**GJ Gardner Homes USA, LLC**  
**Balance Sheet**  
**As of December 31, 2022**

**ASSETS**

**CURRENT ASSETS:**

Cash and Cash Equivalents	\$ 46,567
Accounts Receivable, net of \$117,867 allowance	293,685
Accrued revenue	151,850
Total current assets	<u>492,102</u>

**OTHER ASSETS:**

Investment in Sub-franchisors (net)	271,809
Rent Security Deposit	3,000
Organization Costs	2,029
Total other assets	<u>276,838</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 768,940</u></b>
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**LIABILITIES AND MEMBERS' EQUITY**

**CURRENT LIABILITIES:**

Accounts Payable	\$ 11,385
Business Credit Card	71,310
Payroll Liabilities	35,118
Total current liabilities	<u>117,813</u>

**MEMBERS' EQUITY:**

Contributions	795,796
Retained earnings	(333,505)
Total members' equity	<u>651,127</u>

<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b><u>\$ 768,940</u></b>
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**GJ Gardner Homes USA, LLC**  
**Statement of Income**  
**For the Year Ended December 31, 2022**

**REVENUE**

Continuing Franchise Fees	\$ 1,550,577
Initial Franchise Fees	113,151
Total Marketing Fund	397,164
Brand Protection Fund	16,924
Conference Income	15,500
Management Fee	572,584
Software Revenue	15,750
Total revenue	<u>2,681,650</u>

**GROSS PROFIT**

2,681,650

**GENERAL AND ADMINISTRATIVE EXPENSES**

Wages and salaries	1,557,634
Marketing	520,279
Office and administrative	711,889
Professional fees	37,222
Total general and administrative expenses	<u>2,827,024</u>

**OTHER INCOME/(EXPENSE)**

72,274

**NET LOSS**

\$ (217,648)

**GJ Gardner Homes USA, LLC**  
**Statement of Changes in Members' Equity**  
**For the Year Ended December 31, 2022**

Members' equity, beginning	\$ 491,229
Net Income	(217,648)
Members' contributions	188,710
Prior period adjustment	188,836
<b>Members' equity, ending</b>	<b><u>\$ 651,127</u></b>

**GJ Gardner Homes USA, LLC**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net loss	\$ (217,648)
Adjustments to reconcile net loss to net cash used by operating activities	
Amortization	20,000
(Increase)/decrease in current assets	
Accounts Receivable, net	(26,368)
Due from related party	925
Accrued revenue	36,986
Increase/(decrease) in current liabilities	
Accounts Payable	(16,717)
Business Credit Card	27,888
Customer Prepayments	(10,000)
Payroll Liabilities	9,086
<b>Net cash used by operating activities</b>	<b>(175,848)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment in subfranchisors	(20,975)
<b>Net cash used by investing activities</b>	<b>(20,975)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Loan proceeds from related party	188,710
Paydowns on loans from related party	
<b>Net cash provided by financing activities</b>	<b>188,710</b>

NET DECREASE IN CASH & CASH EQUIVALENTS (8,113)

CASH and CASH EQUIVALENTS - beginning of year 54,680

CASH and CASH EQUIVALENTS - end of year \$ 46,567

**Supplemental schedule of noncash activities:**

During the year ended December 31, 2022, the Company converted  
their loans due to/from related parties into equity contributions.  
See Note 3 - Debt to Equity Conversion.

Contribution to Members' Equity 188,710

**GJ Gardner Homes USA, LLC**  
**Notes to Financial Statements (cont'd)**  
**For the Year Ended December 31, 2022**

**NOTE 1 — NATURE OF OPERATIONS**

GJ Gardner Homes USA, LLC (“the Company”) was formed on January 27, 2020, as a Limited Liability Company in the State of Texas. The Company is a franchisor, whose franchisees are construction contractors in the business of building residential homes. Currently, the Company is in various market areas, including California, Colorado, Texas, Indiana, and Florida, with a total of 17 franchisees.

The members of the Company are Centrad, LLC and OIST USA, Inc., who own 70% and 30% of the membership units, respectively. The Company is a limited liability company; therefore, the members’ liability is limited to the contributed capital.

