

## FRANCHISE DISCLOSURE DOCUMENT



### Restoration Specialties Franchise Group, LLC

A Michigan limited liability company

6700 Forum Dr, Ste 150

Orlando, Florida 32821-8013

1-888-826-9429

[info@prismspecialties.com](mailto:info@prismspecialties.com)

[www.prismspecialties.com](http://www.prismspecialties.com)

We franchise the right to operate a franchised business under the name Prism Specialties (the "Franchised Business"), under which you may offer two or more of the following Service Lines:

- (A) "Art Services" refers to the offering for sale services and related products for the recovery, repair, and restoration of artwork and collectibles, including paintings, frames, works on paper, photographs, sculptures, murals, mosaics, decorative arts, and other similar collectibles for both residential and commercial consumers using state-of-the-art fire and disaster recovery technologies and/or
- (B) "Electronic Services" refers to the offering for sale services and related products for the recovery, repair, and restoration of electronic equipment and data for both residential and commercial consumers using state-of-the-art fire and disaster recovery technologies and/or
- (C) "Textile Services" refers to the offering for sale services and related products for the recovery, repair, and restoration of fabric, clothing, and textiles using state-of-the-art fire and disaster recovery technologies and/or
- (D) "Document Services" refers to the offering for sale services and related products for the recovery, repair, and restoration of documents using state-of-the-art fire and disaster recovery technologies.

The total investment necessary to begin the operations of a Franchised Business is (a) from \$265,204 to \$356,050 for all Service Lines, (b) from \$202,216 to \$319,588 for two Primary Service Lines, and (c) \$162,126 to \$262,496 for one Primary Service Line. Documents are only offered with the purchase of a primary Service Line, and any associated costs for Documents are included in the ranges disclosed for one, two, or three Primary Service Lines. This includes \$84,000 that must be paid to the Franchisor or an Affiliate if you are signing a Franchise Agreement for all Service Lines, \$66,500 for two Primary Service Lines, and \$49,000 if offering one Primary Service Line. If you sign a Franchise Agreement for fewer than all three Service Lines, the initial fees you must pay to the Franchisor or an affiliate vary depending on the Service Line added.

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 us or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

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

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

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 Michelle Justavino at 6700 Forum Dr Ste 150, Orlando, Florida 32821-8013, 1-888-826-9429, or [Michelle.Justavino@prismspecialties.com](mailto:Michelle.Justavino@prismspecialties.com).

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

The Issue Date of this Franchise Disclosure Document ("FDD") is April 1, 2025.

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits, or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit B includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Prism Specialties 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 franchise have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management has been involved in material litigation or bankruptcy proceedings.
<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 that franchise or has verified the information in this document. To find out if your state has registration requirements, or to contact your state, use the agency information in Exhibit A.

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The Franchise Agreement requires you to resolve disputes with the Franchisor by mediation, arbitration, and/or litigation only in the city of our national headquarters (currently Orlando, Florida). Out-of-state mediation, arbitration, and/or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and/or litigate with the Franchisor in the city of our National Headquarters (currently Orlando, Florida) than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
3. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
4. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
5. **Mandatory Minimum Payments.** You must make minimum royalty and other payments, regardless of your sales levels. Your inability to make the 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.

**NOTICE REQUIRED  
BY  
STATE OF MICHIGAN**

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

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

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

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

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

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

**The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

**THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**

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### Exhibits

- Exhibit A: List of State Administrators and Agents for Service of Process
- Exhibit B-1: Financial Statements
- Exhibit B-2: Guaranty of Performance
- Exhibit C: Franchise Agreement (including Appendices)
- Exhibit D: Add-On Addendum for Existing Franchisees
- Exhibit E: List of Current Franchisees
- Exhibit F: Table of Contents to the Operations Manual
- Exhibit G: Sample Termination and Release Agreement
- Exhibit H: Sample Renewal Agreement
- Exhibit I: State-Specific Addenda
- Exhibit J: State Effective Dates
- Exhibit K: Receipts

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

To simplify the language in this Franchise Disclosure Document, "RSFG," "we," or "us" means Restoration Specialties Franchise Group, LLC, the franchisor of this business. "You" or "Franchisee" means the person who buys the franchise and includes your owners if you are a corporation or other business entity.

### **The Franchise**

We franchise the right to operate a franchised business offering the following Service Lines under the proprietary marks we designate (each a "Franchised Business"):

- (A) "Art Approved Services" or "Art Services" refers to the offering for sale services and related products for the recovery, repair, and restoration of artwork and collectibles, including paintings, frames, works on paper, photographs, sculptures, murals, mosaics, decorative arts, and other similar collectibles for both residential and commercial consumers using state-of-the-art fire and disaster recovery technologies; and/or
- (B) "Electronic Approved Services" or "Electronic Services" refers to the offering for sale services and related products for the recovery, repair, and restoration of electronic equipment and data for both residential and commercial consumers using state-of-the-art fire and disaster recovery technologies; and/or
- (C) "Textile Approved Services" or "Textile Services" refers to the offering for sale services and related products for the recovery, repair, and restoration of fabric, clothing, and textiles using state-of-the-art fire and disaster recovery technologies and/or
- (D) "Document Approved Services" or "Document Services" refers to the offering for sale services and related products for the recovery, repair, and restoration of documents using state-of-the-art fire and disaster recovery technologies.

Collectively, "Art Approved Services," "Electronic Approved Services," and "Textile Approved Services" are referred to as "Primary Service Lines." Together, the "Primary Service Lines" and "Document Approved Services" are referred to as the "Approved Service Lines".

If we, in our sole business judgment, accept you as a franchisee, you will develop and operate the Franchised Business offering the services for which you are approved under the terms and conditions of the Franchise Agreement. You will be required to sign a Franchise Agreement to provide all available Primary Service Lines in the Primary Area of Responsibility (a "PAR," see Item 12). If you are an existing franchisee offering one or more Service Lines and wish to add an additional Service Line, we may enter into a new Franchise Agreement or addendum to your current franchise agreement, pursuant to which, if approved, you will be permitted and obligated to incorporate, the additional Service Line.

Under the terms of your Franchise Agreement, you will use the trademarks and service marks we designate (the "Trademarks") during the term in connection with the operation of the Franchised Business. We may change, replace, and/or alter the Trademarks at any time during the term of your Franchise Agreement on notice to you, and you will be required to comply with all designated changes. You must operate the Franchised Business following the RSFG franchise system (the "System"), which may include distinctive services and products, designated and approved suppliers, sales and business techniques, operational guidelines, initial and ongoing training programs, and procedures following our specified standards and procedures. As stated above, you will enter into a Franchise Agreement (attached as Exhibit C) for your Franchised Business (or, in the case of an existing franchisee incorporating an additional Service Line, an addendum to the current franchise agreement), which will designate the Service Lines you are authorized and obligated to provide (the "Approved Restoration Services").

The Approved Service Lines all have multiple Service Levels, except for Textiles. All Franchisees are automatically approved to perform Service Level 1 (sometimes called "Tier 1") claims after successfully completing Initial Training for any Service Line they are authorized to service. Service Levels are set by

the complexity and scope of the restoration (collectively referred to as "Service Levels"). You may only offer services for the Service Levels you have been authorized to service.

In addition to signing the Franchise Agreement, you must also sign the "Add-On Services Addendum" in the form we designate (a current copy is attached to the Franchise Agreement, Exhibit C to this Disclosure Document), which will designate which Service Lines you are approved to offer.

#### Art Services

If you offer Art Approve Services, you will use state-of-the-art fire and disaster recovery technologies for the cleaning, repair, and restoration of artwork and collectibles, including paintings, frames, works on paper, photographs, sculptures, murals, mosaics, decorative arts, and other similar collectibles ("Artwork and Collectibles") for both residential and commercial consumers (this process is referred to as "Art Restoration").

Your skill set will determine what Service Levels you are approved to provide, which may include cleaning, repair, restoration, and/or conservation. Should you encounter Artwork and Collectibles that require services beyond your approved Service Level or carry an art insurance rider, you must contact us for approval before performing services on those items. We may authorize you to service the Artwork and Collectibles with or without assistance or require you to refer the items to a location with the appropriate Service Level approval. Approval considerations include training, education, certifications, years of experience, and other similar criteria. We also may require that you complete additional training for more complex items. Considerations for approval for additional Service Levels will be available in our Operation Manual and may be periodically updated.

#### Electronic Services

If you offer Electronic Approve Services, you will use state-of-the-art fire and disaster recovery technologies for the recovery, repair, and restoration of electronic equipment, data services, and related services, primarily for residential claims.

For any commercial claims, you must contact us for approval before servicing any commercial claim above the Service Level for which you are approved to service. We may authorize you to service the commercial claim with or without assistance. Considerations for approval include items such as staffing, available equipment, experience, and financial qualifications. We also may require that you complete additional training for more complex jobs. Considerations for approval for servicing commercial claims are in our Operations Manual and may be periodically updated.

#### Textile Services

If you offer Textile Services, you will use state-of-the-art fire and disaster recovery technologies and eco-friendly products for the recovery, repair, and restoration of fabric, clothing, and textiles damaged from fire, smoke, water, or mold ("Textile Restoration").

#### Document Services

If you offer Document Services, you will use state-of-the-art fire and disaster recovery technologies for the recovery, repair, and restoration of documents.

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

We are a Michigan limited liability company formed in March 2012. Our parent is Restoration Specialties Holdings, LLC, a Michigan limited liability company, formed on October 10, 2023, with an address at 6700 Forum Dr Ste 150, Orlando, Florida 32821-8013.

We do business under our corporate name, and the names are "RSFG," "Prism Specialties," "Prism Art," "Prism Electronics," "Prism Documents," and "Prism Textiles." We formerly did Business under the names "ART," "Art Recovery Technologies," "ERS," "Electronic Restoration Services," "TEX," "Textile Extraction Xperts," "SEMI Documents," or "Document Restoration Services." Our principal business

address is 6700 Forum Dr Ste 150, Orlando, Florida 32821-8013, 1-888-826-9429, [www.prismspecialties.com](http://www.prismspecialties.com).

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

We began granting franchises the right to open and operate Franchised Businesses offering (a) Art Services in July 2016, (b) Electronic Services in April 2012, (c) Textile Services under a test program in 2019, with the formal franchise offering launched in March 2021; and (d) in September of 2021, we rebranded to operate Electronic, Art, Textile and Document services all under the Prism Specialties trademark. As of December 31, 2024, we have (a) 60 franchisees offering Art Services, (b) 65 franchisees offering Electronic Services, (c) 40 franchisees offering Textile Services. All franchisees are permitted to offer Tier 1 Document Services.

We have no predecessors. As of the date of this Disclosure Document, we have not conducted any businesses of the type being franchised nor in any other line of Business other than as specified in Item 1 (although we reserve the right to do so in the future). We formerly offered Art Recovery Technology franchises under a separate Disclosure Document from July 2016 to March 2021. We formerly offered Electronic Restoration Services franchises under a separate Disclosure Document from April 2012 to March 2021. The Company's agents for service of process are set forth in Exhibit A.

On June 17, 2024, Clintar, Inc. acquired 100% of the issued and outstanding membership interests of Restoration Specialties Holdings, LLC, which holds 100% of our issued and outstanding membership interests. As a result of this transaction, our parent is Clintar, Inc. (d/b/a EverSmith Brands) ("EverSmith Brands"), a Delaware corporation formed on July 2, 2021, with an address at 6700 Forum Drive, Suite 150, Orlando, FL 32821.

EverSmith Brands' parent is EverSmith Brands Intermediate Holding Company (f/k/a Clintar Intermediate Holding Company), a Delaware corporation formed on November 25, 2020, and EverSmith Brands Holding Company (f/k/a Clintar Holding Company), a Delaware corporation formed on November 25, 2020, each with an address at 6700 Forum Drive, Suite 150, Orlando, FL 32821. EverSmith Brands Holding Company (f/k/a Clintar Holding Company) is directly or indirectly controlled by Riverside Micro-Cap Fund V, L.P. and Riverside Micro-Cap Fund V-A, L.P., which are part of The Riverside Company, a global private equity firm focused on investing in and acquiring growing businesses and it maintains its principal business address at 45 Rockefeller Center, 630 Fifth Avenue, Suite 400, New York, NY 10111.

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

### **EverSmith Brands**

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

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

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

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

The Seals Franchising, LLC (“The Seals”) has offered franchises since August 2019. The Seals’ principal business address is 6700 Forum Drive, Suite 150, Orlando, FL 32821. A The Seals franchise offers the sale and installation of gaskets for refrigeration door units, freezer doors, oven doors, hardware and cutting board. As of December 31, 2024, The Seals had 4 franchises operating in the United States.

### **Evive Brands**

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

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

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

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

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

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

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

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

### **Best Life Brands**

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

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

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

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

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

### **Threshold Brands**

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

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

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

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

Granite Garage Floors Franchising, LLC (“Granite”) has offered franchises under the mark “Granite

Garage Floors" since June 2013. Granite's principal business address is 110 Mansell Circle, Suite 375, Roswell, GA 30075, A Granite Garage Floors franchise sells and installs residential garage floor coating systems. As of December 31, 2024, Granite had 55 franchises operating in the United States.

Mold Medics Franchising LLC ("Mold Medics") has offered franchises under the "Mold Medics" mark since December 2020. Mold Medics' principal business address is 811 Washington Avenue, Carnegie, PA 15106. A Mold Medics franchise offers mold remediation, air duct cleaning, radon testing and mitigation services, and other services and products. As of December 31, 2024, Mold Medics had 6 franchise operating in the United States.

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

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

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

#### The Market and Competition

Your Franchised Business will compete with other businesses offering restoration services, including independent businesses, restoration and recovery franchises, and similar businesses. You may also encounter competition from other System franchises and businesses we or our affiliates own or control.

You will primarily market and sell to insurance restoration contractors, restoration specialty cleaners, insurance claims offices, insurance adjusters, and independent adjusters. Market competition may vary from one geographic area to another, but it is generally considered well-developed as insurance companies increasingly focus on restoration options. The services provided by the Franchised Businesses are not seasonal in nature. Your competitive advantage will be based on your compliance with our System standards, customer service focus, and managerial and entrepreneurial abilities.

#### Industry Specific Regulations, Licenses and Permits

The Franchised Business will be subject to various federal, state, and local government regulations regulating general businesses. You must comply with all laws that apply to businesses, including laws regulating the storage and/or disposal of waste, solvents, chemicals, and professional cleaning products, consumer protection, operations, and licenses (including, without limitation, all government regulations relating to occupational hazards and health-trade regulations, worker's compensation, and unemployment insurance). There may be other laws that apply to the Business, and you should investigate these laws. It is your sole responsibility to obtain and enforce all necessary licenses and permits required by public authorities.

## **ITEM 2: BUSINESS EXPERIENCE**

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

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

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

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

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

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

### **Jeffrey Milligan: Vice President of Sales and Strategy**

Mr. Milligan has served since July 2023 as our Vice President of Sales and Strategy. From July 2022 to July 2023, he served as our Vice President of Business Development and Customer Engagement, based in Livonia, Michigan. Before this, Mr. Milligan was an RSFG Franchise. He owned DiMill Enterprises, LLC., under which he did business under multiple names: Prism Specialties North Carolina (Sept 2021-June 2022), ERS of North Carolina – NC Triangle (July 2012-Sept 2021, Apex, NC), ERS of North Carolina – Charlotte (March 2014-Sept 2021, Charlotte, NC), TEX of North Carolina (Dec 2019-Sept 2021, Apex, NC), and ART of North Carolina (Sept 2016-Sept 2021, Apex, NC).

### **Kaneallia Parsons: Director of Operations**

Ms. Parsons has served as Director of Operations since October 2021. Before this, she served us as Senior Business Consultant from January 2018 to October 2021. Ms. Parsons directs our Training Program.

### **James Copeland, Director of Technical Services**

Mr. Copeland has served as Director of Technical Services since April 2021. Before this, he served us as Business Consultant from August 2018 to April 2021.

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

David Wells has served as our Senior Vice President, Brand Development since June 2024 and holds the same position in EverSmith Brands and with each of our affiliates since May 2024. Mr. Wells spent the prior six years with our affiliate, U.S. Lawns, in Orlando, Florida, where he served as Vice President, Brand Development from February 2022 to May 2024; Senior Director of Brand Development from January 2021 to February 2022; and Senior Director of Franchise Recruiting from April 2017 to January 2021.

**Chairman and Director: Michael Eblin**

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

**Director: Brian Sauer**

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

**ITEM 3: LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4: BANKRUPTCY**

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

**ITEM 5: INITIAL FEES**

**Initial Franchise Fee**

Except as noted below, you must pay us an Initial Franchise Fee when you sign the Franchise Agreement for a PAR that consists of 1,500,000 in population to 2,000,000 in population. You are required to enter into a Franchise Agreement for the provision of all Service Lines available in the PAR. The Initial Franchise Fee is \$84,000 for all Service Lines. In certain circumstances where all Primary Service Lines are not available in a market, we may reduce the Initial Franchise Fee by \$17,500 for each Primary Service not available (for example, if you bought one Service Line, the cost would be \$49,000). We reserve the right to charge more if a PAR is greater than the standard population size. There is no additional Franchise Fee for Document Services if you are approved to offer the services and purchase at least one Primary Service Line. We reserve the right to reduce the Initial Franchise Fee, and/or the number of required Service Lines to be purchased, for rural, secondary markets and/ or for conversions of existing businesses that offer similar services.

We are currently offering a discount on the purchase of additional Prism Franchise Agreement(s). If you purchase additional Franchise Agreement(s) at the same time as your first, you'll receive a \$9,000 discount on the Initial Franchise Fee for the additional Franchise Agreement(s). If you are approved to purchase an additional Prism franchise after at least one year of operating experience and provided that you also meet our current expansion requirements (as outlined in Item 12), you may receive a 50% discount on the then-current Initial Franchise Fee. However, you will still need to pay the current rates for the Turn-

Key Business Package. Please note, we reserve the right to discontinue this offer at any time, and any such change will be reflected in the then current FDD.

If you are approved to add an additional Service Line to your current franchise agreement, the cost is \$17,500 per Service Line added.

The Initial Franchise Fee is paid in consideration of the costs incurred by us in connection with the execution of your Franchise Agreement, as well as our lost or deferred opportunity to enter into a Franchise Agreement with other prospects. The Initial Franchise Fee is non-refundable upon payment.

In our most recent fiscal year, Franchisees paid Initial Franchise Fees ranging between \$0 and \$17,500. The low end was for an existing company store that became a franchise, and the high end was for existing locations that added an additional Service Line.

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

#### Veteran Discount

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

#### Referral Fee

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

### ITEM 6: OTHER FEES

Type of Fee (Note 1)	Amount	Due Date (Note 2)	Remarks
Royalty Fee	7% of Gross Sales (Note 3). After year 1, the Royalty Fee is 7% of Gross Sales or the monthly minimum amount, whichever amount is greater (note 4).	Except as noted below, remitted weekly on Wednesday for the preceding week of collected revenue	Via EFT Transfer. In certain circumstances, we may collect a Minimum Monthly Royalty from you. See Note 4.
National Marketing Fund Fee	2% of Gross Sales (Note 3)	Weekly, remitted on Wednesday for the preceding week of collected revenue.	Via EFT Transfer. See Note 5.

Type of Fee (Note 1)	Amount	Due Date (Note 2)	Remarks
National Account	1% of Gross Sales or our costs to administer. (Note 3)	Weekly, remitted on Wednesday for the preceding week of collected revenue.	Due only if the job is part of a National Account that we manage. Via EFT Transfer.
Cooperative Advertising	The greater of 1% of Gross Sales or \$5,000 per year. (Note 3)	Monthly, as negotiated with third-party suppliers.	Payable if we designate a local advertising cooperative. See Note 6.
Local Marketing	In each PAR, the greater of 5% of Gross Sales or \$12,000 in your first year of business, and the greater of \$20,000 or 5% (capped at \$50,000) in years two or more. Recommended, not required.	Monthly, as negotiated with third-party suppliers.	Includes all sales and marketing expenses incurred at a local level. Does not include sales and marketing personnel (wages, bonuses, commissions, benefits, etc.)
Insurance	Cost of Insurance plus a 3% administrative fee	As required by the third-party insurer	If you fail to obtain insurance coverage, we may but are under no obligation to obtain coverage on your behalf, and you must reimburse us for all costs and expenses we incur in doing so.
Technology Fee	The then-current fee, which is presently \$211 per week. Additional licenses may be requested, and depending on the type, the current fee range is an additional \$2-\$7 per week per user. (Note 7).	Weekly	Payable at the same time as the Royalty Fee. Additional licenses are at your request. Includes access to our suite of Software. We reserve the right to vary the cost based on the services that you request.
iCat Software	The then-current fee, which is currently \$750 to set up, and \$250 monthly.	Monthly to the third-party supplier	Payable to the supplier.