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Revenue and Cost Recognition** — The Company’s sources of revenue are as follows:

- **Initial Franchise Fees (IFF):** These fees represent the initial amounts charged to franchisees at the time they sign the franchise agreement. Due to the nonrefundable nature of these fees and the services provided at the time of initiation of the agreement, management considers them fully earned and recognizes the revenue thereon in full at the time the franchise agreement is signed.

However, in the past, the Company has financed the initial franchise fees rather than receive payment in full, and would receive payments as continuing franchise fees are earned. Due to the uncertainty of the continuity of its new franchisees, the Company elected to recognize these financed initial franchise fees as payments are received. The practice of financing these fees was discontinued during the year ended December 31, 2022.

- **Continuing Franchise Fees (CFF)** – These fees represent a royalty fee charged to franchisees as they earn revenue from their customers (i.e., the owners of the construction projects). The fee is equal to 3-4% of the franchisee’s total construction contract value and is due and recognized at the time the franchisee completes the slab or foundation of the building it is constructing, or at the time 15% of contract value is received by the franchisee, whichever is sooner.
- **Marketing Fees (MF)** – These fees represent a royalty fee charged to franchisees as they earn revenue from their customers (i.e., the owners of the construction projects). The fee is equal to 1% of the franchisee’s total construction contract value and is due and recognized at the time the franchisee completes the slab or foundation of the building it is constructing, or at the time 15% of contract value is received by the franchisee, whichever is sooner. The marketing fees are restricted by the franchise agreement to only be spent by the Company on expenses related to the marketing of the brand and company.



**GJ Gardner Homes USA, LLC**  
**Notes to Financial Statements (cont'd)**  
**For the Year Ended December 31, 2022**

- **Brand Protection Fees (BPF)** – The brand protection fees are earned and recognized at the time the Continuing Franchise Fees and Marketing Fees are earned. The fee is in the amount of \$150 for each single-family or multifamily home, or \$100 for each model or home addition contract signed by the franchisee. The purpose of the BPF is for protecting and furthering the interests of the Company, against any infringements to the Company. In particular, the company might use the funds to compensate project owners for any construction failures by franchisees.

Selling, general, and administrative costs are charged to expenses as incurred. Provisions for estimated losses on unprofitable franchisees are made in the period in which such losses have occurred. Changes in start date may result in revisions to costs and income, which are recognized in the period in which the revisions are determined.

**Use of Estimates** — The preparation of financial statements in conformity with the Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the 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 balance sheet and statement of cash flows, the Company considers all highly liquid investments, which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents. There were no cash equivalents as of December 31, 2022.

**Income Taxes** — The Company is a pass-through entity for federal income tax purposes. Accordingly, no provision for income taxes has been made for federal income taxes in the accompanying financial statements.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the organization to report information regarding its exposure to various tax positions taken by the organization. Management has determined whether any tax positions have met the recognition threshold and has measured the Company's exposure to those tax positions. Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the organization are recorded in operating expenses.

**Accounts receivable** — The accounts receivable are recorded at amounts the company expects to collect on balances outstanding at year end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that prove to be uncollectible by the time the financial statements are issued. \$53,800 of receivables were deemed uncollectible and written off, and a \$117,867 allowance for uncollectible amounts outstanding was recorded for the year ended December 31, 2022.

**GJ Gardner Homes USA, LLC**  
**Notes to Financial Statements (cont'd)**  
**For the Year Ended December 31, 2022**

**Accrued revenue** — The Company generally bills its franchisees for continuing franchise fees, marketing fees, and brand protection fees in the month subsequent to the month when they are earned. As such, an accrued revenue amount is recorded for these amounts. As of December 31, 2022, there was \$151,850 in accrued revenue presented as a current asset in the accompanying balance sheet.

**Investment in Sub-franchisors (net)** — The investment is composed of two buyouts of former sub-franchisors that occurred in 2020. The agreed-upon settlement price for termination of the two sub-franchisor agreements and the assumption of their franchise agreements was a total of \$300,000. They are carried at cost less accumulated amortization in the Balance Sheet. The investment in sub-franchisors is being amortized over 15 years. As of December 31, 2022, \$49,166 accumulated amortization has been recognized on these agreements. An additional \$20,975 was invested in said sub-franchisors during the year ended December 31, 2022.

**NOTE 3 — DEBT TO EQUITY CONVERSION**

On June 30, 2022, the Company agreed to convert its related party loans to equity. As of the date of the conversion, the Company owed \$56,612 to GJ Gardner Homes Australian Company and \$132,096 to Netdeen Australian Company; these amounts were removed from the Due to Related Parties account and added to Members' Equity as contributions on the Balance Sheet.

**NOTE 4 — MARKET CONCENTRATIONS**

For the year ended December 31, 2022, the Company had 5 primary market segments. The percentage of revenue for each segment are as follows:

California	23%
Colorado	31%
Texas	3%
Florida	17%
Indiana	4%
Other	22%
	<u>100%</u>

**NOTE 5 - RELATED PARTY**

The members of the Company (i.e., Centrad, LLC and OIST USA Inc) are owned by two individuals who also own various affiliates and subsidiaries within the GJ Gardner Homes consolidated entity, which was incorporated in 1983 and is headquartered in Queensland, Australia. The Company is principally funded by these related entities and has a General Services Agreement in place which allows for allocation of global expenses to the Company as well as operating loans to and from the related entities.

In connection with the General Services Agreement, during the year ended December 31, 2022, the Company recognized \$572,584 in management fee revenue from Netdeen.

**GJ Gardner Homes USA, LLC**  
**Notes to Financial Statements (cont'd)**  
**For the Year Ended December 31, 2022**

**NOTE 6 — LEASES**

On March 1, 2019, the Company signed a 3-year lease with JJ Real Co Inc to rent out a 1,900 sq. ft. office space located at 1114 S St Mary's St which requires monthly payments of \$3,000. On March 1, 2022, the Company renewed the lease for another year which requires monthly payments of \$3,000 through February 28, 2023.

Future minimum lease payments of this facility lease total \$6,000 as of December 31, 2022.

**NOTE 7 — PRIOR PERIOD ADJUSTMENT**

The Company generally bills its franchisees for continuing franchise fees, marketing fees, and brand protection fees in the month subsequent to the month when they are earned. In the past, the effect of this timing on overall revenue recognition had been negligible; however, during the year ended December 31, 2022, management decided to bring the revenue recognition in line with appropriate timing. This required a prior period adjustment to record an accrued revenue amount of \$188,836 as of December 31, 2021; this amount is presented as an addition to members' equity in the accompanying statement of changes in members' equity.

**NOTE 8 — SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 18, 2023, which is the date the financial statements were available to be issued.

On February 15, 2023, the Company entered into a thirty six-month office lease extension commencing on March 1, 2023. The lease extension is for the 1,900 sq. ft. office space located at 1114 S St Mary's Street, where the Company is currently located in San Antonio, Texas.

The terms of the lease call for variable monthly lease payments of \$3,000, \$3,167, and \$3,334 for each of the subsequent 12-month periods ended February 28, 2024, February 28, 2025, and February 28, 2026, respectively.

As a result of this renewal, a right-of-use asset and related right-of-use liability in the amount of \$106,205 is expected to be recognized on the balance sheet for the year ended December 31, 2023. This amount is an estimate and is subject to change based on the risk free rate in effect for payments made after February 1, 2023.



Audited Financial Statements and  
Independent Auditor's Report

For the Year Ended December 31, 2021

# GJ Gardner Homes USA, LLC

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## **INDEPENDENT AUDITOR'S REPORT**

To the Members of  
GJ Gardner Homes USA, LLC  
San Antonio, Texas

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of GJ Gardner Homes USA, LLC, which comprise the balance sheet as of December 31, 2021, and the related statements of income, changes in members' equity, and cash flows for the year 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 GJ Gardner Homes USA, LLC as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GJ Gardner Homes USA, LLC 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 GJ Gardner Homes USA, LLC's ability to continue as a going concern for one year after the date that the financial statements are 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 GJ Gardner Homes USA, LLC'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 GJ Gardner Homes USA, LLC'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.