Type of Fee (Note 1)	Amount	Due Date (Note 2)	Remarks
Transfer Fee	The then-current transfer fee. Currently, \$15,000 for the first agreement (reduced to \$5,000 if sold to an existing Prism Specialties Franchisee) plus \$2,500 for each additional franchise agreement transferred in the same transaction.	As incurred. Before transfer.	No Transfer fee is due if the transfer is to an entity controlled by you. However, you must pay a \$500 administrative fee. The Transfer Fee will not increase by more than 5% in any calendar year.
Resale Assistance Fee	An amount equal to the greater of (i) \$10,000; or (ii) our actual costs, including but not limited to any broker commission that may be incurred, due, or required arising from the transfer	As incurred. Before transfer	Payable by you if we find a buyer for your franchise. See Note 8.
Renewal Fee	You must pay us the then-current fee, which is presently \$5,000.	At the time of renewal	If you elect to renew the franchise, sign the then-current Franchise Agreement and sign a Release. Each term is for a period of ten (10 years). The Renewal Fee will not be more than 20% of the then-current Initial Franchise Fee.
Conference Fee and Refresher Training Fees	The then-current price, currently \$250 per person per day. If you fail to attend at least one meeting per year, we may assess you a fee of \$1,000.	Annually	To cover the cost of the conference. A non-attendance fee only applies if you fail to attend as required. Does not include hotel, transportation, or all meals.

Type of Fee (Note 1)	Amount	Due Date (Note 2)	Remarks
Training	The initial training for up to 3 people is included in the Initial Franchise Fee; the cost of additional training is up to \$1,250 per person per week and will vary under the circumstances. It also includes Sales Training for two people online. Does not include hotel, transportation, or most meals.	As incurred	You must pay all travel and living expenses while attending any training programs, as well as any applicable wages or fringe benefits to employees. You will pay those charges directly to third parties. See Note 9.
Requested Assistance or Temporary Management Assistance	Currently estimated between \$500 and \$1,500 per day.	Upon demand. See the Operations Manual	Payable if you request our assistance, if an audit shows a significant operational deficiency, if you breach the Franchise, and/or following the death or incapacity of the franchisee, and we deem it necessary to operate the Business on your behalf.
Interest/Late Fees/NSF Fees	<u>Interest</u> : 18% per annum or the highest rate allowed by law. <u>Late Fee</u> : minimum of \$25 per occurrence, per day. <u>NSF Fee</u> : currently \$50 per payment returned by the bank for non-sufficient funds (“NSF”) + \$5 for our administrative time.	Upon demand	This applies to all overdue fees/payments and reports you owe us or for NSF. Applies to understatements in amounts revealed by audit or otherwise. See Note 10.
Audits	100% of understated royalty, plus interest at the maximum rate allowable by law (not to exceed 18% per year), and late fees as well reimbursement for the cost of the audit.	Upon demand	See Note 11.
Non-compliance Fees	If you are not compliant with Franchise Agreement, in an addition to any other remedies, there is a non-compliance fee of up to \$1,000 per occurrence.	As incurred	See Note 12.

Type of Fee (Note 1)	Amount	Due Date (Note 2)	Remarks
Costs and Attorneys' Fees	Will vary under the circumstances	As incurred	See Note 13.
Indemnification	Will vary under circumstances.	As incurred	See Note 14.
Supplier and Equipment Testing	Our costs	When billed	In the event you wish us to approval a particular supplier, item of equipment, or supply item, you will reimburse us for our costs of testing or inspecting new suppliers or equipment.

Unless otherwise disclosed below, all fees are uniformly imposed and collected.

Notes:

- (1) The table above provides recurring or isolated fees or payments that you must pay to us or our affiliates or that we or our affiliates impose or collect in whole or in part on behalf of a third party or that you are required to spend by the Franchise Agreement. All fees and expenses described in Item 6 are nonrefundable. All fees are fully earned upon receipt.

Except for the Initial Franchise Fee, you must pay all fees and other amounts owed to us and/or our affiliates through an electronic funds transfer program (the "EFT Program"), under which we automatically deduct all payments owed to us and/or our affiliates, from the bank account you provide to us for use in connection with EFT Program (the "EFT Account"). You must immediately deposit all revenues from the operations of your Business into this bank account by the Saturday of the week in which you received the monies, including cash, checks, and credit card receipts. At least ten days prior to opening the Franchised Business, you must provide us with (i) your bank's name, address, and account number and (ii) a voided check from the bank account. You must immediately notify us of any change in your banking relationship, including any change to the EFT Account. We reserve the right to require you to pay any fees due under by other means as we may specify from time to time. If any Gross Revenue Report has not been received within the required time period, then we may process an electronic funds transfer for the subject month based on the most recent Gross Revenue Report you submitted, provided that if a Gross Sales Report for the subject month is subsequently received and reflects: (i) that the actual amount of the fee due was more than the amount of the electronic funds transfer, then we may withdraw additional funds through an electronic funds transfer from your designated bank account for the difference; or (ii) that the actual amount of the fee due was less than the amount of the electronic funds transfer, then we will credit the excess amount to the payment of your future obligations.

- (2) We may change any due date with 30 days written notice to you.
- (3) "Gross Sales" means the aggregate of all sales and other income from the Business and any sales or other income resulting from your conduct of any business outside the Business involving the System or the Trademarks. Gross Sales include all proceeds from any business interruption insurance but exclude any and all sales and other taxes that you collect from customers and pay to any governmental authority. In addition, you will pay all state and local taxes, including,

without limitation, taxes denominated as income or franchise taxes, that may be imposed on us as a result of our receipt or accrual of any fees or payments due from you to us (or our affiliates) under the Franchise Agreement, whether assessed against you through withholding or other means or whether paid by us directly. In either case, you will pay to us (and to the appropriate governmental authority) such additional amounts as are necessary to provide us, after taking such taxes into account (including any additional taxes imposed on such additional amounts), with the same amounts that Yeswe would have received or accrued had such withholding or other payment, whether by you or by us, not been required.

(4) Following your first full year of operation, each month during the term of this Agreement, you must pay us a minimum monthly royalty fee. The Minimum Monthly Royalty is based on years of operation and the number of Primary Service Lines that you operate, and it is per PAR, as outlined in the table below.

Years in business	Minimum Monthly Royalty per PAR		
	Single Primary Service Line	Two Primary Service Lines	Three Primary Service Lines
Year 1	No Minimum	No Minimum	No Minimum
Year 2	\$1,050	\$1,575	\$2,100
Year 3	\$1,275	\$1,913	\$2,550
Year 4	\$1,425	\$2,138	\$2,850
Years 5 or more	\$1,650	\$2,475	\$3,300

Should you not meet the Minimum Monthly Royalty, then we may charge you a fee for the difference (the “Shortfall”). For example, if the Minimum Monthly Royalty is \$1,425 in a month, and you paid royalty of \$1,000, then the minimum royalty fee would be \$425 (\$1,425-\$1,000).

However, it is agreed that if you have met the Minimum Monthly Royalty requirement in a PAR over the last rolling 12-month period, then we will not assess the Minimum Monthly Royalty for that month for that PAR. For example, if your Minimum Monthly Royalty is \$3,300, and you paid royalties in that PAR of \$0 in a given month, AND you had also paid \$39,600 in royalties over the last 12 months for that PAR, then the Minimum Monthly Royalty for that month in that PAR would be \$0. However, if you had paid \$30,000 in royalties over the last 12 months in that PAR, then the Minimum Monthly Royalty in that PAR for that month would be \$9,600.

In addition, should we assess a Shortfall for three or more months in a twelve-month period, then we may also elect to establish another franchisee or affiliate in your PAR and/or allow another franchisee or an affiliate to advertise and service customers located inside your PAR.

The Minimum Monthly Royalty applicable to the Business you operate may vary from the performance standards applicable to other RSFG Franchised Businesses due to geographic area and other variables. We reserve the right to adjust the Minimum Monthly Royalty requirement for oversized PARs.

(5) You must pay us a national marketing fund contribution to our national marketing fund (the “National Marketing Fund”) of two percent (2%) of your total Gross Sales each month (the “National Marketing Fund Contribution”) in the same manner as you are required to pay your Royalty Fee. Please see Item 11 of this disclosure document for additional information regarding the Fund and your other advertising/marketing obligations.

(6) As further described in Item 11, we may designate a local advertising market and require you to contribute to and participate in an advertising cooperative. Each Franchisee will be a member of the advertising cooperative, regardless of the Service Lines offered. Each Franchised business

within an advertising cooperative, including contributing Affiliated Businesses, will be a member of the cooperative and have one vote per business. The contribution amount designated by the cooperative is a minimum of the greater of 1% of Gross Sales or \$5,000 per business per year, with a maximum of the greater of 1% of Gross Sales or \$25,000 per business per year, unless all voting businesses (Franchise and Affiliate owned) unanimously agree to increase the fee beyond the maximum.

- (7) If you elect to purchase additional licenses, additional fees may apply. Currently, the cost for additional licenses ranges from \$2-\$7 per week per user, depending on the services you choose. Currently, and subject to change, the technology fee includes two licenses to our suite of software (desktop and mobile app), and a license to Xact. Additionally, we are currently giving you, at no cost, two email licenses and a forwarding (claims) email license.
- (8) In the event that the transferee was introduced to you by the franchisor, its agents, or otherwise was a prospective franchisee working with franchisor's sales team or outside brokers, you will pay us a resale assistance fee ("Resale Assistance Fee"), in addition to the Transfer Fee, equal to the greater of (i) \$10,000; or (ii) our actual costs, including but not limited to any broker commission that may be incurred, due, or required arising from the transfer.
- (9) You (or your required attendees) may be required to repeat, at your sole expense, all or any portion of the Initial Training Program if, in our sole judgment, we determine that you (or any of your required attendees) failed to acquire or understand any of the critical skills, knowledge and/or abilities needed to operate the Business. If you or a member of your staff is required to repeat any or the entire Initial Training Program, you will pay our then-current fee, which we estimate may be up to \$1,250 per person per week. The training fee will apply to any new Designated Manager (as defined in Item 16).
- (10) The NSF fee currently is \$50 per returned payment. This cost may increase but may be no higher than our actual costs incurred due to the returned payment, plus \$5 per returned payment as an administrative processing fee.
- (11) You must maintain accurate business records, reports, accounts, books, and data relating to the operation of your Franchised Business. We and our designees retain the right to inspect and/or audit your business records, which includes your call logs related to your Franchised Business, at any time during normal business hours, without notice, to determine whether you are current with suppliers and/or otherwise are operating in compliance with the terms of the Franchise Agreement and Operations Manual. In the event any such audit discloses an understatement of amounts reported or paid to us, you agree to pay to us the amount due, plus interest (at the rate and on the terms provided for herein) from the date originally due until the date of payment. Furthermore, you must reimburse us for our costs and expenses associated with conducting the audit in the event: (i) such audit is made necessary by your failure to timely furnish reports, supporting records, other information, or financial statements required under the Franchise Agreement; or (ii) if that audit reveals an understatement of greater than two percent (2%). These costs and expenses include, without limitation, our legal and accounting fees, travel, lodging, and meal expenses, as well as applicable per diem charges for our employees. The foregoing remedies are in addition to our other remedies and rights under the Franchise Agreement and/or applicable law. In the event any audit reveals that your information has been inaccurately reported, we reserve the right to audit other entities owned, controlled by, or affiliated with you.
- (12) Should you be in default of the Franchise Agreement, in lieu of termination, and in addition to any other remedies under the Franchise Agreement, we may elect to assess a non-compliance fee of \$1,000 per occurrence.
- (13) If we prevail in any action or other legal/administrative proceeding brought against you arising out of the Franchise Agreement or any other agreement with us, you must reimburse us for our

reasonable attorneys' fees and other costs paid that we incurred in such proceedings in the event we prevail. If you bring any legal action to interpret or enforce the terms of the Franchise Agreement or any other agreement with us, and your claim in such action is denied or the action is dismissed, then we are entitled to recover our reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending the matter, and to have such an amount awarded as part of the judgment in the proceeding.

(14) You are solely responsible for and must indemnify and hold us harmless for all loss, damage, claims, or demands arising out of, or related to, the operation of your Franchised Business. Your indemnification obligations are described more fully in the Franchise Agreement.

#### **ITEM 7: ESTIMATED INITIAL INVESTMENT**

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

Type of Expenditure	Amount						Method of Payment	When Due	To Whom Payment is to be Made			
	Single Primary Service Line		Two Primary Service Lines		Three Primary Service Lines							
	Low	High	Low	High	Low	High						
Initial Franchise Fee (Note 1)	\$49,000	\$49,000	\$66,500	\$66,500	\$84,000	\$84,000	Lump sum	Upon signing the Franchise Agreement	Us			
Real Estate/Rent (Note 2)	\$6,250	\$21,000	\$8,750	\$27,000	\$11,250	\$33,000	As arranged	Before opening	Landlord			
Leasehold Improvements (Note 3)	\$3,000	\$10,000	\$8,000	\$15,000	\$13,000	\$20,000	As arranged	Before opening	Third-Party Supplier			
Security Deposits, Professional Fees, and Business Licenses and Permits (Note 4)	\$4,000	\$9,000	\$6,000	\$12,000	\$8,000	\$14,000	As incurred	As incurred	Attorneys, other Professionals, Local and State Agencies, Landlords & Utility Companies			
Insurance (Note 5)	\$3,000	\$5,000	\$3,000	\$6,000	\$3,000	\$6,000	As arranged	Before opening	Third-Party Supplier			
Training (Note 6)	\$2,540	\$5,140	\$4,290	\$8,220	\$4,290	\$8,220	As incurred	As incurred	Transportation, Hotels, Restaurants			
Vehicle (Note 7)	\$4,000	\$10,000	\$6,000	\$10,000	\$6,000	\$10,000	As arranged	Before opening	Third-Party Supplier			

Type of Expenditure	Amount						Method of Payment	When Due	To Whom Payment is to be Made			
	Single Primary Service Line		Two Primary Service Lines		Three Primary Service Lines							
	Low	High	Low	High	Low	High						
Turn-Key Business Package (Note 8)	\$31,110	\$33,510	\$37,635	\$43,150	\$46,800	\$46,800	Lump sum	Before opening	Designated Third-Party Supplier			
Equipment & Supplies (Note 9)	\$17,975	\$66,473	\$19,175	\$68,917	\$38,023	\$69,301	As arranged	Before opening	Third-Party Supplier			
Telephone System (Note 10)	\$1,200	\$1,500	\$1,200	\$1,500	\$1,500	\$1,800	As arranged	As incurred	Third-Party Supplier			
Software Fees (Note 11)	\$2,743	\$4,673	\$2,758	\$4,751	\$4,453	\$4,829	As arranged	Before opening	Us and Third-Party Supplier			
Local Sales and Marketing (Note 12)	\$1,000	\$3,000	\$1,000	\$3,000	\$1,000	\$3,000	As arranged	As incurred	Third-Party Supplier			
Additional Funds (Note 13) (3-month period)	\$36,308	\$44,200	\$37,908	\$53,550	\$43,888	\$55,100	As incurred	As incurred	Various			
<b>TOTAL (Note 14)</b>	<b>\$162,126</b>	<b>\$262,496</b>	<b>\$202,216</b>	<b>\$319,588</b>	<b>\$265,204</b>	<b>\$356,050</b>						

Notes:

All fees and payments are non-refundable unless otherwise stated or permitted by the payee. The chart above estimates your initial investment to begin operating a Franchised Business. Actual costs will vary for each franchise location depending on several factors, including the Approved Services you are authorized and obligated to provide under the Franchise Agreement, the number of Service Lines offered, the market conditions, and the geographic location of your Franchised Business.

The Document Service line is only sold as part of a one, two, or three Service Line purchase. Any costs for operating the Document Service Line are reflected in the one, two, or three Service Lines as listed above.

(1) Initial Franchise Fee. You must purchase all available Approved Service Lines in the PAR. The Initial Franchise Fee is \$84,000 for all Approved Service Lines. We reserve the right to discount the Initial Franchise Fee by \$17,500 for each Primary Service Line unavailable. See Item 5 for further details.

(2) Rent. As noted in the Operations Manual, you will need to acquire a physical location for the Business that meets our site-specific and architectural requirements. Among other requirements noted in the Operations Manual, the business's physical location must be outside your home and inside your PAR. The ideal location is approximately 2,500-3,500 sq ft for one service line, 3,500-4,500 sq ft for two service lines, and 4,500-5,500 sq ft for three or more service lines. Provided your proposed location for the Business satisfies our site selection criteria, we will not unreasonably withhold our acceptance of the site. The low rental estimate assumes rent for three months for the above-referenced low end of the square foot

requirements at \$10 a square foot, and the high estimate assumes rent for three months for the above-referenced high end of the square foot requirements at \$24 a square foot. Some markets may experience higher or lower lease rates. Rental charges and terms will vary. You should consult a local real estate expert.

(3) Leasehold Improvements. You may be able to negotiate some of the leasehold improvements with your landlord. The low end is if you can find a facility that already has a lot of the requirements in place or where the landlord is willing to assume the cost. The high end is if you need to pay for them yourself. It includes items such as constructing a hydroxyl room (all Service Lines), a drying room (Textiles), adding in the required electrical, natural gas, and waterline requirements, ensuring proper ventilation, a drain trough (Textiles), hot water heater (Textiles), as well as building any offices and distinctions between Service Lines, etc.

(4) Security Deposits, Professional Fees, Business Licenses and Permits. A security deposit may be required by the lessee. Utility companies may require that you pay a deposit prior to installing telephone, broadband, gas, electricity, and related utility services. A typical utility security deposit is one month's expense. These deposits may be refundable in accordance with the agreements made with the utility companies and landlord. This estimate includes one month's rent as a security deposit to the landlord. You may also be required to acquire certain business licenses and/or permits as required by local and state laws and regulations.

5) Insurance. You must procure and maintain insurance throughout the term of the Franchise Agreement in such amounts that, at a minimum, meet the requirements outlined by us in writing, including commercial business and vehicle insurance. The actual cost of insurance and your payment schedule will vary based on various factors, including, without limitation, your insurer, policy limits, type of policies procured, commercial lease requirements (if any), nature and value of physical assets of the Business, number of employees, square footage, contents of the Business, geographical location, make and year of vehicle, credit score, your local market conditions and other factors bearing on risk exposure. Our estimate is for three months of the minimum level of insurance as outlined in Item 8 and Article 10. C.

(6) Training. You must arrange to attend our Initial Training Program and pay for all related expenses, including transportation, lodging, and meals. If applicable, your Designated Manager and Principal Operator (if a different person) must also attend the Initial Training Program. The amount spent will depend, in part, on the distance you must travel and the type of accommodation you choose. The typical training starts online. The in-person portion is one week in person for a single line to be attended by three people. If you add Art Services as a second Service Line, that training is one week in person for one person. There is no in-person requirement for Textiles if they are added as a second or third Service Line. All training in Document Services can be done online. Additional employees may attend training; however, you must pay our then-current daily training fee and all other related costs and expenses (e.g., travel, meals, etc.). These figures do not include wages. These ranges assume a Franchisee, a BDM, and one additional employee per Service Line.

(7) Vehicle. In connection with the Business operations, you must acquire a vehicle with the minimum specifications noted in the Operations Manual. If you are entering into a Franchise Agreement to provide only Art Services or only Textile Services, you will need to acquire a transit. All other service line combinations require that you acquire a 16-foot cargo van. The ranges are for a lease, with the low range being for a white Transit-350, High Roof Super-Length Cargo Van, and the high range for a white Isuzu NPR-HR 150" WB 16' Box Truck with a lift gate. You also have the option to acquire a 2020 or newer model with under 60,000 miles. The vehicles must be painted according to our color and design specifications, and the trademarks must be professionally applied before the vehicle is put into service. The range in the table above includes the first three months of estimated lease payments (based upon a 5-year lease). The amount you will pay will depend on the amount of your down payment (if any). Your expenses may be higher than the estimate, depending on whether you purchase or lease a new vehicle.

(8) Turn-Key Business Package. The Turn-Key Business Package consists of various products and goods specified in the Operations Manual, including (i) equipment necessary to perform the Approved Prism Specialties FDD v2025

Services, (ii) software, (iii) initial inventory, (iv) office equipment and supplies; (v) vehicle decals; (vi) tools and equipment; (vii) marketing supplies; and (vi) uniforms.