Sincerely,



Addison, Texas

May 26, 2022



**GJ Gardner Homes USA, LLC**  
**Balance Sheet**  
**As of December 31, 2021**

**ASSETS**

**CURRENT ASSETS:**

Cash and Cash Equivalents	\$ 54,680
Accounts Receivable	267,317
Total current assets	<u>321,997</u>

**OTHER LONG TERM ASSETS:**

Investment in Sub-franchisors (net)	270,834
Due from related party	925
Rent Security Deposit	3,000
Organization Costs	2,029
Total other long term assets	<u>276,788</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 598,785</u></b>
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**LIABILITIES AND MEMBERS' EQUITY**

**CURRENT LIABILITIES:**

Accounts Payable	\$ 28,102
Business Credit Card	43,422
Franchisee Prepayments	10,000
Payroll Liabilities	26,032
Total current liabilities	<u>107,556</u>

**MEMBERS' EQUITY:**

Contributions	607,087
Retained earnings	(115,858)
Total members' equity	<u>491,229</u>

<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b><u>\$ 598,785</u></b>
--	--------------------------

**GJ Gardner Homes USA, LLC**  
**Statement of Income**  
**For the Year Ended December 31, 2021**

**REVENUE**

Continuing Franchise Fees	\$ 1,099,115
Initial Franchise Fees	105,765
Total Marketing Fund	370,164
Brand Protection Fund	10,200
Conference Income	9,446
Management Fee	350,004
Software Revenue	13,650
Total revenue	<u>1,958,344</u>

**GROSS PROFIT**

1,958,344

**GENERAL AND ADMINISTRATIVE EXPENSES**

Wages and salaries	1,311,016
Marketing	328,795
Office and administrative	311,432
Professional fees	67,130
Total general and administrative expenses	<u>2,018,373</u>

**OTHER INCOME/(EXPENSE)**

63,256

**NET LOSS**

\$ (123,285)

**GJ Gardner Homes USA, LLC**  
**Statement of Changes in Members' Equity**  
**For the Year Ended December 31, 2021**

Members' equity, beginning	\$ 123,456
Net loss	(123,285)
Members' contributions	491,058
<b>Members' equity, ending</b>	<b><u>\$ 491,229</u></b>

**GJ Gardner Homes USA, LLC**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net loss	\$ (123,285)
Adjustments to reconcile net loss to net cash used by operating activities	
Amortization	20,000
(Increase)/decrease in current assets	
Accounts Receivable	(33,836)
Due from related party	(925)
Increase/(decrease) in current liabilities	
Accounts Payable	(55,713)
Business Credit Card	43,422
Customer Prepayments	10,000
Payroll Liabilities	26,032
<b>Net cash used by operating activities</b>	<b>(114,305)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Loan proceeds from related party	400,000
Paydowns on loans from related party	(350,005)
<b>Net cash provided by financing activities</b>	<b>49,995</b>

NET DECREASE IN CASH & CASH EQUIVALENTS (64,310)

CASH and CASH EQUIVALENTS - beginning of year 118,990

CASH and CASH EQUIVALENTS - end of year \$ 54,680

**Supplemental schedule of noncash activities:**

During the year ended December 31, 2021, the Company converted their loans due to/from related parties into equity contributions. See Note 3 - Debt to Equity Conversion.

Contribution to Members' Equity 491,058

**GJ Gardner Homes USA, LLC**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2021**

**NOTE 1 — NATURE OF OPERATIONS**

GJ Gardner Homes USA, LLC (“the Company”) was formed on January 27, 2020, as a Limited Liability Company in the State of Texas. The Company is a franchisor, whose franchisees are construction contractors in the business of building residential homes. Currently, the Company is in various market areas, including California, Colorado, Texas, Indiana, and Florida, with a total of 17 franchisees.

The members of the Company are Centrad, LLC and OIST USA, Inc., who own 70% and 30% of the membership units, respectively. The Company is a limited liability company; therefore, the members’ liability is limited to the contributed capital.