The cost for the Turn-Key Business Package is \$46,800 for all Primary Service Lines, \$37,635 - \$43,150 for two Primary Service Lines, and \$31,110 - \$33,510 for one Primary Service Line. The ranges are calculated as follows: Electronic Services - \$33,510; Art Services - \$31,410; Textile Services - \$31,110; Art plus Electronic Services - \$37,635; Art plus Textile Services - \$40,840; and Electronic plus Textile Services - \$43,150. If this is a Transfer Business, you are not required to purchase the Turn-Key Business Package, but you will need to purchase the Transfer Package, which is \$3,210. If you are an existing Franchised Business adding Textiles, the cost is \$9,625. Suppose you request and are authorized to provide Document Services in connection with the operation of the Franchised Business, as of the issuance date of this Disclosure Document. In that case, we do not require you to purchase a Turn-Key Business Package fee for the incorporation of the Document Services.

(9) Equipment and Supplies. You must acquire and maintain additional equipment and supplies for the franchised business. We estimate this to be \$17,975 - \$66,473 for one Primary Service Line, \$19,175 - \$68,917 for two Primary Service Lines, and \$38,023 - \$69,301 for three or more Primary Service Lines. This includes things such as specialty items for performing restoration, with the low end being if you purchase used and the high end if you purchase new, as well as computers, office fixtures, and other general supplies.

(10) Telephone System. You must acquire and maintain a dedicated business telephone number; you may be required to acquire this from our approved vendor. You also must maintain the ability to send and receive faxes. We reserve the right to require you to use a call center we designate to answer your incoming sales calls. We will give you 30 days' notice if we require you to use a call center. These estimates include one phone number per Service Line with two receivers.

(11) Software Fees. You must purchase the software that we require. The Technology Fee is due to us each week once you train. It is currently \$211 per week. There is also an additional charge, currently \$2-7 per week, per additional users, depending on your selected services. Textile Services also requires you to purchase iCat, which currently has a \$750 down payment and is then \$250 per month. Art Services require a subscription to Photoshop, which is approximately \$60 per month.

(12) Local Sales and Marketing. During your first three months of operation, we highly recommend, but do not require, that you spend money on marketing to support your sales efforts. You will work with us to develop your local sales and marketing plan and determine which options you will choose to devote your financial resources to. This may include things such as attending area meetings, joining claims associations, hosting events, direct mail or email marketing campaigns, social media, branded merchandise, entertainment, or other items we have approved. It does not include personnel or travel costs.

(13) Additional Funds. This amount of working capital is projected as sufficient to cover initial operating expenses, payroll costs, gasoline and general auto maintenance, royalty, national marketing fund fees, national account fees, and any other general business expenses for a period of 3 months. The cost assumes your cell phone has GPS and a high-resolution camera, so you do not need to purchase those items separately. The estimate of additional funds does not include an owner's salary or draw. These figures are estimates only.

This estimate is based on our franchisees' experiences and our estimate of average costs and market conditions prevailing as of the date of this Disclosure Document.

(14) Total. This total is an estimate of your initial investment for the initial phase of three months. It is based on our franchisee's experience and our estimate of average costs and market conditions prevailing as of the date of this Disclosure Document. You should review these figures carefully with a business advisor before purchasing the franchise.

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

You must operate your Franchised Business in strict conformance with our methods, standards, and specifications, which we prescribe in our confidential operations and training manual and various other confidential manuals and writings prepared by us for use by you in operating a Franchised Business (collectively the “Operations Manual”), and which we may change and modify in our sole discretion. The Operations Manual shall remain confidential and is our exclusive property. You shall not disclose, duplicate, or make any unauthorized use of any portion of the Operations Manual. The Operations Manual’s provisions constitute the Franchise Agreement’s provisions as if they were fully written in the Franchise Agreement. You shall ensure that your copy of the Operations Manual is current and up to date. If there is a dispute relating to the contents of the Operations Manual, the master copy, which we maintain at our corporate headquarters, will control.

### **Approved Services**

You may only offer Approved Restoration Services from your Franchised Business. We will provide you with a list of the Approved Restoration Services. All Approved Restoration Services must meet our standards and specifications. We have the right to require you to purchase certain items from us or other suppliers or distributors approved or designated by us to (i) better assure the quality of the Approved Restoration Services, (ii) assure the supply of the Approved Restoration Services, and/or (iii) enable us, in our sole discretion to take advantage of marketplace efficiencies. You will not receive any material benefit from purchasing from approved or designated suppliers.

You must offer services in the manner we prescribe and otherwise operate the Franchised Business in such a manner that will serve to emulate and enhance the image we intend for the System.

We may formulate and modify our standards and specifications for products and services based on our collective experience and that of our franchisees. Our standards and specifications may be described in the Franchise Agreement, the Operations Manual, and/or other written documents. We have the right, under the Franchise Agreement, to change the standards and specifications applicable to the operation of the Franchised Business, including standards and specifications for services, products, signs, furnishings, supplies, fixtures, and equipment by written notice to you or through changes in the Operations Manual. You may incur an increased cost to comply with these changes, which you must pay at your own expense; however, no change will materially alter your fundamental rights under the Franchise Agreement.

We estimate that the items and services you must purchase or lease in accordance with our specifications will represent approximately 80% to 90% of total purchases or leases you will make to begin operations of the Business and that they will be 60% to 80% of the total purchases or leases required in the ongoing operation of the Business.

### **Approved Supplies and Vendors**

The Operations Manual contains a list of approved manufacturers, vendors, suppliers, and distributors (“Approved Vendors List”), as well as approved products, equipment, computer hardware and software, technology, trademarked items, supplies, and other items or services necessary to operate the Business (“Approved Supplies List”). The Approved Vendors List may specify the specific manufacturer of a specific product, service, or piece of equipment. Unless we specify in writing to the contrary, you may purchase the specific product from any approved source that carries the specific approved products. Occasionally, we, an affiliate or a third-party vendor or supplier, may be the only approved vendor for certain products or services.

We reserve the right to derive revenue from your required purchases. We are the sole approved vendor for the Prism Specialties Software that we license to you. As of our fiscal year, which ended on December 31, 2024, Prism Specialties derived \$405,226, or 7% of our total revenue of \$5,991,924, resulting from required franchisee purchases or leases. In 2025, we expect to derive 7% of our revenues from required

purchases or leases, although, as further noted below, we may derive revenue from required purchases or leases in the future. No officer of the Franchisor owns an interest in any other approved supplier.

Currently, you must purchase the Turn-Key Business Package and certain branded chemicals only from our designated Approved Supplier. We reserve the right to modify this list with 30 days' notice to you, and such updates will be listed in our Operations Manual.

You must use products approved by us. We establish and modify specifications and standards for approved supplies based on our ongoing review of using quality products through our affiliates' operation of their respective businesses and our communications with manufacturers and vendors. The lists also may include other specific supplies, products, services, or equipment without reference to a particular manufacturer, or they may set forth the specifications and standards for other approved supplies. For example, you must obtain a telephone system from an approved supplier and purchase or lease a vehicle that meets our specifications and requirements as outlined in the Operations Manual. We may revise the Approved Vendors List and Approved Supplies List from time to time, which will be maintained in the Operations Manual. We will give you at least ten days written notice before any change is required.

We may form strategic alliances with certain vendors. We and our affiliates reserve the right to receive rebates or other consideration from vendors in connection with your purchase of goods, products, supplies, and services as described in Item 8. Most of these rebates will be calculated based on the quantity sold. We will retain and use such payments as we deem appropriate or as the vendor requires. We or our affiliates also may derive revenue from items or services that we sell directly to you by charging you more than the cost. For example, you will pay the then-current price in effect for restoration services, designated branded chemicals, and other products and services for which we or our affiliates are the sole suppliers. In some cases, the cost of these items may be higher than the cost of comparable products and services on the market. Neither we nor any of our affiliates received revenue for any of these services.

There currently are no purchasing or distribution cooperatives. We may negotiate prices for products or services for the benefit of the System but not on behalf of individual franchisees. This does not guarantee that the price for these products or services will be lower than other similar products on the market. We are not aware of any purchasing or distribution cooperatives in the system. We do not provide material benefits to you (for example, renewal or granting additional franchises) based upon your purchase of specific products or services or use of specific suppliers. You may use only marketing and promotional materials that meet the standards described in Item 11.

#### Supplier Testing and Approval

Except for instances where we designate a single source vendor, if you want to offer for sale at the Business any brand of product or services or to use in the operation of the Business any material, item, service or supply that is not then approved by us, or to purchase any product or service from a vendor that is not then designated by us as an approved vendor, you must notify us in writing and obtain our written approval prior to use. If requested by us, you must submit samples and other information as we require for testing or to otherwise determine whether the product, material, service, or supply or the proposed vendor meets our specifications and quality standards. We will generally notify you of vendor approval or disapproval within 60 days of receiving all the information and samples we request. We may re-inspect the facilities and products of any vendor or item or supply and revoke our approval of any vendor or item or supply that fails to continue to meet any of our criteria. We will send written notice of any revocation of an approved vendor or item. If we incur any costs in connection with testing a particular product or evaluating an unapproved supplier at your request, you or the supplier must reimburse us for our reasonable testing costs, regardless of whether we subsequently approve the item or supplier. We are not required to approve any particular supplier. We may base our approval of any proposed item or supplier on considerations relating not only directly to the item or supplier itself but also indirectly to the uniformity, efficiency, and quality of operation we deem necessary or desirable in the System as a whole. We are not required to approve an unreasonable number of suppliers for a given item, which approval might, in our reasonable judgment, result in higher costs or prevent the effective or economical supervision of approved suppliers.

We may revoke our approval of products or suppliers when we determine, in our sole discretion, that such products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease purchasing products from such supplier. You must use products purchased from approved suppliers solely in connection with the operation of your Franchised Business and not for any competitive business purpose.

We apply the following general criteria in approving a proposed vendor: (1) ability to deliver product or offer service in conformity with our specifications; (2) willingness to protect the secrets behind the uniqueness of a product and service without dissemination to others; (3) production, supply considerations, and delivery capability; (4) reputation and integrity of vendor; and (5) financial condition and insurance coverage of the vendor.

#### Advertising

We must approve all advertising before the first publication or use.

#### Insurance Required Purchases

You must procure and maintain during the term of the Franchise Agreement insurance policies protecting you, your employees, and us, our officers, employees, and other persons that we designate by name, against all loss, liability, fire, personal injury, death, property damages, or theft arising from, or occurring in connection with, the operation and promotion of the Business. The insurance coverages noted below reflect the minimum amounts of coverage we require; it is not meant to reflect the actual needs you may have or other state-mandated coverage, and it is your sole responsibility to carefully evaluate whether such minimums will adequately meet your needs and state requirements (i.e., flood insurance, employment practices liability, pollution or major medical, etc.). We may require you to purchase insurance from a specific provider(s).

You must maintain these insurance levels throughout the term of your Franchise Agreement. You must provide us with proof of coverage on demand. You must obtain these insurance policies from insurance carriers that are rated "A" or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which you operate your Franchised Business. All insurance policies must (i) name us (and our members, officers, directors, and employees) as additional insureds and (ii) contain a waiver by the insurance carrier of all subrogation rights against us. Furthermore, you shall be required to provide ten days prior written notice of the termination, expiration, cancellation, or modification of any insurance policy.

You must annually submit insurance certifications that demonstrate compliance with our insurance requirements. If you fail to comply with the minimum insurance requirements, we have the right to obtain such insurance and keep it in force and effect, and you shall pay us, on demand, the premium cost and administrative costs of 3% in connection with our obtaining the insurance. We have the right to increase or otherwise modify the minimum insurance requirements upon written notice to you, and you shall comply with any such modification within the time specified in the notice.

The current insurance requirements are as follows:

- (1) Commercial General Liability, Contractor's Pollution Liability Insurance, and Professional Liability Insurance. Coverage for "bodily injury," "property damage," and "personal and advertising injury" with no exclusion or limitation applying to the products / completed operations liability coverage. Limits must be at least \$2,000,000 general aggregate, \$2,000,000 products and completed operations aggregate, \$1,000,000 personal and advertising injury limit, and \$1,000,000 per occurrence.

Limits must specifically confirm coverage for pollution, including mold and lead, with minimum limits of \$1,000,000 each incident, with \$1,000,000 aggregate. The limited liability pollution

endorsement does not meet the pollution insurance requirement. Contractual liability coverage including the assumed personal and advertising injury endorsement must be included to cover the indemnity provisions of this Franchise Agreement. The exclusion for employer's liability shall not apply to claims for covered contractually assumed liability claims.

Such policy shall contain a waiver of subrogation endorsement as to claims against Restoration Specialties Franchise Group, LLC.

Restoration Specialties Franchise Group, LLC shall be named as an additional insured on this policy on a primary and noncontributory basis and with both a CG-2037 Products/Completed Operations Form and a Grantor of Franchise Form CG2029 or an insurer's comparable form.

- (2) **Automobile Liability Insurance.** You are required to maintain insurance with a combined single limit ("CSL") of \$1,000,000 for bodily injury and property damage for all owned or leased vehicles and include hired and non-owned vehicles. Additionally, coverage for uninsured motorists and under-insured motorists will be equal to the CSL.
- (3) **Workers' Compensation and Employers' Liability.** Statutorily required workers' compensation insurance and employer's liability insurance are required to be maintained with limits of at least \$500,000 by accident, \$500,000 by disease, and a \$500,000 policy limit. In "Monopolistic States," including Ohio, North Dakota, Washington, Wyoming, and West Virginia, "Stop Gap" coverage must be purchased separately or added to the commercial general liability policy and/or worker's compensation and employers' liability policy. "Stop Gap" in Ohio must not contain exclusion with the "substantially certain to occur" language.
- (4) **Employee Dishonesty Insurance.** You are required to maintain employee dishonesty insurance with minimum limits of \$50,000 per loss and such coverage is to also cover acts of stealing against third parties. This coverage must increase by \$50,000 for each \$4,000,000 in annual Gross Sales achieved up to \$250,000 per loss (for example, at \$4,000,000 in Gross Sales, your bond would need to increase to \$100,000 at \$8,000,000 to \$150,000, etc.)
- (5) **Umbrella or Excess Liability Insurance.** You are required to maintain a commercial umbrella liability insurance policy with minimum limits of \$1,000,000 per occurrence and aggregate and shall list the commercial general liability, pollution liability, and automobile liability as scheduled underlying policies. This policy will need to increase by \$1,000,000 per occurrence and aggregate for each \$4,000,000 in Gross Sales achieved up to \$10,000,000 per occurrence and aggregate (for example, at \$4,000,000 in Gross Sales, you would need to increase this to \$2,000,000, at \$8,000,000 to \$3,000,000, etc.).
- (6) **Property Coverage:** You are required to maintain insurance on your business personal property at amounts equivalent to replacement value.  
You must also carry insurance coverage for property of others in your care, custody, and control (including work in progress), with minimum limits equal to the value of goods in your possession at any one time, or \$250,000, whichever amount is higher.  
You must carry business income and expense coverage for twelve months.
- (7) **Bailees Legal Liability:** You are required to maintain Bailees Legal Liability Insurance, covering the liability for damage to Customer's goods, which must have minimum limits equal to the value of goods in your possession at any one time, or \$250,000, whichever amount is higher.
- (8) **Motor Truck Cargo:** You are required to maintain motor truck cargo insurance to cover goods in transit at a minimum of \$100,000 per incident.

You are required to comply with any state, county, local, or other municipal insurance requirements.

You should carefully review your policy to make sure that they do not exclude items for (a) Art Services - rarity, antiquity, fine arts, (b) Electronic Services - electronics and/or data documents, (c) Textile Approved Services – textiles, clothing, including furs, suedes, and leather, drapery/curtains, as well as valuable collectibles such as dolls, quilts, etc., or (d) Document Services - paper, including items with confidential information.

No deductible or self-insured retention can exceed \$5,000 for any required insurance policy, except that you may have retention of up to \$10,000 on the Umbrella Liability Insurance policy.

You may not reduce the policy limits, restrict coverage, cancel, or otherwise alter or amend any insurance policy without our written consent.

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

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

#### Technology Required Purchases

You must equip your facility with a computer system containing certain minimum hardware and software, including the Franchisee Website. Company is not a supplier of these items. Refer to Item 11 for more details.

#### Purchasing Arrangements and Revenue

The Company and/or an affiliate may negotiate purchase arrangements, including suppliers contracts and cooperative purchasing programs (including price terms), to benefit franchisees and promote the Prism Specialties network and our interests as the Franchisor. However, we are not obligated to do so, nor do we provide material benefits based on your use of designated or approved suppliers. However, Franchisees who do comply with supplier requirements will be in breach of the Franchise Agreement.

We do not provide any material benefits to you based on your use of designated or approved sources. In addition to offering a preferred service and/or price to the franchisee, suppliers may offer a rebate or other consideration. In 2024, we received no rebates for purchases by Franchisees 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.**

	<b>Obligation</b>	<b>Article in Franchise Agreement</b>	<b>Disclosure Document Item</b>
a.	Site selection and acquisition/lease	Article 5	Items 7, 11 and 12
b.	Pre-opening purchases/leases	Article 6	Items 7 and 8
c.	Site development and other pre-opening requirements	Articles 5, 6 and 7	Items 6, 7, 8 and 11
d.	Initial and ongoing training	Article 7	Item 11
e.	Opening	Article 5	Item 11
f.	Fees	Articles 4, 8 and 9	Items 5 and 6
g.	Compliance with standards and policies/Operations Manual	Articles 2, 3, 5, 6 and 7	Items 8 and 11
h.	Trademarks and proprietary information	Articles 3 and 6	Items 13 and 14
i.	Restrictions on products/services offered	Articles 2 and 6	Items 8, 12 and 16
j.	Warranty and customer service requirements	Articles 2 and 6	Item 15
k.	Territorial development and sales quotas	Article 2	Items 12 and 17
l.	Ongoing product/service purchases	Article 6	Items 8 and 11
m.	Maintenance, appearance, and remodeling requirements	Article 5	Items 6, 8 and 11
n.	Insurance	Article 10	Items 6 and 8
o.	Advertising	Article 9	Items 6 and 11
p.	Indemnification	Article 10	Item 6
q.	Owner's participation/management/staffing	Article 7	Items 11 and 15
r.	Records/reports	Article 8	Item 6
s.	Inspections/audits	Articles 6 and 8	Items 6 and 11

	<b>Obligation</b>	<b>Article in Franchise Agreement</b>	<b>Disclosure Document Item</b>
t.	Transfer	Articles 14 and 15	Item 17
u.	Renewal	Article 4	Item 17
v.	Post-termination obligations	Article 12	Item 17
w.	Non-competition covenants	Article 10	Item 17
x.	Dispute resolution	Article 13	Item 17
y.	Guarantee	Article 14.C., 16. F, Attachments A and B	Item 15
z.	Other	Not Applicable	Not Applicable

## **ITEM 10: FINANCING**

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

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

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

Pre-Opening Assistance: Before you commence operations of the Business, we will:

1. Provide site selection criteria and consent for the Business location, as specified in the Franchise Agreement (Article 5.A). We will approve your proposed site if it meets our criteria as outlined in the Operations Manual. We do not offer additional site selection assistance or lease negotiation assistance.
2. Supply you with the Approved Vendor list, and Approved Supplies list (Franchise Agreement, Articles 6.A, 6.B, and 8.C). You are responsible for purchasing any additional equipment, signs, fixtures, opening inventory, the Turn-Key Business Package, and supplies not included in the Turn-Key Business Package from Approved Vendors or other local suppliers. We will provide written specifications for required items, but we do not directly supply, deliver, or install them.
3. Provide access to the Operations Manual, which contains mandatory and recommended specifications, standards, and operating procedures for your Business (Franchise Agreement, Article 6. C).
4. Offer training programs as detailed below (Franchise Agreement, Article 7. B). These programs are free for up to three individuals, but you must cover all related expenses, including travel, accommodations, and materials.

Ongoing Assistance: During the operation of the Business, we will:

1. Maintain and administer the National Marketing Fund (Franchise Agreement, Article 9. A).
2. Update the Approved Services, Approved Vendors and Approved Supplies lists as necessary (Franchise Agreement, Article 6.B).
3. Offer refresher training courses as we deem necessary, which we may require you to attend in our discretion. You are responsible for the costs of attending. You must also pay all expenses for you

and your employees, including training materials, travel, wages and living expenses (Franchise Agreement, Article 7.C).

4. Provide updates to the Operations Manual from time to time (Franchise Agreement, Article 6. C).
5. Assist in developing operational plans and strategies for your Business (Franchise Agreement, Article 7.C.)
6. Make suggestions regarding your pricing policies. We may establish both maximum and minimum pricing in accordance with applicable legal requirements. However, unless the price list is a part of a National Account or an imposed maximum or minimum price, any such price list is a recommendation only (Franchise Agreement, Article 6.M.)

#### Site Selection

You are responsible for purchasing or leasing a site for the Business (“Franchised Location”) that meets our site selection criteria. You must select your Franchised Location within your PAR (defined in Item 12). Generally, we do not own the premises leased to our franchisees. You may not locate your Franchised Location outside of your PAR without our express written approval. We will accept your proposed site if it is located within your PAR and complies with our site selection criteria as outlined in the Operations Manual.

We will notify you of our approval or disapproval of the site location within ten days of our receipt of your request. You are solely responsible for obtaining all necessary permits or licenses and, in all other respects, complying with applicable legal requirements relating to the Business. We have no responsibility for the lease; it is your sole responsibility to evaluate, negotiate, and enter a lease for the Franchised Location. It is not required that we own the premises which you lease, although we may do so, if you and we agree. You must conform the premises to all local ordinances and building codes, and obtain any required permits.

If you fail to have your “site under control” (execute the lease or the purchase agreement within 60 days of execution of the Franchise Agreement), we will have the right to terminate the Franchise Agreement without the opportunity to cure pursuant to Article 11. A.

#### National Marketing Fund

You must pay us a National Marketing Fund Fee of 2% of your Gross Sales (the “Marketing Fund Fee”). The 2% Marketing Fund Fee will be part of one or more Marketing Funds, which may be segregated by Service Lines that we and/or our designee will administer. We may segregate and allocate the Marketing Fund Fee based on the Service Lines provided in connection with the operation of your Franchised Business. For example, if a portion of your Marketing Fund Fee is attributable to the provision of Art Services, we may allocate that portion of the Marketing Fund Fee to the “Art National Marketing Fund.” All franchisee-owned outlets that purchase a franchise under this Disclosure Document are required to contribute on the same percentage basis. Any Franchisor or Affiliate owned outlets that offer residential electronic restoration, art restoration or textile restoration may, but will not be required to contribute to the Marketing Fund on the same basis. We may use the Marketing Fund to formulate, develop, research, and conduct marketing, promotional, public relations, customer satisfaction, and/or lead generation programs to promote the RSFG System and one or more of the RSFG Service Lines in a form and media we determine in our sole judgment to be appropriate, including coverage that is local, regional, or national in scope. We may use national and regional agencies from time to time to create and place advertising and marketing communications and public relations campaigns and/or develop and administer lead generation studies or programs. We reserve the right to use the Marketing Fund to reimburse us for all costs that we (and /or our designee) incur related to such programs, campaigns, and studies, including the proportionate compensation of employees who devote time and render service in the conduct, formulation, development, and production of the programs, campaigns, and studies or the administration of the Marketing Fund.

We have no obligations to spend any amount on marketing in the area or PAR (as defined in Item 12) where you are located or for the Service Lines that you offer. Excess Marketing Fund contributions not Prism Specialties FDD v2025

spent in any fiscal year will be carried over for future use. The Marketing Fund is not a trust or escrow account and creates no fiduciary duties or obligations. You have no property rights of any kind with respect to the monies in the Marketing Fund. The Marketing Fund is not audited; however, upon written request from a franchisee, we will provide you with an unaudited financial report showing disbursements of the Marketing Fund from the previous fiscal year. Requests are to be submitted in writing to the accounting department date and are available 90 days after the end of the fiscal year. The Marketing Fund will not be used for advertising principally directed at the sale of franchises; however, we may state in any advertisements that franchises are available and contact RSFG for information regarding this opportunity. During our last fiscal year of the National Marketing Fund (January 1-December 31, 2024), the Art and Electronic / Textile National Marketing Funds spent as follows:

Category	Art	Electronics / Textiles
Industry Conventions/Entertainment	8%	6%
Advertising and Promo	14%	14%
Miscellaneous *	0%	1%
Travel	11%	7%
Salaries	68%	72%

\* Miscellaneous is shipping/postage, continuing education, telephone routing, training & education, dues & subscriptions, etc.

#### Advertising Council

In November 2020, we established a National Marketing Committee (“NMC”) composed of Franchisees and RSFG representatives with representatives from Art, Textile, and Electronic Service Lines. Currently, one member of the NMC is part of the FAC, and there are three other at-large franchisees. For the initial launch of the NMC, the at-large Franchisees volunteered or were nominated, and they each have a staggered term so that one member’s term is up each year. Their role is to act as a sounding board for marketing strategies and tools, develop and improve innovative ideas, and provide feedback on marketing activities as requested by the marketing team.

#### Local Advertising Cooperatives

We have the right to establish and maintain local advertising cooperatives based on designated marketing areas. If a local or regional advertising cooperative is formed or organized in your market, you will be required to participate and contribute. The contribution amount designated by the cooperative must be on a percentage of Gross Sales basis and per Business and will be the greater of 1% of Gross Sales or \$5,000 per year, unless the participants vote to contribute a higher amount. Any residential Franchisor or Affiliate-owned businesses that are located within the local cooperative area will contribute to the fund on the same basis (this excludes SEMI Documents and SEMI’s Large Loss division). However, depending on the advertising venue, we may opt to only require those under the same Service Line to participate. Each Franchised business within an advertising cooperative, including contributing Affiliated Businesses, will be a member of the cooperative and have one vote per business. Each advertising cooperative will be required to adopt governing bylaws that meet our approval, and we may require the cooperative to amend them from time to time. We may provide each advertising cooperative with a sample form of bylaws that the cooperative must use and we must approve, containing certain terms and conditions that we require, although the bylaws cannot modify the voting structure outlined in this paragraph without our prior written permission. The advertising cooperatives must submit their meeting minutes to us upon our request. All advertising cooperatives must obtain our written approval of all promotional and advertising materials, creative execution, and media schedules prior to their implementation. The members of each cooperative and their elected officers will be responsible for the administration of the advertising cooperative. We reserve the right to administer the cooperatives’ funds and require payment from its members via electronic

funds transfer. If we determine the need exists, we may require each advertising cooperative to engage the services of a professional media buyer or advertising agency that meets with our approval and has expertise in the industry and in the specific market. We may require each cooperative to have an independent certified public accountant prepare annual financial statements, which will be available to us and to all franchisee members of the cooperative. We have the right to require advertising cooperatives to be formed, changed, dissolved, or merged. We may also implement a franchisee advisory council that will provide advisory input on marketing and related matters.

As of the date of this Disclosure Document, there are no Local Advertising Cooperatives formed.

#### Local Sales and Marketing

Prior to initial training, you must hire a Business Development Manager (BDM), an employee whose primary responsibility is to sell the Business Services to contractors, adjusters, and similar companies. You must have one for each PAR that you are awarded. With our prior written permission, you may serve in this capacity in one PAR; however, you must then hire a Designated Manager to manage the operation aspects of the Business.

We require you to record all sales activity in the software that we designate, as well as to meet certain Sales Activity Score as outlined in the Operations Manual (the "Sales Activity Score"). Currently, the fee for this software is part of the Technology Fee. The current Sales Activity Score will measure, on a scale of "0" to "100" (where "100" is the best score), the sales activity performed in your PAR through specific metrics noted in the Operations Manual. You must achieve a passing aggregate average Sales Activity Score for each rolling 90-day period, as outlined in the Operations Manual. Currently, a passing score is a Sales Activity Score of 60. If you fail to meet this aggregate Sales Activity Score rating, you will be deemed in default of the Franchise Agreement.

In addition to the Marketing Fund Fee and the requirement to hire a BDM, we recommend, but do not require, that you spend on local sales and marketing activities each year. In your first year of business, the recommendation is the greater of 5% of Gross Sales or \$12,000, and in the second year or more, the recommendation is the greater \$20,000 or 5% of Gross Sales, capped at \$50,000.

We require that you join and participate in the claims and insurance associations that we designate as being pertinent to your market. You must also claim and pay for the online listings that we designate. You also must list your Business in the Yellow Pages and White Pages of the primary telephone director servicing your PAR.

You must submit your local marketing materials to us for approval (including print, electronic, or other forms of media). We will not unreasonably withhold approval of your marketing materials if they are factually accurate and current, dignified and in good condition, and accurately reflect the Trademarks. Any local advertising materials you submit to us will be deemed approved if we do not disapprove or comment on the materials within ten business days of our receipt of the materials. We reserve the right to revoke the approval of any advertising material previously approved with 30 days' written notice to you.

#### Customer Satisfaction Ratings

We require you to use and pay for the customer service rating system that we approve, as well as to meet certain customer satisfaction ratings as outlined in the Operations Manual (the "Customer Satisfaction Ratings"). The current Customer Satisfaction Ratings will measure, on a scale of "-100" to "100" (where "100" is the best score), the level of service provided to customers of the Business you operate through specific metrics noted in the Operations Manual. You must achieve a passing aggregate average customer satisfaction rating for each rolling 90-day period, as outlined in the Operations Manual. Currently, a passing score is a Net Promoter Score of 45. If you fail to meet this aggregate average customer satisfaction rating, you will be deemed in default of the Franchise Agreement. Currently the Fee for this service is paid for as part of the Technology Fee.

## Computer System

You are required to purchase and use any computer software (“Software”) that we have developed or may develop and/or designate for use in the System. Additionally, you must acquire any necessary computer hardware to operate the Software efficiently. We reserve the right to require updates or upgrades to both hardware and Software as needed. You may also be required to enter into a separate maintenance agreement for the hardware and Software.

While you are required to purchase, use, and maintain the required hardware and Software, you are solely responsible for (i) acquiring, operating, maintaining, and upgrading the hardware and Software; and (ii) any consequences resulting from improper operation, maintenance, or upgrading of the hardware and Software (Franchise Agreement, Article 6).

We have developed a custom software program for operating your Business (“Proprietary Software Program”). You must acquire the required hardware at your expense to implement the Proprietary Software Program in your Business and must comply with all specifications and standards we provide, which may be outlined in the Operations Manual or otherwise in writing. The Proprietary Software Program is considered our Confidential Information, and you are required to use it only as prescribed by us. We have unlimited right to independently access all data contained in the Proprietary Software Program, and any other Software used for your Business operations. You must ensure our access to this Software (Franchise Agreement, Article 6.E).

You must participate in any computer network, intranet system, or extranet system we implement. You may be required to use these systems to: (i) submit online reports due under the Franchise Agreement; (ii) view and print portions of the Operations Manual; (iii) download approved advertising and promotional materials; (iv) communicate with us and other franchisees; and (v) participate in online training. You must comply with all standards and protocols we set in the Operations Manual, including those related to encryption and restrictions on transmitting defamatory or libelous content (Franchise Agreement, Article 6).

You must provide access to all your financial and business records in the formats and schedules we specify. We may access your computer system, including any intranet/extranet systems we implement, to retrieve, analyze, download, and use all data and files stored or used on the system. You acknowledge that we have unlimited access to this information, with no contractual limitations. You are responsible for the cost of maintaining the necessary data storage, phone lines, modems, communication software, internet access, email accounts, and other required hardware and software.

You are responsible for acquiring and maintaining the necessary computer hardware and software for the Business (“Computer System”) as outlined in the Operations Manual. Currently this list (subject to change) includes:

- A laptop for the Franchisee (or Designated Manager) and your Business Development Manager;
- Any computer with a secure internet connection and compatible software for electronic technicians and art restorers (We do not support MAC and cannot guarantee that the Software will function on a MAC);
- At least one iPad per pick-up and delivery team (optional, one per individual team member);
- An iPad for each laundry personnel;
- A printer with scanning, faxing, and copying functions;
- A portable printer for each textile pick-up and delivery team (cigarette adapter).

Our current specifications are available in the Operations Manual. The estimated initial cost for these items is \$3,850-\$6,649, which is included under “Equipment” in Item 7. You must install and maintain anti-virus software on all devices at your cost.

We are not responsible for maintaining, updating, or upgrading any software or hardware. However, you are required to make periodic updates and upgrades as directed by us, with no contractual limitations on the frequency or cost. These updates may include user fees, software licensing fees, or technical support fees. The current estimated weekly cost for upgrades, assuming you purchase all three Service Lines, is \$245 per week. This may vary from \$179 to \$245 depending on the number of Service Lines in your market. Additional software user licenses currently range from \$1 to \$6 per user per week. The Textile Service Line also requires iCat Software, which currently costs \$750 for the first month and \$250 per month thereafter, and the Art Service Line requires a subscription to Photoshop, currently \$59.99 per month, included in Item 7 as part of "Software Expenses." Prices are subject to change based on market conditions.

You may be required to upgrade your Computer System to meet new software requirements. Upgrades will not be required more than once every three years. The cost of these upgrades is estimated to be between \$2,700 and \$5,649, and the specific details will be provided to you in writing.

You and your employees who interact with customers must maintain branded electronic communication accounts (currently, email). We may provide these accounts and require you to grant us access to information stored on your company's computers and hosted by software providers, including email accounts. We may discontinue or modify the current system of electronic communication, in which case you will be required to maintain an account with a provider we approve and pay the associated fees.

We are not obligated to monitor or maintain backups of email, information, or data related to these accounts. There are no contractual limits on our right to access information or data from these communication systems without notice, and you acknowledge that you have no privacy rights in or to these communications. Our access to your email communications will be solely for our benefit.

We may also require you to upgrade, update, or modify your computer hardware, software, or office equipment. There are no limitations on the frequency or cost of these upgrades. We have the unrestricted right to access any data stored or collected electronically.

It is your responsibility to make sure that you are in compliance with all laws that are applicable to the Computer System or other technology used in the operation of your Business, including but not limited to all data protection or security laws. This includes requiring that you take all steps, including but not limited to those related to visibility and management of your Business that are necessary to ensure that your business is compliant with all data privacy and security laws and Payment Card Industry Data Security Standards (PCI DSS) requirements, as such standards may be revised and modified by the PCI Security Standards Council (see [pcisecuritystandards.org](http://pcisecuritystandards.org)), or such successor organization or standards that we may reasonably specify. Our standards and specifications are described in the Franchise Agreement, the Operations Manual, and other written documents. We have the right, under the Franchise Agreement, to change the standards and specifications applicable to operation of the franchise, including standards and specifications for Approved Services and Products, equipment, signs, furnishings, supplies, fixtures, inventory, computer systems (hardware, software, applications, data network and internet connection minimum bandwidth capacities), privacy policies, encryption requirements, data and IT security policies - including implementation of phishing and other security awareness programs and training, cyber incident notification requirements, and Artificial Intelligence policies by written notice to you or through changes in the Operations Manual. We may issue our standards or specifications for goods and services, and changes to those standards and specifications, in writing directly to you or our approved supplier. You may incur an increased cost to comply with these changes at your own expense.

#### Internet

You must have and maintain adequate hardware and software to access the internet at the bit speed we require from time to time. We have established an internet website that provides information about the System and the products and services offered by the Franchised Business. We have sole discretion and

control over the website (including timing, design, contents, and continuation). We may, but are not obligated to, create interior pages on our website(s) that contain information about your Franchised Business and other Franchised Business locations. If we do create these pages, we may require you to prepare all or a portion of the page for your Franchised Business at your expense, using a template that we provide. All such information will be subject to our approval prior to posting. (Franchise Agreement, Articles 6 and 9).

You must not establish or maintain a separate website, splash page, social media profile or other presence on the internet, or otherwise advertise on the internet or any other public computer network in connection with the Approved Restoration Services, System, or Franchised Business without our prior written approval. You must claim, update, and pay for all online listings as we (and/or our affiliates) designate or instructed.

We have the right to modify our policies regarding both our and your use of internet websites as we deem necessary or appropriate for the best interests of the System. (Franchise Agreement, Articles 6 and 9). You acknowledge that we and/or our affiliates are the lawful, rightful, and sole owners of the internet domain names [www.prismspecialties.com](http://www.prismspecialties.com), [www.rsfg-us.com](http://www.rsfg-us.com), [www.art-us.com](http://www.art-us.com), [www.ers-us.com](http://www.ers-us.com), [www.textiles-us.com](http://www.textiles-us.com), and [www.documentfreezedrying.com](http://www.documentfreezedrying.com), as well as any other internet domain names registered by us, and you unconditionally disclaim any ownership interest in such domain names and any colorably similar internet domain names. You agree not to register any internet domain name in any class or category that contains words used in or similar to any brand name owned by us or our affiliates or any abbreviation, acronym, phonetic variation, or visual variation of those words (Franchise Agreement, Article 6 and 9).

#### Typical Length of Time Before You Commence Operations of the Business

We estimate that it will take approximately three to four months from the signing of the Franchise Agreement to commence operations of your Franchised Business. The actual length of this period will depend upon factors such as your ability to complete the Jumpstart Program and the Initial Training Program. Under the Franchise Agreement, you must complete the Initial Training Program within six (6) months after signing the Franchise Agreement. If the Initial Training Program has not been completed within six (6) months, we may, at our sole discretion, elect to terminate your Franchise Agreement, though we reserve the right to grant you an extension upon your reasonable request. (Franchise Agreement, Articles 5, 7.B., and 11.A).

Factors that may impact this length of time may include your ability to locate acceptable lease space, ability to secure permits, zoning and local ordinances, weather conditions, unforeseen delays in delivery or installation of equipment and fixtures, your ability to hire personnel, our training schedule, your ability to attend training and similar factors. If you fail to begin operations within the time agreed upon between you and us, we may terminate the Franchise Agreement (Franchise Agreement, Article 2.A).

#### Operations Manual

We will provide you with access to or a copy of our Operations Manual. We may provide you with a copy of our Operations Manual through an internal website we establish. Our Operations Manual contains proprietary information, and you must keep such information confidential. We may revise the Operations Manual at any time. The current Operations Manual table of contents, as of the date of this Disclosure Document, is attached to this Disclosure Document as Exhibit F. The Operations Manual contains 1,162 pages, and the pages devoted to each topic are noted in the chart below.

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Topic	Approximate Number of Pages
<b>OPERATIONS MANUAL</b>	
1. JumpStart (Pre-Opening Procedures)	85
2. General Operations	145
3. Sales and National Accounts	59
4. Safety Procedures	58
5. Tracking System (Electronics)	163
6. Tracking System (Art)	132
7. Affiliate Procedures (Electronics)	99
8. Art Procedures	100
9. Textile Procedures	188
10. Prism Specialties Brand Standards	48
11. Commercial Policy Manual (Electronics)	12
12. Prism University – User Manual	11
13. Local Sales Manual	62
<b>Total Number of Pages</b>	<b>1,162</b>

### Initial Training Program

As soon as you sign the Franchise Agreement, you will enter our “JumpStart” program, which is approximately an eight to fifteen-week program that includes numerous required activities that must be completed prior to attending the in-person Initial Training Program. It includes activities such as reading the Operations Manual, securing leased space, developing a sales alignment plan and proforma, securing all required permits, licenses, approved vehicles, hiring your first employees, and completing various preliminary training modules. Most JumpStart activities will be completed within your PAR, with phone assistance from our staff.

Included with the Initial Package is one slot in our online Sales Training program, which is approximately one-two hours per week, for 8-10 weeks, and conducted entirely online. This is subject to change.

At least one week before beginning operations of the Franchised Business, you and your employees must attend and successfully complete, to our satisfaction, our Initial Training Program. The Initial Training is four to five days in length; training for a transfer may be shorter. Your failure to successfully complete training may result in termination of the Franchise Agreement. Training may occur at our training facilities in Livonia, Michigan, or at a franchisee’s location (within the continental USA), which we will schedule with you. We offer the training program as we determine necessary. You must pay for the salaries, fringe benefits, travel costs and expenses, and related costs for the individuals associated with you who attend the training program, but there is no separate fee for you and up to two additional people to attend the initial training program. If you purchased a second or third Service Line, you may receive one additional spot in the initial training program per Service Line added. The cost of additional training is disclosed in Item 6 under “Training.” The cost does not include hotel, transportation, or most meals.

Any training provided by us to any of your employees will be limited to training or guiding them regarding the delivery of approved services to customers in a manner that reflects the customer and client service standards of RSFG. You are and will remain the sole employer of your employees during all training

programs, and you are solely responsible for all employment decisions and actions related to your employees. You must ensure that your employees receive adequate training.

As of the date of this Disclosure Document, the initial pre-training program is as listed below. The “Who” column indicates who will attend that training, the Franchisee, BDM, or Restoration Personnel.