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Revenue and Cost Recognition** — The Company’s sources of revenue are as follows:

- **Initial Franchise Fees (IFF):** These fees represent the initial amounts charged to franchisees at the time they sign the franchise agreement. Due to the nonrefundable nature of these fees and the services provided at the time of initiation of the agreement, management considers them fully earned and recognizes the revenue thereon in full at the time the franchise agreement is signed.
- **Continuing Franchise Fees (CFF) –** These fees represent a royalty fee charged to franchisees as they earn revenue from their customers (i.e., the owners of the construction projects). The fee is equal to 3-4% of the franchisee’s total construction contract value and is due and recognized at the time the franchisee completes the slab or foundation of the building it is constructing, or at the time 15% of contract value is received by the franchisee, whichever is sooner.
- **Marketing Fees (MF) –** These fees represent a royalty fee charged to franchisees as they earn revenue from their customers (i.e., the owners of the construction projects). The fee is equal to 1% of the franchisee’s total construction contract value and is due and recognized at the time the franchisee completes the slab or foundation of the building it is constructing, or at the time 15% of contract value is received by the franchisee, whichever is sooner. The marketing fees are restricted by the franchise agreement to only be spent by the Company on expenses related to the marketing of the brand and company.
- **Brand Protection Fees (BPF) –** The brand protection fees are earned and recognized at the time the Continuing Franchise Fees and Marketing Fees are earned. The fee is in the amount of \$150 for each single-family or multifamily home, or \$100 for each model or home addition contract signed by the franchisee. The purpose of the BPF is for

**GJ Gardner Homes USA, LLC**  
**Notes to Financial Statements (cont'd)**  
**For the Year Ended December 31, 2021**

protecting and furthering the interests of the Company, against any infringements to the Company. In particular, the company might use the funds to compensate project owners for any construction failures by franchisees.

Selling, general, and administrative costs are charged to expenses as incurred. Provisions for estimated losses on unprofitable franchisees are made in the period in which such losses have occurred. Changes in start date may result in revisions to costs and income, which are recognized in the period in which the revisions are determined.

**Use of Estimates** — The preparation of financial statements in conformity with the Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the 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 balance sheet and statement of cash flows, the Company considers all highly liquid investments, which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents. There were no cash equivalents as of December 31, 2021.

**Income Taxes** — The Company is a pass-through entity for federal income tax purposes. Accordingly, no provision for income taxes has been made for federal income taxes in the accompanying financial statements.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the organization to report information regarding its exposure to various tax positions taken by the organization. Management has determined whether any tax positions have met the recognition threshold and has measured the Company's exposure to those tax positions. Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the organization are recorded in operating expenses.

**Accounts receivable** — The accounts receivable are recorded at amounts the company expects to collect on balances outstanding at year end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that prove to be uncollectible by the time the financial statements are issued. No allowance for doubtful accounts was outstanding as of December 31, 2021.

**GJ Gardner Homes USA, LLC**  
**Notes to Financial Statements (cont'd)**  
**For the Year Ended December 31, 2021**

**Investment in Sub-franchisors (net)** – Investment in Sub-franchisors is composed of two buyouts of former sub-franchisors that occurred in 2020. The agreed-upon settlement price for termination of the two sub-franchisor agreements and the assumption of their franchise agreements was a total of \$300,000. They are carried at cost less accumulated amortization in the Balance Sheet. The investment in sub-franchisors is being amortized over 15 years. As of December 31, 2021, \$29,166 accumulated amortization has been recognized on these agreements.

**NOTE 3 — DEBT TO EQUITY CONVERSION**

On June 30, 2021, the Company agreed to convert its related party loans to equity. As of the date of the conversion, the Company owed \$41,063 to GJ Gardner Homes Australian Company and \$449,995 to Netdeen Australian Company; these amounts were removed from the Due to Related Parties account and added to Members' Equity as contributions on the Balance Sheet.

**NOTE 4 — MARKET CONCENTRATIONS**

For the year ended December 31, 2021, the Company had 5 primary market segments. The percentage of revenue for each segment are as follows:

California	34%
Colorado	31%
Texas	0%
Florida	9%
Indiana	4%
Other	21%
	<u>100%</u>

**NOTE 5 - RELATED PARTY**

The members of the Company (i.e., Centrad, LLC and OIST USA Inc) are owned by two individuals who also own various affiliates and subsidiaries within the GJ Gardner Homes consolidated entity, which was incorporated in 1983 and is headquartered in Queensland, Australia. The Company is principally funded by these related entities and has a General Services Agreement in place which allows for allocation of global expenses to the Company as well as operating loans to and from the related entities.