**PRE-TRAINING PROGRAM (“JUMPSTART”)**

Subject	Hours of Classroom Training		Hours of On-the-Job Training		Location
	Low	High	Low	High	
Sales	16	24	0	0	Your Location / Online
Marketing	3	4	0	0	Your Location / Online
General Sessions	15	20	0	0	Your Location / Online
The Job Cycle (Operations)	10	15	0	0	Your Location / Online
Safety	1	2	0	0	Your Location / Online
Financial / QuickBooks	1	2	0	0	Your Location / Online
Restoration Pre-Training - Art	2	3	0	0	Your Location / Online
Restoration Pre-Training - Electronics	2	6	0	0	Your Location / Online
Restoration Pre-Training - Textiles	4	8	0	0	Your Location / Online
<b>TOTAL</b>	<b>54</b>	<b>83</b>	<b>0</b>	<b>0</b>	

As of the date of this Disclosure Document, the Initial Training program for New Franchisees is as follows:

**INITIAL TRAINING PROGRAM – FRANCHISE OWNERS**

Subject	Hours of Classroom Training		Hours of On-the-Job Training		Location
	Low	High	Low	High	
General	5	6	0	0	Our location in Livonia, MI, or various franchisee locations throughout the US
Sales	2	3	8	12	Our location in Livonia, MI, or various franchisee locations throughout the US
Customer Service	1	2	1	2	Our location in Livonia, MI, or various franchisee locations throughout the US

Subject	Hours of Classroom Training		Hours of On-the-Job Training		Location
	Low	High	Low	High	
Operations	7	10	11	14	Our location in Livonia, MI, or various franchisee locations throughout the US
<b>TOTAL</b>	<b>15</b>	<b>21</b>	<b>20</b>	<b>28</b>	

As of the date of this Disclosure Document, the Initial Training program for BDMs is as follows:

#### **INITIAL TRAINING PROGRAM - BDM**

Subject	Hours of Classroom Training		Hours of On-the-Job Training		Location
	Low	High	Low	High	
General	2	2	0	0	Our location in Livonia, MI, or various franchisee locations throughout the US
Sales (Pre-training)	12	16	0	0	Your location / online
Sales	1	3	16	22	Our location in Livonia, MI, or various franchisee locations throughout the US
Customer Service	1	2	1	2	Our location in Livonia, MI, or various franchisee locations throughout the US
Operations (pre-training)	4	15			Your location / online
Operations	6	8	8	10	Our location in Livonia, MI, or various franchisee locations throughout the US
<b>TOTAL</b>	<b>26</b>	<b>46</b>	<b>25</b>	<b>34</b>	

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As of the date of this Disclosure Document, the Initial Training program for Art and Electronic restoration personnel (and Textile personnel if purchasing only the Textile Service Line) is as follows:

### **INITIAL TRAINING PROGRAM – RESTORATION PERSONNEL**

<b>Subject</b>	<b>Hours of Classroom Training</b>		<b>Hours of On-the-Job Training</b>		<b>Location</b>
	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	
General	1	2	0	0	Our location in Livonia, MI, or various franchisee locations throughout the US
Operations (pre-training)	12	23	0	0	Your location / online
Operations	1	1	27	37	Our location in Livonia, MI, or various franchisee locations throughout the US
<b>TOTAL</b>	<b>2</b>	<b>3</b>	<b>27</b>	<b>37</b>	

- (1) Kaneallia Parsons, Director of Operations, currently oversees our training. Ms. Parsons has over 18 years of restoration experience and 14 years of training experience. Additional employees and others who have at least six months' experience (for example, opening, operations or systems management) will assist in training.
- (2) The instruction materials for the training consist of our Operations Manual and various presentations and demonstrations.
- (3) We reserve the right to modify the training class schedule and length. Transfers and additional service lines, in particular, may have more modifications based on their particular needs.

We may provide and require that you (if the franchisee is a sole proprietor) or your Principal Operator (if the franchisee is an entity), your Designated Manager (if applicable), and other employees we designate attend ongoing training. If you designate a new Designated Manager after the initial training program, the Designated Manager must complete the initial training program to our satisfaction within 60 days of hire or as we can reasonably accommodate in our regularly scheduled training course. In the event that you are given a notice of default, and the default relates, in whole or in part, to your failure to meet any operational standards, we may require as a condition of curing the default that you, your Designated Manager, and any other employees that we deem appropriate again attend and successfully complete our initial training program or another training program that we designate. This training will be at your expense.

After completion of Initial Training, we may send a representative to your location to assist you with your initial efforts. Typically, this ranges from 1-3 days.

In addition, we may hold and require that you, your Principal Operator, Designated Manager, or other designated employees attend, at your expense, any conference, meeting, convention, or seminar. The cost of additional training is disclosed in Item 6, "Conference Fee and Refresher Training Fees," which is currently \$250 per day per person and does not include hotel, transportation, or most meals. At a minimum, you are required to attend (a) a refresher training course every two years and (b) the Franchise System Convention each year. Failure to attend such conferences, meetings, or seminars may result in an administrative fee of \$1,000 to compensate us for the employee time and expenses related to educating you and your employees with regard to the contents of such conferences, meetings, or seminars.

## **ITEM 12: TERRITORY**

You will be assigned a Primary Area of Responsibility (“PAR”) where you must establish and operate an office for your Business. You will operate the Business from a specific location inside your PAR, to which we must first consent. Except as described further below, you may only market and service customers located inside your PAR.

You will not receive an exclusive territory. You will face competition from other franchisees, from outlets that we own, or from other channels of distribution or other competition brands that we control. Specifically, if you have not been approved to perform a specific Service Line, or in the event of catastrophic loss, failure to accept or handle a job, or inability to handle a job, then, we, our Affiliates, or another RSFG Franchisee may service customers as outlined below.

Each PAR will contain a minimum population of 1,500,000 and a maximum population of 2,000,000. We currently use population data from GbBis to determine the population of your PAR. Your PAR will be specified by zip codes within which you may market and operate your Business. The number of zip codes included in your PAR will be determined by the population included in each zip code. You may not advertise to or service in any way customers located outside your PAR without our prior written consent.

Zip codes and/or their boundaries change periodically, and in the event of a future change, we will use our best efforts to ensure your PAR comprises approximately the same population in approximately the same geographic location. We will not otherwise alter the PAR during the term of this Agreement without your prior written consent.

Additionally, you do not have the right to sell the Approved Service Lines, any other Restoration Services, or any other related product or service through any other channel or method of distribution (including catalog sales, telemarketing, the Internet, or any other existing or future form of electronic commerce), (together referred to as “Alternative Distribution Channels”), or to any person or entity for resale or further distribution. You also do not have the right to subfranchise, sublicense, assign, or transfer your rights under this Agreement, except for an assignment or transfer as specifically provided in this Agreement.

Except as noted below, during the term of your Franchise Agreement, we will not establish or, operate, or license any other party the right to establish or operate a Franchised Business offering the same Approved Service Line at the same Service Level in which you are authorized to provide under the Franchise Agreement from an office or business address located inside your PAR, with the exception of Document Services. Even if approved to do Document Services, you do not have exclusive rights to perform Document Services in your PAR. Other Franchisees and/or any of our Affiliates may indirectly advertise inside your PAR by advertising in national or regional print or other media not directed primarily at persons inside your PAR but which may reach or be received by persons in the PAR. You may advertise either as a single Franchisee, or if the advertising venue encompassing your PAR includes another franchisee’s PAR, we may require that you advertise as a prorated participant in a common group advertisement. You may not, without our prior written consent, conduct any business outside your PAR nor directly advertise outside your PAR, even if the area has not been awarded to another Franchisee or Affiliate offering the same Approved Restoration Services (an “Open PAR”), without our prior written consent. If there is someone who operates a different Service Line in the same PAR as you, they and you may market all the RSFG Approved Restoration Services, but they may not provide services other than the Service Lines that they are authorized to provide under their Franchise Agreement, and you may not provide services other than the Approved Service Lines you are authorized to provide under your Franchise Agreement. If you receive a lead for a service other than your Approved Service Lines, you must refer the lead to us or to the Franchisee offering the applicable Service Line, as we direct.

If a customer located inside your PAR needs service outside your PAR, you may provide service to this customer provided that (i) the service may only be performed in an Open PAR, and (ii) you receive prior written permission from us. If at any time the Open PAR is awarded to another Franchisee or to one

of our Affiliates, you must transfer all business you conducted inside the Open PAR to the new Franchisee or our Affiliate.

If you fail to properly perform a service or fail to provide a customer with a warranty in the form we prescribe, you will be given 30 business days to cure this default. If you fail to cure this default during the 30-day period, we may refer the business to another System Franchisee or one of our affiliates to perform the work with no further obligation to you, financial or otherwise, and you agree to fully indemnify us for any non-compliant work you performed.

Except as noted in this item, we will not alter the PAR or your territorial rights during the term of the Franchise Agreement without your prior written consent. You do not receive the right to acquire additional franchises within or outside of your PAR unless you meet our then-current expansion requirements, pay us a fee, and sign another franchise agreement with us. You may not relocate your office without our prior written approval. We will approve the relocation of your office provided the new location meets our then-current site criteria standards and is located inside your PAR.

The Franchise Agreement does not grant you any franchisee options, rights of first refusal, or similar rights to acquire additional franchises.

#### Services Performed

Your Business will offer the Approved Service Lines, primarily for Service Level 1 claims. You may not offer services above the Service Level that you have been approved to offer. Service Levels are set by the complexity and scope of the restoration to be performed (collectively referred to as "Service Levels"). All Franchisees are automatically approved to perform Service Level 1 claims after their successful completion of Initial Training.

**Art Service Line:** Your skillset will determine what services you are approved to provide, which may include cleaning, repair, restoration, and/or conservation. If you are authorized to provide Art Services, should you encounter Artwork and Collectibles that require services beyond your approved Service Level or that carry an art insurance rider, you must contact us for approval prior to performing services on those items. We may approve you to service the Artwork and Collectibles with or without assistance, or we may require you to refer the items to a location that has the appropriate Service Level approval for servicing that item. Considerations for approval include items such as training, education, certifications, years of experience, and other similar criteria. We also may require that you complete additional training for more complex items. Considerations for approval to additional Service Levels will be available in our Operations Manual and may be periodically updated.

**Electronics Service Line:** For any commercial claims above the Service Level for which you have been approved, you must contact us for approval prior to servicing the commercial claim. We may approve you to service the commercial claim with or without assistance. Considerations for approval include items such as staffing levels, available equipment, experience, and financial qualifications. We also may require that you complete additional training for more complex jobs. You may not restore medical equipment or any other equipment that requires third-party certification without our prior written permission. If approved, you will need to retain a copy of the third-party certification in the customer file. Considerations for approval to additional Service Levels will be available in our Operations Manual and may be periodically updated.

**Document Service Line:** For any Document claims above the Service Level for which you have been approved, you must contact us for approval prior to servicing the claim. We may approve you to service the claim with or without assistance. Considerations for approval include items such as staffing levels, available equipment, experience, and financial qualifications. We also may require that you complete additional training for more complex jobs. Considerations for approval to additional Service Levels will be available in our Operations Manual and may be periodically updated.

You must refer all jobs for Service Lines or Service Levels that you are not approved to do to us, and we may assign the job to either our Affiliate or another System Franchisee who is approved to perform those Service Lines or Service Levels. We will assign you any jobs we receive for service in your PAR for the Service Lines and Service Levels that you are approved to service, with the exception of Document Services (see below). We, our Affiliates, and/or another System franchisee may perform a job in your PAR if the job is at a Service Level that you have not yet been qualified to perform or a Service Line you have not been approved to perform, provided that the location performing the work has been qualified to perform jobs of that Service Level and/or Service. For example, if you have not been qualified to do Service Level 2, but another Franchise is qualified, then they could complete the job in your PAR, but if you were also qualified to do Service Level 2 jobs, then the job would be assigned to you. Additionally, we, our affiliates, and/or other System franchisees may perform a job in your PAR if you decline a job.

If more than one location is approved to perform Document Services in a PAR at the Service Level required for the claim, we will assign the job to the location closest to the claim. Alternatively, we may elect to assign the claim in a round-robin manner. However, if you are approved to do Document Services at that Service Level and you receive the call directly, you may service the Document claim.

If a customer directly contacts us, another System Franchisee, or one of our Affiliates and requests Service Lines different from those awarded to you (for example, if you were approved to do art restoration but not electronic restoration), and such a job is in your PAR, we, our Affiliates, and/or other RSFG Franchisees may perform the work inside your PAR without any compensation to you.

If you should refer a job to a Franchisee authorized to provide one or more Restoration Services, they may elect to pay you a referral fee, and vice versa. Alternatively, you and the referral Franchisee may elect not to pay each other referral fees. Should you elect to pay each other a referral fee, the referral fee should be agreed upon by the parties in writing. Referral fees must be recorded in the Computer System but are excluded from Gross Sales for royalty calculation purposes and do not count towards fulfillment of your minimum gross sales requirements.

In the event of catastrophic loss, which is defined as an area deemed by the government as a state or federal disaster area, or if you so request, then we may send a Commercial Loss Team (“CLT”), which may consist of RSFG, its Affiliates and other System Franchisees. (Although RSFG does not currently operate any franchises like the type being franchised, RSFG reserves the right to do so; additionally, we or our designees may supply management or administrative support in the event of a catastrophic loss). If you are part of CLT, you may be required to pay a referral fee to the local franchisee, as outlined in the then-current Operations Manual.

#### National Accounts

We, and our Affiliates, have the right to create and implement local, regional, and national relationships with customers (a “National Account”). We reserve the right to contract these services to any other entity at any time or to complete them ourselves. We may designate a customer as a National Account based upon (i) the size of the customer (if it encompasses the territories of two or more franchisees), (ii) size and/or scope of the work to be performed, and/or (iii) number of employees needed to complete the work. We or our designee will serve as the central contact within the System for all National Accounts to refer business, and we will assign the National Account business relationship for a specific project or portion of a project to a System Franchisee or to one of our Affiliates, who is able to perform the services and do so within the timeframe required regardless of whether the National Account work will be performed inside or outside your PAR.

If the National Account work will be performed inside your PAR, we may assign the National Account work to you for any Primary Approved Services for which you are approved to perform, provided you meet all standards and requirements necessary to complete the work. To receive National Account work, you may be required to meet certain standards and requirements, including entering into a separate agreement with the National Account vendor, paying a referral fee, being available for emergency response

24/7, agreeing to give a percentage discount, completing additional training, increasing your insurance, agreeing to the National Account's procedures, and/or meeting standards for response time or customer service. We reserve the right to charge a fee not to exceed 1% of Gross Sales or our actual costs in administering that program, whichever amount is more. We or a third party we designate (which may be another System Franchisee or Affiliate) may perform National Account work inside your PAR if you do not qualify to do the National Account work or if you opt out of the program.

If we assign work for a National Account to you and you perform the work, you will retain all Gross Sales for the work you performed for the National Account and pay us our standard Royalty and National Marketing Fee as outlined in Article 8.B., as well as any National Account fees.

Procedures for referring National Account jobs outside of your Approved Service Line or Service Level, or for Document Services, will follow the same guidelines as referenced above in this Item 12, in the section titled "Service Levels".

#### Co-venturing.

Co-venturing is defined as any job or project that would require two or more System Franchisees that offer the same Service Lines to complete. You may not service a customer if doing so is beyond your current equipment and/or personnel capabilities or if it would disrupt the normal servicing of your customers without our prior written approval. Co-venturing with other franchisees must be managed through us, and you may not negotiate directly with other System Franchisees for co-venturing at any time. We will determine whether to approve a co-venture or require that you refer the job to us or one of our Affiliates.

#### Rights We Reserve

We retain all rights that are not expressly granted to you under the Franchise Agreement. Further, we or our Affiliates may, among other things, on any terms and conditions we deem advisable, without compensation to any franchisee and without granting you any rights:

- (i) establish and operate a franchised or affiliate-owned business offering any or all Restoration Services whose office or business address is located outside your PAR;
- (ii) establish and operate, and/or license others to establish and operate, within and outside of your PAR, any business offering the same services you are authorized to provide under the Franchise Agreement under marks other than the Trademarks, which business or businesses may solicit and provide services to any customer located inside and outside your PAR;
- (iii) establish and operate, and/or license others to establish and operate, within and outside of your PAR, any business providing services other than the Approved Services Lines you are authorized to provide under the Franchise Agreement under the same or different Trademarks or any other marks, which business or businesses may solicit and provide services to any customer located inside and outside your PAR, including, without limitation, Document Restoration;
- (iv) offer, sell or distribute, within and outside your PAR, any products associated with the System (now or in the future) and/or identified by any of the Trademarks, or any other marks, through any distribution channels or methods, including, without limitation, to other recovery, repair, and restoration of Artwork and Collectibles, fabric, clothing and textiles, document, books, and paper, electronic restoration, and/or data recovery, businesses, stores or locations, and/or any business or store of any kind, and/or by mail order, catalog, and/or the Internet (or any other existing or future form of electronic commerce);

- (v) merge with, acquire, or become associated with any businesses or stores of any kind under other systems and/or other marks, which businesses and stores may convert to or operate under the Trademarks and offer or sell products and services that are the same as, similar to, or different than the products and services offered at or from your Business, and which may be located anywhere within or outside your PAR; and
- (vi) we reserve the exclusive right to market to all national and regional offices for insurance adjusters, general contractors or re-construction services, contents cleaning companies, third-party administrators, or similar restoration industry business concepts even if such office is in your PAR. However, we agree to refer you all residential and commercial jobs for your Approved Service Lines for which you qualify, which are in your PAR and are attained from these solicitations.

We are not required to pay you any compensation if we exercise any of the rights specified above inside or outside your PAR except as described in this Item.

Although we have the right to do so (as described above), we have not operated or franchised and have no plans to operate or franchise other businesses selling similar products or services under different proprietary marks.

Except as described in Item 12, we do not restrict you from soliciting or accepting orders from any customer or potential customer located within your PAR.

RSFG, SEMI, ART Inc., and/or its Affiliates also locate, sell, and manage restoration projects throughout the United States. Nothing in this Item 12 limits our or our Affiliates' right to investigate, estimate, manage, and conduct such work within your PAR for prospective and existing National Accounts.

#### Additional Franchises

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

- A. You have been operating your business for at least one year and are in compliance with your Franchise Agreement in all major respects.
- B. You are not operating in default and have not been in default during the preceding 12 months.
- C. Funding – You are able to pay the full Franchise Fee, purchase another Turn-Key Business Package, secure a physical location in the new PAR, hire a BDM and other staff to run the location, and have enough working capital to operate and market the new business without affecting your current Franchised Business.
- D. Outstanding Fees – All Royalty and National Marketing Fund Fees are current for the past twelve months (this includes entering payments into the software the week they are received). No other outstanding payments are outstanding to RSFG or any of its Affiliates.
- E. Vehicles – Your vehicles are in good working order, and with the approved color and decals.
- F. Uniforms – You and your staff wear the approved uniform when interacting with customers/referral partners.
- G. Insurance – All of your insurance policies are current and meet the then-current minimum requirements, and evidence satisfactory to us has been submitted to the Home Office.
- H. Conventions / Meetings – You are in compliance with regular attendance at all Conventions / Meetings (at least one per year).

- I. Reports – You submit on time, all profit & loss statements, bank statements, deposit details, tax returns, and any other required reports, during each of the past 12 months.
- J. Minimum Revenue – Meeting the minimum revenue requirements in each of your PARs over the last twelve months.
- K. Minimum Sales Activity Score – Meeting a minimum Sales Activity Score of 60 or more in each of your PARs over the past 12 months.
- L. Other Requirements – The territory may not be currently engaged in an active sale process with an identified candidate. The expansion may not hamper the ability to sell an adjacent territory. In the last twelve months, you have not previously expanded or had your business up for sale. You must follow all of the Expansion Procedures, including but not limited to the execution of all required documents and the payment of any fees.

#### Minimum Royalty Requirement

Following your first full year of operation of a Franchised Business, each month during the term of this Agreement, you must pay us a minimum monthly royalty fee (the “Minimum Monthly Royalty”). The Minimum Monthly Royalty is based on years of operation, the number of Service Lines that you operate, and is per PAR, as outlined in the table below.

Years in business	Minimum Monthly Royalty per PAR		
	Single Service Line	Two Service Lines	Three Service Lines
Year 1	No Minimum	No Minimum	No Minimum
Year 2	\$1,050	\$1,575	\$2,100
Year 3	\$1,275	\$1,913	\$2,550
Year 4	\$1,425	\$2,138	\$2,850
Years 5 or more	\$1,650	\$2,475	\$3,300

Should you not meet the Minimum Monthly Royalty, then we may charge you a fee for the difference (the “Shortfall”). For example, if the Minimum Monthly Royalty is \$1,425 in a month, and you paid royalty of \$1,000, then the minimum royalty fee would be \$425 (\$1,425-\$1,000).

In addition, should we assess a Shortfall for three or more months in a twelve-month period, then we may also elect to establish another franchisee or affiliate in your PAR and/or allow another franchisee or an affiliate to advertise and service customers located inside your PAR.

The Minimum Monthly Royalty applicable to the Business you operate may vary from the performance standards applicable to other RSFG Franchised Businesses due to geographic area and other variables. We reserve the right to adjust the Minimum Monthly Royalty requirement for oversized PARs.

However, it is agreed that if you have met the Minimum Monthly Royalty requirement in a PAR over the last rolling 12-month period, then we will not assess the Minimum Monthly Royalty for that month for that PAR. For example, if your Minimum Monthly Royalty is \$3,300, and you paid royalties in that PAR of \$0 in a given month, AND you had also paid \$39,600 in royalties over the last 12 months for that PAR, then the Minimum Monthly Royalty for that month in that PAR would be \$0. However, if you had paid \$30,000 in royalties over the last 12 months in that PAR, then the Minimum Monthly Royalty in that PAR for that month would be \$9,600.

Failure to pay the Minimum Monthly Royalty constitutes a default under the Franchise Agreement. We will not modify your PAR if you fail to pay the Minimum Monthly Royalty or based upon any other contingency. If you fail to cure any Minimum Monthly Royalty default by paying the Minimum Monthly Royalty within 30 days, we may terminate the Franchise Agreement.

### **ITEM 13: TRADEMARKS**

We grant you the right to operate the Franchised Business under the marks we designate based on the Approved Restoration Services you are authorized to provide under the Franchise Agreement. We may also permit you to use our other current or future trademarks to operate your Franchised Business, as we determine in our sole discretion. The term “trademark” includes service marks, trade names, slogans, insignia, logos, labels, and trade dress. We currently have no marks registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”), but our affiliates own the following registrations on the Principal Register of the USPTO for the following Proprietary Marks:

<b>Principal Trademarks</b>	<b>Registration Date</b>	<b>Registration Number</b>	<b>Register</b>	<b>Owner</b>
Prism Specialties (word mark)	October 18, 2022	6,875,493	Principal	RSFG
	December 27, 2022	6,933,581	Principal	RSFG
	December 11, 2012 (renewed November 15, 2022)	4,257,047	Principal	RSFG
	August 11, 2009 (renewed August 24, 2018)	3,665,865	Principal	RSFG
 Electronic Restoration Services (word plus design logo)	March 23, 2010 (renewed August 15, 2020)	3,762,627	Principal	RSFG
Electronic Restoration Services (word mark)	August 19, 2014 (renewed October 30, 2024)	4587486	Principal	RSFG
ERS (wordmark)	August 19, 2014 (renewed October 29, 2024)	4587485	Principal	RSFG

Principal Trademarks	Registration Date	Registration Number	Register	Owner
 (word plus logo design)	May 25, 2021	6365240	Principal	RSFG
 (Wordmark plus design)	May 25, 2021	6381179	Principal	RSFG
 (Wordmark)	June 8, 2021	6381178	Principal	RSFG
 (Wordmark plus design)	8/18/2015	4794257	Principal	RSFG
 (Wordmark)	2/16/2010 (renewed May 28, 2019)	3749756	Principal	RSFG

We are the owners of all the above marks and have filed all applicable applications, required affidavits, and renewals for the Proprietary Marks.

There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, no pending interference, opposition, or cancellation proceedings, nor any pending material litigation involving the Proprietary Mark.

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

prosecute actions against third parties for infringement or threatened infringement of any of the Proprietary Marks.

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

We are not aware of any superior prior rights or infringing uses that could materially affect your use of the Proprietary Mark in any state. Therefore, before entering into the Franchise Agreement, you should make every effort to ascertain that there are no existing uses of the Proprietary Mark or confusingly similar marks being used in the market area where you wish to do business. You should immediately notify us of any confusingly similar marks you discover.

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

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

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

Proprietary Mark including, without limitation, on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations as we may designate in writing in.

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

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

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

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

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

If you, your employees, or principals develop any new concept, process or improvement in the operation or promotion of the Franchised Business, you must promptly notify us and provide us with all necessary related information, without compensation. Any such concept, process or improvement will become our sole property and we will be the sole owner of all patents, patent applications, trademarks, copyrights, and other related intellectual property rights. You and your principals will assign to us any

rights you may have or acquire, including the right to modify the concept, process, or improvement, and otherwise must waive and/or release all rights of restraint and moral rights. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, process, or improvement in all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing these rights. You and your principals will irrevocably designate and appoint us as your agent and attorney-in-fact to execute and file any documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any concept, process, or improvement. If these provisions are found to be invalid or otherwise unenforceable, you and your principals will grant to us a worldwide, perpetual, non-exclusive, fully paid license to use and sublicense the use of the concept, process, or improvement if this use or sublicense would otherwise directly or indirectly infringe your rights.

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

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

You (or at least one of your principals if you are a corporation or partnership) must personally supervise the day-to-day operations of the Franchised Business. You must devote your personal full-time attention and best efforts to the management and operation of the Franchised Business. You may, however, delegate the day-to-day management of your Franchised Business to a manager (the "Designated Manager"). We must approve your Designated Manager and your Designated Manager must successfully complete our Initial Training Program before assuming any managerial responsibility. At all times, your Franchised Business must be staffed by you (or one of your principals, who must have completed our Initial Training Program,) and/or your Designated Manager. If you operate in more than one physical location, you must have one (1) or more properly trained Designated Manager(s) who has been approved by us at each location. You shall keep us informed at all times of the identity of any employee acting as a Designated Manager of a Franchised Business. Designated Manager shall devote their full time and best efforts to the day-to-day operation and management of the Franchised Business and shall not engage in any other business activity without our prior written consent. The franchisee, and if applicable, its owners, partners, and any spouses of the forgoing must execute the form of Personal Guaranty attached to the Franchise Agreement as Exhibit A.

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

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

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

Item 8 of this Disclosure Document describes our requirements for approved supplies and vendors. You must offer for sale at the Franchised Business all the services and products that we periodically require, and you may not offer at the Business any unapproved services or products or use the office location (if applicable) for any purpose other than the operation of the Franchised Business nor may any products be sold to consumers or contractors without our prior written approval. You may not perform restoration services except for those Service Lines for which you have been approved.

Your skill set will determine what specific services you are approved to provide, which may include for example, cleaning, repair, restoration, commercial work, and/or conservation (collectively referred to as “Service Levels”). You may not offer services above the Service Level that you have been approved to offer.

If you are authorized to offer Art Services, you will be approved to at a minimum offer Service Level 1 cleaning services. Should you encounter Artwork and Collectibles that require services beyond your approved service level, or that carry an art insurance rider, you must contact us for approval prior to performing services on those items. We may approve you to service the Artwork and Collectibles with or without assistance, or we may require you to refer the items to a location that has the appropriate Service Level approval for servicing that item. Considerations for approval include items such as training, education, certifications, years of experience, and other similar criteria. We also may require that you complete additional training for more complex items. Considerations for approval to additional Service Levels will be available in our Operations Manual and may be periodically updated.

If you are authorized to offer Electronic Services, you will be approved to a minimum offer Service Level 1 electronic commercial services. You may not perform Service Level 2 or above electronic commercial restoration services until we, in our sole judgment, determine that you have gained sufficient experience in the performance of commercial restoration services. As you grow and become a more experienced franchisee, we may come to an agreement that you may begin to handle those larger commercial jobs, with the proper guidance. We estimate that it will take at least 1-2 years after you sign your Franchise Agreement for you to have sufficient experience to service commercial claims at Service Level 2. Additionally, you may not restore medical equipment, or any other equipment that requires third party certification without our prior written permission. If approved, you will need to retain a copy of the third-party certification in the customer file.

You must refer all Restoration Services other than the Service Lines that you were approved to perform in your Franchise Agreement to us or our designee. You must refer all Restoration Services that are at a Service Level above your approved Service Level to us or our designee. Any other services not covered by your Franchise Agreement license must be referred to a third party unless indicated otherwise in writing by us.

You may not resell, give, lease, rent or otherwise distribute any products that you purchase from us or our affiliates to any third party.

You may not market to any national and regional offices for insurance adjusters, general contractors or re-construction services, contents cleaning companies, third-party administrators, even if such office is in your PAR without our prior written permission. However, we agree to refer to you all claims that you are qualified to service, that are in your PAR, and which are attained from these solicitations, in accordance with the provisions of this section.

Except as noted above, you are not otherwise restricted to the customers located in your PAR to whom you may sell products or services except as otherwise expressly provided in writing by us. The success of the Franchised Business is largely dependent on your ability to attract and retain customers.

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

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

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

#### **THE FRANCHISE RELATIONSHIP**

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

	<b>Provision</b>	<b>Article in Franchise Agreement</b>	<b>Summary</b>
a.	Length of the franchise term	Article 4.A	Term is 10 years.
b.	Renewal or extension of the term	Article 4.B	Two renewal terms equal to 10 years each
c.	Requirements for franchisee to renew or extend	Article 4.B	<p>You give us written notice of your decision to renew at least 9 months before the end of the expiring term; you sign our then-current form of Franchise Agreement, which may have materially different terms and conditions from the original Franchise Agreement; you are not in default and have satisfied your obligations on a timely basis, including the Minimum Monthly Royalty; you make any updates to the Business facilities, equipment and supplies as we require; you comply with our training requirements; you sign a release; and you pay us the then current renewal fee, currently \$5,000, and capped at 20% of the Initial Franchise Fee.</p> <p>If you seek to renew your franchise at the expiration of the initial term or any renewal term, you may be asked to sign a new Franchise Agreement that contains terms and conditions materially different from those in your previous Franchise Agreement, such as different fee requirements and territorial rights.</p> <p>If you do not qualify for renewal of your Franchise Agreement and, we may, in some cases, but are not required to, offer to enter into a Franchise Agreement for a smaller territory, or for some but not all of your PARs, and you would have the option to accept on the terms offered.</p>
d.	Termination by franchisee	Article 11.B	Provided that you have been in full compliance with all terms and conditions of the Franchise Agreement, you may terminate the Franchise Agreement for material breach, if you have given us 30-days written notice of breach and allowed us 30 days to cure, during which time we did not cure the breach

	<b>Provision</b>	<b>Article in Franchise Agreement</b>	<b>Summary</b>
e.	Termination by franchisor without cause	Not Applicable	None
f.	Termination by franchisor with cause	Article 11.A	We can terminate the Franchise Agreement only if you default or fail to comply with your obligations
g.	“Cause” defined – curable defaults	Article 11.A	You have 10 days to cure the non-submission of reports and non-payment of amounts due and owing; 10 days to cure a default of failure to carry the insurance that we require provided that you refrain from serving customers during that time period; 60 days to cure a default of the Minimum Performance Standards and/or Customer Satisfaction Ratings; 24 hours to cure any default that materially impairs the goodwill associated with the Marks, violates any health or safety law or regulation, or if the operation of the Business presents a health or safety hazard to the public, your employees or customers; 30 days to cure defaults for the failure to abide by our standards and requirements in connection with the operation of the Business, or failure to meet any requirements or specifications established by us, and any other default not listed in “h” below
h.	“Cause” defined – non-curable defaults	Article 11.A	Non-curable defaults include: (i) willful and material falsification of any report, statement or other written data furnished to us; (ii) conviction of you, your Principal Operator or any Personal Guarantor of (or pleading no contest to) any felony or offense that brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair the goodwill of any of the Trademarks (e.g., offense involving crime of moral turpitude); (iii) your insolvency or any Personal Guarantor’s insolvency; (iv) making an assignment or entering into any similar arrangement for the disposition of assets for the benefit of creditors; any unauthorized assignment or transfer of the Business, the Franchise Agreement or the stock of franchisee; (v) any instance where you willfully deceive customers relative to the source, nature or quality of services sold; (vi) any default that results from a subsequent audit of the Business conducted within two years of a previous audit and both audits reveal a variance of 2% or more for failure to timely record payments received for Restoration Services in the Software; (vii) voluntary abandonment of the Business, (viii) servicing

	Provision	Article in Franchise Agreement	Summary
			customers at a time when you are not carrying the insurance we require; (ix) violation of any covenant of confidentiality, non-disclosure or noncompetition; or (xi) any default by you that is the third similar default within any 12 month consecutive period. Furthermore, we may declare the Franchise Agreement null and void if you make any material misrepresentation on the franchise application or otherwise relating to the acquisition of the franchise
i.	Franchisee's obligations on termination/non-renewal	Article 12	Obligations include complete de-identification and payment of amounts due, assignment of lease upon our demand, assignment of all telephone numbers used in connection with the Business (e.g., employee cell phones), domain names and all e-mail addresses used for Business-related matters (including personal accounts as applicable), and return of Operations Manual and related writings (also see o and r below)
j.	Assignment of contract by franchisor	Article 15	No restrictions on our right to assign
k.	“Transfer” by franchisee - defined	Article 14.A	Includes any transfer of your interest in the Franchise Agreement or in the Business or any ownership change listed in Article 14.A of the Franchise Agreement
l.	Franchisor approval of transfer by franchisee	Article 14.B	We have the right to approve all transfers but will not unreasonably withhold approval
m.	Conditions for franchisor approval of transfer	Article 14.C	Transferee meets all of our then-current requirements for a franchisee, transfer fee paid, any applicable resale assistance fee paid, all amounts owed by prior franchisee paid, required modernization is completed, training completed, required guarantees signed, necessary financial reports and other data on franchise business is prepared, release signed by you, non-compete signed by you (also see r below); transferee, or those controlling, or under common control with, the transferee, cannot, as a result of the transfer or otherwise, control franchises with combined annual revenues of 15% or more of the annual revenues of all Prism Specialties franchises in the network. We also have the right to temporarily assume management and control of customer accounts of the Business during any transition period to ensure the continued integrity of the Trademarks and system

	<b>Provision</b>	<b>Article in Franchise Agreement</b>	<b>Summary</b>
n.	Franchisor's right of first refusal to acquire franchisee's business	Article 14.E	We can match any offer for the Business assets, and, in the case of a proposed stock sale, we can purchase the Business assets at a price determined by an appraiser, unless you and we agree otherwise.
o.	Franchisor's option to purchase franchisee's business	Not Applicable	None
p.	Death or disability of franchisee	Article 14.D	You can transfer your franchise rights to your heir or successor in interest like any other transfer, provided the person is approved by us, satisfies our training requirements and other transfer conditions. During any transition period, we have the right to assume management and control of the Business
q.	Non-competition covenants during the term of the franchise	Articles 10.D.1 and 10.D.2	No direct or indirect involvement in any business that: (a) sells or offers services that are the same as or similar to any of the Service Lines, any services offered or provided by the Franchised Businesses or its Affiliates, or any other restoration business (each a "Competing Business"), and/or (b) offers or sells franchise opportunities or license opportunities for a Competing Business. The term Competing Business does not include a Franchised Business operated pursuant to a Franchise Agreement.
r.	Non-competition covenants after the franchise is terminated or expires	Articles 10.D.1 & 10.D.3	No direct or indirect involvement in a Competing Business for 2 years following the expiration, transfer, or termination of the Franchise Agreement: (i) in the PAR, (ii) within 40 miles of the former PAR, (iii) within the PAR of another System Franchisee; or (iv) within the PAR of an Affiliate who operates under any of the Proprietary Trademarks.
s.	Modification of the agreement	Articles 3, 6 & 16.B	No modifications generally, but we have the right to change the Operations Manual, list of authorized trademarks and list of Authorized Products and Vendors
t.	Integration/merger clause	Article 16.B	Only the terms of the Franchise Agreement and other related written agreements (including System Standards in the Operations Manual) are binding (subject to state law). Any statements or promises not in the Franchise Agreement or this Disclosure Document should not be relied upon and may not be enforceable

	<b>Provision</b>	<b>Article in Franchise Agreement</b>	<b>Summary</b>
u.	Dispute resolution by arbitration or mediation	Article 13	Except for certain claims (including any action related solely to the collection of moneys owed to us or our affiliate), all disputes must be mediated and arbitrated.
v.	Choice of forum	Article 16.I	Litigation must be in the applicable federal or state court where our headquarters are located (currently, Orlando, Florida) (subject to state law).
w.	Choice of law	Article 16.I	Except for claims under federal trademark law, and the parties' rights under the Federal Arbitration Act, the laws of the state of our then current National Headquarters (presently Florida) will govern (subject to state law).

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

We do not use any public figure to promote our franchise, but we reserve the right to do so in the future.

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

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

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

The following tables show Gross Sales and Job Size for Franchisees by Service Line and/or number of Service Lines.

As of December 31, 2023, there were: (a) thirty-one (31) Franchisees operating 65 Franchises offering Electronic Services; (b) 30 Franchisees operating 59 Franchises offering Art Services; and (c) 28 Franchisees operating 32 Franchises offering Textile Services. Of those (a) (b) (c), 11 locations operate a single Primary Service Line, and 29 offer two or more Primary Service Lines. All charts exclude Franchises that were not open for a full 12-month period. In 2023, results were excluded for one location that was signed but not opened (1 Textile); for 8 locations that closed (4 Electronics, 2 Art, and 2 Textile); for 1 Textile location that was not open for a full 12-month period.

As of December 31, 2024, there were (a) 31 Franchisees operating 65 Franchises offering Electronic Services, (b) 31 Franchisees operating 60 Franchises offering Art Services, and (c) 28 Franchisees operating 40 Franchises offering Textile Services. Of those (a), (b), and (c), 9 locations operate a single Primary Service Line, and 29 offer two or more Primary Service Lines.

All charts exclude Franchises that were not open for a full 12-month period.

We have not included the Large Loss revenue from a former company store that converted into a Franchise in June 2024, because a substantial amount of their revenue is from other Franchisees who referred work to them, which is different from the scope of work that will be performed by the businesses described in this Disclosure Document, their revenue that is the same scope of work is included.

### **Notes:**

“Gross Sales” is the total revenue collected and derived from selling restoration services, less tax, discounts, allowances, returns, or refunds. Gross Sales are as reported to us in the software. It does not include any referral fees paid to them or revenue from other sources.

“Average” is the sum of all jobs that comprise the Gross Sales above, divided by the number of jobs in that set.

“Median” is found by taking the total number of jobs that make up the Gross Sales above and finding the middle number in that set.

All numbers are as reported by the Franchisees to us in the Software. In 2023, some Franchisees owned multiple franchises but reported their results to us through a single instance of the Software, including twenty-five (25) electronic locations, twenty-two (22) art locations, and twenty-four (24) textile locations. As such, these Franchisee's results are consolidated in the tables below. In both 2023 and 2024, twenty-nine (29) Franchisees operate multiple Service Lines; all such results are consolidated for the tables that show revenue by number of Service Lines. In 2024, some Franchisees owned multiple franchises but reported their results to us through a single instance of the Software, including twenty-five (25) electronic locations, twenty-two (22) art locations, and twenty-six (26) textile locations. As such, these Franchisee's results are consolidated in the tables below.

**TABLE 1: AVERAGE AND MEDIAN ELECTRONIC GROSS SALES FOR LOCATIONS OPEN ONE OR MORE YEARS BY NUMBER OF PRIMARY SERVICE LINES**

The table below identifies average and median Gross Sales information by the number of Primary Service Lines operated by a Franchisee during the 2023 and 2024 calendar years. Note: For Franchisees that opened a second Primary Service Line mid-year, their Gross Sales for that newly opened Service Line are excluded for that year unless they did over \$200,000 in that Service Line, but their Gross Sales for any other Service Lines that had been open for one or more years are included. For 2023, this chart represents the results of the 11 Franchisees operating one Service Line, and 29 operating two or more Primary Service Lines, and had that Service Line open for one or more years as of December 31, 2023. For 2024, this chart represents the results of the 9 Franchisees operating one Service Line, and 29 operating two or more Primary Service Lines, and who had that Service Line open one or more years as of December 31, 2024.

**2024 - AVERAGE AND MEDIAN GROSS SALES FOR FRANCHISEES  
OPEN ONE OR MORE YEARS BY PRIMARY NUMBER OF SERVICE LINES**

# of Service Lines	2024		Average		Median	
	Single	Two or more	Single	Two or more		
Average/ Median	\$638,698	\$1,660,695	\$591,310	\$1,383,001		
High	\$1,013,646	\$5,182,134	\$1,013,646	\$5,182,134		
Low	\$347,892	\$269,865	\$347,892	\$269,865		
Number of Locations	9	29	9	29		
Number At or Above Average/ Median	3	11	5	15		
Number Below Average/ Median	6	18	4	14		
% Above Average/ Median	33%	38%	56%	52%		
% Below Average/ Median	67%	62%	44%	48%		

**2023 AVERAGE AND MEDIAN GROSS SALES FOR FRANCHISEES  
OPEN ONE OR MORE YEARS BY PRIMARY NUMBER OF SERVICE LINES**

# of Service Lines	2023		Average		Median	
	Single Service Line	Multiple Service Lines	Single Service Line	Multiple Service Lines		
Average/ Median	\$637,051	\$1,604,450	\$574,135	\$1,317,539		
High	\$1,488,281	\$4,442,287	\$1,488,281	\$4,442,287		
Low	\$175,783	\$445,596	\$175,783	\$445,596		
Number of Locations	11	30	11	30		
Number At or Above Average/ Median	5	12	6	15		
Number Below Average/ Median	6	18	5	15		
% Above Average/ Median	45%	40%	55%	50%		
% Below Average/ Median	55%	60%	45%	50%		

**TABLE 2: JOB SIZE**

The tables below identify information relating to job size by Primary Service Line during the 2024 calendar years. It represents the 31 Franchises operating the Electronic Service Line, 31 operating the Art Service Line, and 28 operating the Textile Service Line as of December 31, 2024.