In connection with the General Services Agreement, during the year ended December 31, 2021, the Company recognized \$350,004 in management fee revenue from Netdeen.

**GJ Gardner Homes USA, LLC**  
**Notes to Financial Statements (cont'd)**  
**For the Year Ended December 31, 2021**

**NOTE 6 — LEASES**

In August 2020, the company bought out the master franchisor for California. As part of the termination agreement, the Company agreed to reimburse the franchisor for the remainder of the office lease with TLG Holdings in California. This lease expired August 2021. During the year ended December 31, 2021, the company reimbursed the franchisor for \$14,579 in rent expense.

On March 1, 2019, the Company signed a 3-year lease with JJ Real Co Inc to rent out a 1,900 sq. ft. office space located at 1114 S St Mary's St which requires monthly payments of \$3,000. On March 1, 2022, the Company renewed the lease for another year which requires monthly payments of \$3,000 through February 28, 2023.

Future minimum payments of facility leases with noncancelable terms in excess of one year are as follows:

December 31, 2022	\$ 30,000
December 31, 2023	6,000
December 30, 2024	-
Thereafter	-
	<u>\$ 36,000</u>

**NOTE 7 — SUBSEQUENT EVENTS**

Management evaluated the activity of GJ Gardner Homes USA, LLC through May 26, 2022 (the date the financial statements were available to be issued).



**Exhibit G**  
**Table of Contents for Manual**  
**(628 total pages)**

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**Exhibit H**  
**State-Specific Disclosures**

**ADDENDUM TO G J GARDNER HOMES USA, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF CALIFORNIA**

In recognition of the requirements of California's Franchise Investment Law and the California Franchise Relations Act, the G J Gardner Homes USA, LLC Franchise Disclosure Document shall be supplemented as follows:

1. California Corporations Code, Section 31125, requires Franchisor to give Franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, before a solicitation of a proposed material modification of an existing franchise and at least 14 days prior to execution of an agreement.
2. 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.
3. Item 3 of the Franchise Disclosure Document is modified by adding the following paragraph to the end thereof:

Neither G J Gardner Homes USA, LLC nor any person listed in Item 2 of this Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

4. Item 5, "Initial Fees" and Item 7, "Estimated Initial Investment," are amended by the addition of the following language:

Based upon our financial condition, the California Department of Financial Protection and Innovation has required a financial assurance. We are required to defer all initial fees and payments you owe to us until we complete our pre-opening obligations under the Franchise Agreement and you have begun operations.

5. Item 17 of the Franchise Disclosure Document is modified by adding the following paragraphs to the end of Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to 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. Sec. 101 et seq.).

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.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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

The Franchise Agreement requires Franchisee to sign a general release of claims upon 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 thereunder is void. Section 31512 voids a waiver of Franchisee's rights under the Franchise Investment Law (California Corporations Code Section 31000–31516). Business and Professions Code Section 20010 voids a waiver of Franchisee's rights under the Franchise Relations Act (Business and Professions Code Sections 20000–20043).

Any provision of a franchise agreement, franchise disclosure document, acknowledgement, 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
6. We maintain an Internet website at [www.gjgardner.com](http://www.gjgardner.com). OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dpfi.ca.gov](http://www.dpfi.ca.gov).
  7. **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.**
  8. This Addendum shall be effective only to the extent that jurisdictional requirements of the California Franchise Investment Law or the California Franchise Relations Act are met independently of and without reference to this Addendum. This Addendum shall have

no effect if the jurisdictional requirements of the California Franchise Investment Law or the California Franchise Relations Act are not met.

## **Exhibit I**

### **State-Specific Amendments to Franchise Agreement**

### California Franchise Agreement Amendment

In recognition of the requirements of the California's Franchise Investment Law and the California Franchise Relations Act, the parties to the attached G J Gardner Homes USA, LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 4.1 of the Agreement, under the heading "Fees," is amended by adding the following language:

Franchisor will defer collection of the Initial Franchise Fee due under this Agreement until Franchisor has completed all of its pre-opening obligations under this Agreement and Franchisee has opened the Franchised Business.

2. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

3. Each provision of this Amendment to the Agreement shall be effective only to the extent that the jurisdictional requirements of the California Franchise Investment Law or the California Franchise Relations Act are met independently with respect to each such provision and without reference to this Amendment to the Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, and delivered this California amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**G J Gardner Homes USA, LLC**

\_\_\_\_\_  
[Franchisee]

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

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

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

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

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

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



**EXHIBIT J****GENERAL RELEASE LANGUAGE**

The following is our current general release language that we expect to include in a release that a franchisee and/or transferor may sign as part of a renewal or an approved transfer. We have the right to periodically modify the release.

[Franchisee] [Transferor], its officers and directors and Principals, and their respective agents, heirs, administrators, successors and assigns (the “**Franchisee Group**”), hereby forever release and discharge, and forever hold harmless Franchisor, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors and assigns (the “**Franchisor Group**”) from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which [Franchisee] [Transferor] and/or its Principals had, have or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership or operation of the Franchised Business. The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense or damages (actual or consequential) including, without limitation, reasonable attorneys’, accountants’ and expert witness fees, costs of investigation and proof of facts, court costs and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor or other third party now has, ever had, or hereafter would or could have, as a result of, arising from or relating to the Franchise Agreement or the Franchised Business. The Franchisee Group and its Principals represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements or promises described herein.

This Release constitutes the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersedes all prior agreements and communications concerning the subject matter hereof. This includes the waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that “[a] general release does not extend to claims which the creditor does not know or suspect exist in his [or her] favor at the time of executing the release, which if known by him [or her] must have materially affected his [or her] settlement with the debtor”). No other representations have induced the parties to execute this Release. The parties agree that they have not relied upon anything other than the words of this Release in deciding whether to enter into this Release.

**STATE EFFECTIVE DATES**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

<b>STATES</b>	<b>EFFECTIVE DATE</b>
California	
Indiana	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

## **Exhibit K Receipts**

ITEM 23 • RECEIPT

(Exhibit K)

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If G J Gardner Homes USA, LLC (“GJGH”) offers you a franchise, it must provide this Disclosure Document to you: (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale; (b) in New York, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale; (c) in Iowa, at the earlier of the first personal meeting or 14 days before signing the franchise or other agreement or your payment to us of any consideration relating to the franchise relationship; or (d) in Michigan, at least 10 business days before signing any binding franchise or other agreement or paying us any consideration, whichever occurs first.

If GJGH does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit B.

The franchisor is G J Gardner Homes USA, LLC located at 1114 S. St. Mary’s Street, Suite 110, San Antonio, Texas 78210. Its telephone number is (310) 426-4812.

Issuance date: April 19, 2024.

The franchise seller is Trent Gardner at GJGH’s offices, 1114 S. St. Mary’s Street, Suite 110, San Antonio, Texas 78210; telephone (310) 426-4812. Any additional individual franchise sellers involved in offering the franchise are:

GJGH authorizes the respective state agencies identified on Exhibit C to receive service of process for it in the particular state.

I have received a Franchise Disclosure Document dated April 19, 2024. This Disclosure Document included the following exhibits:

- |   |   |   |                                     |
|---|---|---|-------------------------------------|
| A | Franchise Agreement and Related Attachments | F | Our Financial Statements            |
| B | List of Administrators                      | G | Table of Contents for Manual        |
| C | Agents for Service of Process               | H | State-specific Disclosures          |
| D | List of Current and Former Franchisees      | I | State-specific Agreement Amendments |
| E | List of Company-Owned Businesses            | J | General Release                     |
|   |   | K | Receipts (2 copies)                 |

Date Received

Prospective Franchisee

Name (Please print)

Address

ITEM 23 • RECEIPT

(Exhibit K)

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If GJGH does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit B.

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| E | List of Company-Owned Businesses            | J | General Release                     |
|   |   | K | Receipts (2 copies)                 |

Date Received

Prospective Franchisee

Name (Please print)

Address