Job Size is the average and median of all gross sales of jobs performed in the Service Lines indicated below. The results include only revenue generated for the Service Lines indicated and do not include revenue from any other line of business.

**TABLE 2**  
**AVERAGE AND MEDIAN JOB SIZE BY SERVICE LINE**

Service Line	Average			Median		
	Art	Electronics	Textiles	Art	Electronics	Textiles
<b>Avg/Median Job Size</b>	\$6,679	\$5,528	\$6,862	\$6,146	\$4,592	\$6,115
<b>High</b>	\$26,680	\$18,934	\$17,071	\$26,680	\$18,934	\$17,071
<b>Low</b>	\$1,390	\$2,381	\$0	\$1,390	\$2,381	\$0
<b>Number of Locations</b>	31	31	28	31	31	28
<b>Number At or Above Average/Median</b>	13	10	13	16	16	14
<b>Number Below Average/Median</b>	18	21	15	15	15	14
<b>% Above Average/Median</b>	42%	32%	46%	52%	52%	50%
<b>% Below Average/Median</b>	58%	68%	54%	48%	48%	50%

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**Some outlets have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.**

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. 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 David Wells at 6700 Forum Dr. Ste 150, Orlando, Florida 32821-8013, or 1-888-826-9429, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20: OUTLETS AND FRANCHISEE INFORMATION**  
**Table No. 1A - Systemwide Outlet Summary for Years 2022 to 2024**

**ART SERVICE LINE ONLY**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchisee	2022	60	60	0
	2023	60	58	-2
	2024	58	60	+2
Company-Owned	2022	1	1	0
	2023	1	1	0
	2024	1	0	-1
<b>Total Outlets</b>	<b>2022</b>	<b>61</b>	<b>61</b>	<b>0</b>
	<b>2023</b>	<b>61</b>	<b>59</b>	<b>-2</b>
	<b>2024</b>	<b>59</b>	<b>60</b>	<b>+1</b>

**Table No. 1B - Systemwide Outlet Summary for Years 2022 to 2024**

**ELECTRONIC SERVICE LINE ONLY**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchisee	2022	70	68	-2
	2023	68	64	-4
	2024	64	65	+1
Company-Owned	2022	1	1	0
	2023	1	1	0
	2024	1	0	-1
<b>Total Outlets</b>	<b>2022</b>	<b>71</b>	<b>69</b>	<b>-2</b>
	<b>2023</b>	<b>69</b>	<b>65</b>	<b>-4</b>
	<b>2024</b>	<b>65</b>	<b>65</b>	<b>0</b>

**Table No. 1C - Systemwide Outlet Summary for Years 2022 to 2024**

**TEXTILE SERVICE LINE ONLY**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchisee	2022	22	30	+8
	2023	30	32	+2
	2024	32	40	+8
Company-Owned	2022	1	1	0
	2023	1	1	0
	2024	1	0	-1
<b>Total Outlets</b>	<b>2022</b>	<b>23</b>	<b>31</b>	<b>+8</b>
	<b>2023</b>	<b>31</b>	<b>33</b>	<b>+2</b>
	<b>2024</b>	<b>33</b>	<b>40</b>	<b>+7</b>

**Table No. 1D - Systemwide Outlet Summary for Years 2022 to 2024**

**SYSTEMWIDE OUTLET SUMMARY FOR THOSE OFFERING DOCUMENT SERVICES**

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

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

**ART SERVICE LINE ONLY**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
CO	2022	2
	2023	0
	2024	2
FL	2022	0
	2023	0
	2024	1
KY	2022	0
	2023	0
	2024	1
MD	2022	2
	2023	0
	2024	0
MA	2022	0
	2023	0
	2024	3
MI	2022	0
	2023	1
	2024	0
TX	2022	0
	2023	0
	2024	2
NC	2022	2
	2023	0
	2024	0
<b>Total Outlets</b>	<b>2022</b>	<b>6</b>
	<b>2023</b>	<b>1</b>
	<b>2024</b>	<b>9</b>

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

**ELECTRONIC SERVICE LINE ONLY**

<b>Outlet Type</b>	<b>Year</b>	<b>Number of Transfers</b>
FL	2022	0
	2023	2
	2024	3
MA	2022	0
	2023	0
	2024	3
MD	2022	2
	2023	0
	2024	0
MI	2022	0
	2023	1
	2024	0
NC	2022	2
	2023	0
	2024	0
WI	2022	0
	2023	0
	2024	2
<b>Total Outlets</b>	<b>2022</b>	<b>4</b>
	<b>2023</b>	<b>3</b>
	<b>2024</b>	<b>8</b>

**2C - Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) for Years 2022 to 2024**

**TEXTILE SERVICES ONLY**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
FL	2022	0
	2023	0
	2024	3
MA	2022	0
	2023	0
	2024	1
MI	2022	0
	2023	1
	2024	0
WI	2022	0
	2023	0
	2024	1
<b>Total Outlets</b>	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>1</b>
	<b>2024</b>	<b>5</b>

**2D - Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) for Years 2022 to 2024**

**DOCUMENT SERVICES ONLY**

State	Year	Number of Transfers
<b>Total Outlets</b>	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>0</b>
	<b>2024</b>	<b>0</b>

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

**ART SERVICE LINE ONLY**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – other Reasons	Outlets at End of Year
AL	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
AZ	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
CA	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
CO	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
CT	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
FL	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	1	2
	2024	2	1	0	0	0	0	3
GA	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
IL	2022	2	0	0	0	0	1	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
IN	2022	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – other Reasons	Outlets at End of Year
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
KY	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
MD	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
MA	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
MI	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
MN	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
MO	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
NJ	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
NY	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
NC	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
OH	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
OK	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
OR	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – other Reasons	Outlets at End of Year
PA	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
SC	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
TN	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
TX	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
	2024	7	0	0	0	0	0	7
VA	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
WA	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Total	2022	60	1	0	0	0	1	60
	2023	60	0	0	0	0	2	58
	2024	58	2	0	0	0	0	60

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

**ELECTRONIC SERVICE LINE ONLY**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – other Reasons	Outlets at End of Year
AL	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
AR	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	2	0
	2024	0	0	0	0	0	0	0
CA	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
CO	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – other Reasons	Outlets at End of Year
CT	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
FL	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	1	5
	2024	5	0	0	0	0	0	5
GA	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
IN	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
IL	2022	2	0	0	0	0	1	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
KY	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
LA	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
MD	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
MA	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
MI	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
MN	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
MO	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
NJ	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
NY	2022	5	0	0	0	0	1	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
NC	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – other Reasons	Outlets at End of Year
OH	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
OK	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
OR	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
PA	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
SC	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
TN	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
TX	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
	2024	7	0	0	0	0	0	7
UT	2022	1	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
VA	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
WA	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
WI	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Total	2022	70	1	0	0	0	3	68
	2023	68	0	0	0	0	4	64
	2024	64	1	0	0	0	0	65

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

**FRANCHISEES AUTHORIZED TO OFFER TEXTILE SERVICES ONLY**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – other Reasons	Outlets at End of Year
AL	2022	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – other Reasons	Outlets at End of Year
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
CA	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
CO	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
CT	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
FL	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	1	2
	2024	2	1	0	0	0	0	3
GA	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
IL	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
IN	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
KY	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
MD	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
MA	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
MI	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
MN	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – other Reasons	Outlets at End of Year
MO	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
NJ	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
NY	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
NC	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
OH	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	1	0	0	0	0	3
OK	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
OR	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
PA	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	3	0	0	0	0	3
SC	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
TN	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
TX	2022	3	0	0	0	0	0	3
	2023	3	2	0	0	0	0	5
	2024	5	0	0	0	0	0	5
UT	2022	1	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
VA	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – other Reasons	Outlets at End of Year
	2024	1	0	0	0	0	0	1
WI	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	<b>Total</b>	<b>2022</b>	<b>22</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>30</b>
	2023	30	4	0	0	0	2	32
	2024	32	8	0	0	0	0	40

**Table No. 3D - Status of Franchised Outlets for Years 2022 to 2024**  
**DOCUMENT SERVICES ONLY**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – other Reasons	Outlets at End of Year
MI	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	1	0
<b>Total</b>	<b>2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2024</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>

**Table No. 4A - Status of Company-Owned Outlets for Years 2022 to 2024**  
**ART SERVICE LINE ONLY**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
MI	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	1	0
<b>Total</b>	<b>2022</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2023</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2024</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>

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

**ELECTRONIC SERVICE LINE ONLY**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
MI	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	1	0
Total	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	1	0

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

**TEXTILE SERVICE LINE ONLY**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
MI	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	1	0
Total	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	1	0

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

**DOCUMENT SERVICE LINE ONLY**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
MI	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	1	0
Total	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	1	0

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

**ART SERVICE LINE ONLY**

State	Franchise Agreements signed but Outlet not opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	2	0
Iowa	0	1	0
<b>Total</b>	<b>0</b>	<b>3</b>	<b>0</b>

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

**ELECTRONIC SERVICE LINE ONLY**

State	Franchise Agreements signed but Outlet not opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	2	0
Iowa	0	1	0
<b>Total</b>	<b>0</b>	<b>3</b>	<b>0</b>

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

**TEXTILE SERVICE LINE ONLY**

State	Franchise Agreements signed but Outlet not opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	2	0
Iowa	0	1	0
<b>Total</b>	<b>0</b>	<b>3</b>	<b>0</b>

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

**DOCUMENT SERVICE LINE ONLY**

State	Franchise Agreements signed but Outlet not opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	2	0
Iowa	0	1	0
<b>Total</b>	<b>0</b>	<b>3</b>	<b>0</b>

**Note 1:** Below are the names, addresses of all our Franchisees as of the date of this Disclosure Document who had an outlet terminated, transferred, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement in the last fiscal year.

- Cash, Bryan, Steven, Patricia, and April: 1417 49<sup>th</sup> Ave NE, St. Petersburg, FL, 33703 #727-251-9090 (Transfer. 3 Electronic, 1 Art, 3 Textile.)
- Foster, Ian: 37 Douglas Rd, Sutton MA 01590, #508-341-2163 (Transfer. 3 Electronic, 3 Art, 1 Textile.)
- Freeman, Wilbur Anthony: 3003 Aqua Vista Road, West Union SC 29696 #920-370-2664 (Transfer. 2 Electronic, 1 Textile.)
- Kinney, Michael: 10540 Bissonnet Street, Ste 150, Houston TX 77099 #832-671-4935 (Transfer. 2 Art. Still operates Electronic and Textile units.)
- Mercado, Caesar and Ann: 1600 Ashton Ridge Dr., Prosper TX 75078 #469-879-7136 (Transfer. 2 Art.)
- Roberts, Ted and Pamela: Law Office of Aaron Shaw, 9700 Park Plaza Ave., Ste 108, Louisville KY 40241 #502-384-7201 (Transfer. 1 Art.)
- Capatina, Lee: 12001 Levan Road, Livonia, MI 48150 #734-464-4444 (1 Elec, 1 Art, 1 Tex, 1 Doc. Formerly operated as a company store, but in 2024, they signed a franchise agreement and became a Franchisee.)

We have no Franchisees who have failed to communicate with us within ten weeks of the issuance date of this disclosure document.

**Note 2:** During our last three fiscal years, some current or former franchisees have signed confidentiality clauses. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

**Note 3:** Below are the names, addresses, telephone numbers, email addresses, and web addresses of each trademark-specific franchisee organization associated with the franchise system being offered, which we have created, sponsored, or endorsed.

Organization Name:	Franchise Advisory Council
Established:	2014
Address:	6700 Forum Drive, Ste 150, Orlando, FL 32821-8013
Phone:	#866-225-5377

Organization Name:	National Marketing Committee
Established:	2020
Address:	6700 Forum Drive, Ste 150, Orlando, FL 32821-8013
Phone:	#866-225-5377

**Note 4:** As of the date of this issuance, there are no independent franchisee organizations that have asked to be included in this disclosure document.

**Note 5:** If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

**Note 6:** A list of our current franchisees can be found in Exhibit E.

**ITEM 21: FINANCIAL STATEMENTS**

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

**ITEM 22: CONTRACTS**

This Disclosure Document includes a sample of the following contracts that you will be required to sign in connection with being granted a franchise:

Exhibit C: Franchise Agreement, including appendices:

	Personal Guarantee
Appendix A	Data Sheet
Appendix B	Primary Area of Responsibility
Appendix C	Assignment of Telephone Numbers
Appendix D	Assignment of Domain Name and E-Mail Address
Appendix E	Franchisee Authorization Form for EFT
Appendix F	Ownership Addendum
Appendix G	Acknowledgement Addendum
Exhibit D	Add-On Services Addendum
Exhibit G	Form of Release Agreement
Exhibit H	Form of Renewal Agreement

**ITEM 23: RECEIPTS**

Exhibit K of this Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Disclosure Document by a prospective franchisee. You should sign both copies of the Receipts. You should retain one signed copy for your records and return the other signed copy to: Restoration Specialties Franchise Group, LLC, 6700 Forum Dr Ste 150, Orlando, Florida 32821-8013, Attn: David Wells, or you may email direct to [david.wells@eversmithbrands.com](mailto:david.wells@eversmithbrands.com).

## EXHIBIT A

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

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

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

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

**EXHIBIT B-1**

**Financial Statements**

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**EverSmith Brands Holding Company and  
Subsidiaries**

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**Consolidated Financial Report  
December 31, 2024**

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

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### Independent Auditor's Report

To the Board of Directors  
EverSmith Brands Holding Company and Subsidiaries

#### *Opinion*

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

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

#### *Basis for Opinion*

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

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

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

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

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

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

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

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



To the Board of Directors  
EverSmith Brands Holding Company and Subsidiaries

In performing an audit in accordance with GAAS, we:

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

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

*Plante & Moran, PLLC*

March 25, 2025

**EverSmith Brands Holding Company and Subsidiaries**

**Consolidated Balance Sheet**

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

See notes to consolidated financial statements.

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**EverSmith Brands Holding Company and Subsidiaries**

**Consolidated Statement of Operations**

Years Ended December 31, 2024 and 2023

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

See notes to consolidated financial statements.

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**EverSmith Brands Holding Company and Subsidiaries**

**Consolidated Statement of Stockholders' Equity**

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

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

See notes to consolidated financial statements.

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

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

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

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

See notes to consolidated financial statements.

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

## **Notes to Consolidated Financial Statements**

**December 31, 2024 and 2023**

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

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

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

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

#### *Basis of Accounting*

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

#### *Principles of Consolidation*

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

#### *Cash*

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

#### *Restricted Cash*

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

#### *Accounts Receivable*

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

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

## **Notes to Consolidated Financial Statements**

December 31, 2024 and 2023

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

#### *Unbilled Revenue*

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

#### *Property and Equipment*

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

#### *Leases*

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

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

#### *Intangible Assets*

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

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

#### *Goodwill*

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

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

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

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

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

**December 31, 2024 and 2023**

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

##### *Revenue Recognition*

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

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

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

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

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

##### *Payment Terms*

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

##### *Allocating the Transaction Price*

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

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

## **Notes to Consolidated Financial Statements**

**December 31, 2024 and 2023**

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

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

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

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

#### *Advertising Expense*

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

#### *Income Taxes*

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

#### *Fair Value Measurements*

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

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

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

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

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

#### *Debt Issuance Costs*

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

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

## **Notes to Consolidated Financial Statements**

December 31, 2024 and 2023

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

#### *Foreign Currency Translation*

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

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

#### *Use of Estimates*

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

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

#### *Subsequent Events*

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

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

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

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

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

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

## **Notes to Consolidated Financial Statements**

December 31, 2024 and 2023

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

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

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

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

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

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

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

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

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

Fair value of total consideration transferred - Cash	\$ 51,135,157
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## **EverSmith Brands Holding Company and Subsidiaries**

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

December 31, 2024 and 2023

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

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

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

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

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

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

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

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

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

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

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

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

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

December 31, 2024 and 2023

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

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

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

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

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

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

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

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

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

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

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

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

## **Notes to Consolidated Financial Statements**

**December 31, 2024 and 2023**

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

Property and equipment are summarized as follows:

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

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

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

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

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

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

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

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

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

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

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

## **Notes to Consolidated Financial Statements**

December 31, 2024 and 2023

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

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

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

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

The balance of the above debt matures as follows:

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

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

### **Note 8 - Leases**

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

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

## **Notes to Consolidated Financial Statements**

December 31, 2024 and 2023

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

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

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

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

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

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

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

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

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

## **Notes to Consolidated Financial Statements**

December 31, 2024 and 2023

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

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

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

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

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

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

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

#### *Common Stock*

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

#### *Stock Options*

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

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

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

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

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

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

**December 31, 2024 and 2023**

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

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

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

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

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

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

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

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

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

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

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



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

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Consolidated Financial Statements  
Years Ended December 31, 2023 and 2022

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

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## Independent Auditor's Report

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

### *Opinion*

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

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

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

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



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

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

In performing an audit in accordance with GAAS, we:

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

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

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

March 28, 2024

## **Consolidated Financial Statements**

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

**Consolidated Balance Sheets**

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

*See accompanying notes to consolidated financial statements.*

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

**Consolidated Statements of Operations**

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

*See accompanying notes to consolidated financial statements.*

**EverSmith Brands Holding Company  
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**Consolidated Statements of Stockholders' Equity**

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

*See accompanying notes to consolidated financial statements.*

**EverSmith Brands Holding Company**  
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**Consolidated Statements of Cash Flows**

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

*See accompanying notes to consolidated financial statements.*

**EverSmith Brands Holding Company**  
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**Notes to Consolidated Financial Statements**

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**1. Organization and Description of Business**

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

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

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

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

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

**2. Summary of Significant Accounting Policies**

*Basis of Presentation and Consolidation*

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

*Use of Estimates*

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

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

***Reclassifications***

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

***Foreign Currency Translation***

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

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

***Concentrations of Risk***

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

***Cash***

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

***Restricted Cash***

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

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

Reconciliation of cash and restricted cash is as follows:

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

***Property and Equipment, Net***

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

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

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

***Business Combinations***

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

***Goodwill***

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

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

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

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

***Definite-Lived Intangible Assets***

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

***Advertising***

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

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***Revenue Recognition***

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

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

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

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

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

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

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

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

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

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

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

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

The Company derives its revenue from the following sources:

*Franchise Revenue*

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

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

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

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

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

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

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

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

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

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

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

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

*Unbilled Revenue*

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

*Deferred Revenue*

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

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

*Transaction Price Allocated to Remaining Performance Obligations*

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

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

*Deferred Contract Acquisition Costs*

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

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

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

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

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

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

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

*Taxes Collected from Customers and Remitted to Governmental Authorities*

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

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***Leases***

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

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

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

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

***Income Taxes***

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

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

***Fair Value of Financial Instruments***

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

***Fair Value Measurements***

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

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

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

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

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

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

***Recently Issued Accounting Standards***

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

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

### **3. Business Combination**

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

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

The investment to fund the acquisition consisted of the following:

---

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

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

---

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

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

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

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

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

**4. Intangible Assets, Net**

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

**December 31, 2023**

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

**December 31, 2022**

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

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

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Estimated amortization expense on intangible assets is as follows:

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

**5. Goodwill, Net**

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

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

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

Estimated amortization expense of goodwill is as follows:

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

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**6. Income Taxes**

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

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

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

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

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

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

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

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

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

## **7. Stockholders' Equity**

### ***Common Stock***

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

### ***Stock Options***

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

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

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

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

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

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

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

The following is a summary of non-vested options:

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

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

## 8. Advertising Costs and Fund

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

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

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

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

## 9. Lease Obligations

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

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

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

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***Lease Position***

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

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

***Lease Costs***

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

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

***Lease Term and Discount Rate***

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

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

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***Maturity of Lease Liabilities***

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

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

**10. Related Party Transactions**

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

**11. Commitments and Contingencies**

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

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

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**12. Foreign Operations**

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

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

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

**13. Subsequent Events**

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

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

## EXHIBIT B-2

### GUARANTEE OF PERFORMANCE

#### GUARANTEE OF PERFORMANCE

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

6700 Forum Dr Ste 150

The Guarantor signs this guarantee at Orlando, Fl on the 1<sup>st</sup> day of April, 2025.

Guarantor:

EverSmith Brands Holding Company

By:

Document signed by:  
Ken Hutcheson  
Ken Hutcheson, CEO and Director

## EXHIBIT C

### Franchise Agreement (including Appendices)



#### FRANCHISE AGREEMENT

BETWEEN

RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

AND

Franchisee: \_\_\_\_\_

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

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

Approved Service Lines (check all that apply):

Electronic Services     Art Services     Document Services     Textile Services

## FRANCHISE AGREEMENT

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## RSFG FRANCHISE AGREEMENT

This Franchise Agreement (the "Agreement" or "Franchise Agreement") is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ between Restoration Specialties Franchise Group, LLC, a Michigan limited liability company with its principal business address at 6700 Forum Dr Ste 150, Orlando, Florida 32821-8013 ("Franchisor," "we" or "us"), and \_\_\_\_\_, a(n) \_\_\_\_\_ whose principal business address is \_\_\_\_\_ ("Franchisee" or "you").

### RECITALS

A. We and our affiliates have developed a system using state of the art technologies that specialize in (a) art restoration services offering for sale services and related products for the recovery, repair and restoration of artwork and collectibles, including paintings, frames, works on paper, photographs, sculptures, murals, mosaics, decorative arts, and other similar collectibles for both residential and commercial consumers using state-of-the-art fire and disaster recovery technologies (collectively, the "Art Approved Services" or "Art Services"); and/or (b) electronic restoration services offering for sale services and related products for the recovery, repair and restoration of electronic equipment and data for both residential and commercial consumers using state-of-the-art fire and disaster recovery technologies (collectively, the "Electronic Approved Services" or "Electronic Services"); and/or (c) textile restoration services offering for sale services and related products for the recovery, repair and restoration of fabric, clothing and textiles using state-of-the-art fire and disaster recovery technologies (collectively, the "Textile Approved Services" or "Textile Services"); each a ("Service Line" and collectively, the "Service Lines").

B. We have the right to sublicense the right to develop and operate Franchised Businesses offering one or more of the Service Lines.

C. We may, in our sole and absolute discretion, permit you to offer Document Approved Services along with one or more of the Primary Service Lines in connection with the operation of the Franchised Business in your PAR if you meet our eligibility criteria (which may change over time), satisfy designated operational standards, and you comply with our designated standards and specifications. If we authorize you to offer Document Services, you will offer for sale services and related products for the recovery, repair, and restoration of documents using state-of-the-art restoration technologies (collectively, the "Document Approved Services" or "Document Services").

D. You wish to obtain the right to use the System and Trademarks in the development and operation of a Franchised Business offering the Service Lines identified in Appendix A as the "Approved Service Lines" (the "Approved Service Lines") pursuant to the terms and conditions of this Agreement.

E. You have had a full and adequate opportunity to be advised thoroughly of the terms and conditions of this Agreement by legal counsel and other advisors and have had sufficient opportunity to evaluate and investigate the System, the financial investment requirements, and the business risks associated with owning and operating a Franchised Business offering the Approved Service Lines.

In consideration of the foregoing and the covenants and consideration below, you and we agree as follows:

### ARTICLE 1

## DEFINITIONS

For purposes of this Agreement, the terms set forth below have the following definitions:

A. “Approved Service Lines” or “Authorized Service Lines” means the Service Lines you are authorized to provide under this Agreement, as identified in Appendix A.

B. “Artwork and Collectibles” means paintings, frames, works on paper, photographs, sculptures, murals, mosaics, decorative arts, and other similar collectibles.

C. “Art Restoration” means the cleaning, repair, and restoration of Artwork and Collectibles for residential and commercial consumers.

D. “Business” or the “Franchised Business” means the Franchised Business offering and providing the Approved Service Lines in accordance with the terms and conditions of this Agreement.

E. “Document Restoration” means restoring and recovering documents damaged by flood or fire, including the restoration and recovery of books, files, and other types of documents.

F. “Electronic Restoration” means the recovery, repair, and restoration services for electronic equipment and data.

G. “Gross Sales” means the aggregate of all sales and other income from the Business and any sales or other income resulting from your conduct of any business outside the Business involving the System or the Trademarks. Gross Sales includes all proceeds from any business interruption insurance but excludes any and all sales taxes and other taxes that you collect from customers and pay to any governmental authority.

H. “Minority Operator” means any person other than the “Principal Operator” who directly or indirectly owns an interest in Franchisee.

I. “Primary Area of Responsibility” or “PAR” means the geographic area described in Article 2 and Appendix B, within which you conduct the Business.

J. “Principal Operator” means the natural person who (i) directly or indirectly owns greater than a 50% interest in Franchisee when Franchisee is a corporation, limited liability company, partnership, or a similar entity and (ii) has the authority to, and does in fact, actively direct the business affairs in regard to the Business, is responsible for overseeing the general management of the day-to-day operations of the Business and has authority to sign all contracts and commercial documents.

K. “Restoration Services” means the services and related products that you market to customers, and you or we provide to said customers relating to the Approved Services for both residential and commercial consumers using state-of-the-art fire and disaster recovery technologies, all of which we may modify and change from time to time.

L. “System” means the franchise system, which consists of the operation of a Franchised Businesses using the distinctive and proprietary products and services under the Trademarks and utilizing certain distinctive types of services, products, procedures, and marketing programs, all of which we may modify and change from time to time.

M. “System Franchisee” means a franchisee who is licensed and has the right to operate a Franchised Business offering and provide one or more Service Lines pursuant to the terms and conditions of a franchise agreement entered into by and between such franchisee and us.

N. “Textile Restoration” means restoring and recovering textiles damaged by flood or fire, including the restoration and recovery of fabric, clothing, and other textiles.

O. “Trademarks” means the service marks filed with the United States Patent and Trademark Office, and the other trademarks, service marks, and trade names identified in the Operations Manual, as we may modify and change from time to time, and the trade dress and other commercial symbols used in the Business and/or to identify the Service Lines. Trade dress includes the designs, color schemes, and images we authorize you to use in the operation of the Business from time to time.

P. In addition to the terms defined in Article 1. A through 1. H above, the following terms are defined in the Agreement in the article(s) indicated below:

Approved Vendors and Supplies	Article 6. B
Assignee	Article 14. A
Computer System	Article 6. E
Confidential Information	Article 6. G
Designated Manager	Article 6. F
Franchised Location	Article 5.A
Initial Franchise Fee	Article 8. A
Operations Manual	Article 6. C
Marketing Fund Fee	Article 9. A
Marketing Fund	Article 9. A
Minimum Performance Standards	Article 2. F
National Account	Article 2. C
Personal Guarantor	Article 16. F
Products and Services	Article 6. A
Royalty Fee	Article 8. B
System Standards	Article 6. C.

## ARTICLE 2

### GRANT OF LICENSE

The following provisions control with respect to the license we grant to you:

A. Rights Granted. We grant to you, subject to the terms and conditions of this Agreement, the right and license to operate the Franchised Business in the PAR offering the Approved Service Lines identified in Appendix A under the Trademarks we designate. You will operate the Business from a specific location inside your PAR, to which we must first consent. Except as described further below, you may only market and service customers located inside your PAR.

You accept said license and undertake the obligation to operate the Business faithfully, honestly, and diligently, using the System in compliance with our standards and requirements for the System. You may not commence operations of the Business until you have successfully completed our training program and we have approved the commencement date of operations.

Except as noted below, during the term of your Franchise Agreement, we will not establish, operate, or license any other party the right to establish or operate a Franchised Business offering the same Approved Service Line at the same Service Level in which you are authorized to provide under the Franchise Agreement from an office or business address located inside your PAR, with the exception of Document Services. Even if approved to do Document Services, you do not have exclusive rights to perform Document Services in your PAR. Other Franchisees and/or any of our Affiliates may indirectly advertise inside your PAR by advertising in national or regional print or other media not directed primarily at persons inside your PAR but which may reach or be received by persons in the PAR. You may advertise either as a single Franchisee, or if the advertising venue encompassing your PAR includes another franchisee's PAR, we

may require that you advertise as a prorated participant in a common group advertisement. You may not, without our prior written consent, conduct any business outside your PAR nor directly advertise outside your PAR, even if the area has not been awarded to another Franchisee or Affiliate offering the same Approved Restoration Services (an “Open PAR”), without our prior written consent.

Additionally, you do not have the right to sell the Approved Service Lines, any other Restoration Services, or any other related product or service through any other channel or method of distribution (including catalog sales, telemarketing, the Internet, or any other existing or future form of electronic commerce, (together referred to as “Alternative Distribution Channels”), or to any person or entity for resale or further distribution. You also do not have the right to subfranchise, sublicense, assign, or transfer your rights under this Agreement, except for an assignment or transfer as specifically provided in this Agreement.

If a customer located inside your PAR needs service outside your PAR, you may provide service to this customer provided that (i) the service may only be performed in an Open PAR, and (ii) you receive prior written permission from us. If at any time the Open PAR is awarded to another Franchisee or to one of our Affiliates, you must transfer all business you conducted inside the Open PAR to the new Franchisee or our Affiliate.

If you fail to properly perform a service or provide a customer with a warranty in the form we prescribe, you will be given 30 business days to cure this default. If you fail to cure this default during the 30-day period, we may refer the business to another System Franchisee or one of our affiliates to perform the work with no further obligation to you, financial or otherwise, and you agree to fully indemnify us for any non-compliant work you performed.

Zip codes and/or their boundaries change periodically, and in the event of a future change, we will use our best efforts to ensure your PAR comprises approximately the same population in approximately the same geographic location. We will not otherwise alter the PAR during the term of this Agreement without your prior written consent.

B. Services Performed. Your Business will offer the Approved Service Lines, primarily for Service Level 1 claims. You may not offer services above the Service Level that you have been approved to offer. Service Levels are set by the complexity and scope of the restoration needing to be performed (collectively referred to as “Service Levels”). You may not offer services above the Service Level that you have been approved to offer. All Franchisees are automatically approved to perform Service Level 1 claims after their successful completion of Initial Training for the Service Lines they are approved to service.

ART Service Line: Your skillset will determine what services you are approved to provide, which may include cleaning, repair, restoration, and/or conservation. If you are authorized to provide Art Services, should you encounter Artwork and Collectibles that require services beyond your approved Service Level or that carry an art insurance rider, you must contact us for approval prior to performing services on those items. We may approve you to service the Artwork and Collectibles with or without assistance, or we may require you to refer the items to a location that has the appropriate Service Level approval for servicing that item. Considerations for approval include items such as training, education, certifications, years of experience, and other similar criteria. We also may require that you complete additional training for more complex items. Considerations for approval to additional Service Levels will be available in our Operations Manual and may be periodically updated.

Electronic Service Line: For any commercial claims above the Service Level for which you have been approved, you must contact us for approval prior to servicing the commercial claim. We may approve you to service the commercial claim with or without assistance. Considerations for approval include items such as staffing levels, available equipment, experience, and financial qualifications. We also may require that you complete additional training for more complex jobs. You may not restore medical equipment or

any other equipment that requires third-party certification without our prior written permission. If approved, you will need to retain a copy of the third-party certification in the customer file. Considerations for approval to additional Service Levels will be available in our Operations Manual and may be periodically updated. As you grow and become a more experienced franchisee, we may come to an agreement that you may begin to handle those larger commercial jobs with the proper guidance. We estimate that it will take at least 1-2 years after you sign your Franchise Agreement for you to have sufficient experience to service commercial claims at Service Level 2. Considerations for approval to additional Service Levels will be available in our Operations Manual and may be periodically updated. You may not restore medical equipment or any other equipment that requires third-party certification without our prior written permission. If approved, you will need to retain a copy of the third-party certification in the customer file.

**Document Service Line:** For any Document Restoration claims above the Service Level for which you have been approved, you must contact us for approval prior to servicing the claim. We may approve you to service the claim with or without assistance. Considerations for approval include items such as staffing levels, available equipment, experience, and financial qualifications. We also may require that you complete additional training for more complex jobs. Considerations for approval to additional Service Levels will be available in our Operations Manual and may be periodically updated.

You must refer all jobs for Service Lines or Service Levels that you are not approved to do to us, and we may assign the job to either our Affiliate or another System Franchisee who is approved to perform those Service Lines or Service Levels. We will assign to you any jobs that we receive for service in your PAR for the Service Lines and Service Levels that you are approved to service, with the exception of Document Services (see below). We, our Affiliates, and/or another System franchisee may perform a job in your PAR if the job is at a Service Level that you have not yet been qualified to perform or a Service Line you have not been approved to perform, provided that the location performing the work has been qualified to perform jobs of that Service Level and / or Service. For example, if you have not been qualified to do Service Level 2, but another Franchise is qualified, then they could complete the job in your PAR, but if you were also qualified to do Service Level 2 jobs, then the job would be assigned to you. Additionally, we, our affiliates, and/or other System franchisees may perform a job in your PAR if you decline a job.

If there are more than one location approved to perform Document Services in a PAR, at the Service Level required for the claim, then we will assign the job to the location closest to the claim. Alternatively, we may elect to assign the claim in a round-robin manner. However, if you are approved to offer Document Services at that Service Level, and you receive the call directly, you may service the Document Restoration claim.

If a customer directly contacts us, another System Franchisee, or one of our Affiliates and requests Service Lines different than those awarded to you (for example, if you were approved to do art restoration but not electronic restoration), and such job is in your PAR, we, our Affiliates, and/or other RSFG Franchisees may perform the work inside your PAR without any compensation to you.

If you should refer a job to a Franchisee authorized to provide one or more Restoration Services, they may elect to pay you a referral fee, and vice versa. Alternatively, you and the referral Franchisee may elect not to pay each other referral fees. Should you elect to pay each other a referral fee, the referral fee should be agreed upon by the parties in writing. Referral fees must be recorded in the Computer System but are excluded from Gross Sales for royalty calculation purposes and do not count towards fulfillment of your minimum gross sales requirements.

Any other services not covered by your Franchise Agreement license must be referred to a third party unless indicated otherwise in writing by us.

In the event of catastrophic loss, which is defined as an area deemed by the government as a state or federal disaster area, or if you so request, then we may send a Commercial Loss Team (“CLT”), which may consist of RSFG, its Affiliates and other System Franchisees. (Although RSFG does not currently operate any franchises like the type being franchised, RSFG reserves the right to do so. Additionally, we or our designees may supply management or administrative support in the event of a catastrophic loss). If you are part of CLT, you may be required to pay a referral fee to the local franchisee, as outlined in the then-current Operations Manual.

C. National Accounts. We, and our Affiliates, have the right to create and implement local, regional, and national relationships with customers (a “National Account”). We reserve the right to contract these services to any other entity at any time or to complete them ourselves. We may designate a customer as a National Account based upon (i) the size of the customer (if it encompasses the territories of two or more franchisees), (ii) size and/or scope of the work to be performed, and/or (iii) number of employees needed to complete the work. We or our designee will serve as the central contact within the System for all National Accounts to refer business, and we will assign the National Account business relationship for a specific project or portion of a project to a System Franchisee or to one of our Affiliates, who is able to perform the services and do so within the timeframe required regardless of whether the National Account work will be performed inside or outside your PAR.

If the National Account work will be performed inside your PAR, we may assign the National Account work to you for any Primary Approved Services for which you are approved to perform, provided you meet all standards and requirements necessary to complete the work. To receive National Account work, you may be required to meet certain standards and requirements, including entering into a separate agreement with the National Account vendor, paying a referral fee, being available for emergency response 24/7, agreeing to give a percentage discount, completing additional training, increasing your insurance, agreeing to the National Account’s procedures, and/or meeting standards for response time or customer service. We reserve the right to charge a fee not to exceed 1% of Gross Sales or our actual costs in administering that program, whichever amount is more. We or a third party we designate (which may be another System Franchisee or Affiliate) may perform National Account work inside your PAR if you do not qualify to do the National Account work or if you opt out of the program.

If we assign work for a National Account to you and you perform the work, you will retain all Gross Sales for the work you performed for the National Account and pay us our standard Royalty and National Marketing Fee as outlined in Article 8, as well as any National Account fees.

Procedures for referring National Account jobs outside of your Approved Service Line or Service Level or for Document Services will follow the same guidelines as referenced above in Article 2.B, in the section titled “Service Levels.”

D. Co-venturing. Co-venturing is defined as any job or project that would require two or more System Franchisees that offer the same Service Lines to complete. You may not service a customer if doing so is beyond your current equipment and/or personnel capabilities or if it would disrupt the normal servicing of your customers without our prior written approval. Co-venturing with other franchisees must be managed through us, and you may not negotiate directly with other System Franchisees for co-venturing at any time. We will determine whether to approve a co-venture or require that you refer the job to us or one of our Affiliates.

E. Our Reservation of Rights. We retain all rights that are not expressly granted to you under the Franchise Agreement. Further, we or our Affiliates may, among other things, on any terms and conditions we deem advisable, without compensation to any franchisee and without granting you any rights:

- (i) establish and operate a franchised or affiliate-owned business offering any or all Restoration Services whose office or business address is located outside your PAR;

- (ii) establish and operate, and/or license others to establish and operate, within and outside of your PAR, any business offering the same services you are authorized to provide under the Franchise Agreement under marks other than the Trademarks, which business or businesses may solicit and provide services to any customer located inside and outside your PAR;
- (iii) establish and operate, and/or license others to establish and operate, within and outside of your PAR, any business providing services other than the Approved Services Lines you are authorized to provide under the Franchise Agreement under the same or different Trademarks or any other marks, which business or businesses may solicit and provide services to any customer located inside and outside your PAR, including, without limitation, Document Services;
- (iv) offer, sell or distribute, within and outside your PAR, any products associated with the System (now or in the future) and/or identified by any of the Trademarks, or any other marks, through any distribution channels or methods, including, without limitation, to other recovery, repair, and restoration of Artwork and Collectibles, fabric, clothing and textiles, document, books, and paper, electronic restoration, and/or data recovery, businesses, stores or locations, and/or any business or store of any kind, and/or by mail order, catalog, and/or the Internet (or any other existing or future form of electronic commerce);
- (v) merge with, acquire, or become associated with any businesses or stores of any kind under other systems and/or other marks, which businesses and stores may convert to or operate under the Trademarks and offer or sell products and services that are the same as, similar to, or different than the products and services offered at or from your Business, and which may be located anywhere within or outside your PAR; and
- (vi) we reserve the exclusive right to market to all national and regional offices for insurance adjusters, general contractors or re-construction services, contents cleaning companies, third-party administrators, or similar restoration industry business concepts even if such office is in your PAR. However, we agree to refer to you all residential and commercial jobs for your Approved Service Lines for which you qualify, which are in your PAR and which are attained from these solicitations.

We are not required to pay you any compensation if we exercise any of the rights specified above inside or outside your PAR except as described in this Item.

Although we have the right to do so (as described above), we have not operated or franchised and have no plans to operate or franchise other businesses selling similar products or services under different proprietary marks.

Except for as described in Article 2, we do not restrict you from soliciting or accepting orders from any customer or potential customer located within your PAR.

SEMI, ART Inc., and/or its Affiliates also locate, sell, and manage restoration projects throughout the United States. Nothing in Article 2 limits our or our Affiliates' right to investigate, estimate, manage, and conduct such work within your PAR for prospective and existing National Accounts.

There is no exclusivity for Document Services in your PAR.

F. Minimum Royalty Requirement. To meet our goals for market penetration and for the growth of the System, you agree to be bound by the minimum monthly royalty requirement ("Minimum Monthly

Royalty") as set forth below. The Minimum Monthly Royalty will be established for each year of the term of this Agreement following your first year of operation. You understand that meeting the Minimum Monthly Royalty does not suggest that you are sufficiently penetrating the market in the PAR or that the Business will be successful. Rather, the Minimum Monthly Royalty is a threshold minimum amount.

Your rights under the Franchise Agreement are conditioned upon your active and continuous development of the Business in the PAR. The Minimum Monthly Royalty is based on market potential and market share for your PAR, the growth rate of other businesses offering services that are the same as or similar to the Approved Service Lines, and other relevant factors.

Following your first full year of operation, you must pay us a minimum monthly royalty fee each month during the term of this Agreement. The Minimum Monthly Royalty is based on years of operation and the number of Service Lines that you operate and is per PAR, as outlined in the table below.

<b>Minimum Monthly Royalty per PAR</b>			
<b>Years in business</b>	<b>Single Service Line</b>	<b>Two Service Lines</b>	<b>Three Service Lines</b>
Year 1	No Minimum	No Minimum	No Minimum
Year 2	\$1,050	\$1,575	\$2,100
Year 3	\$1,275	\$1,913	\$2,550
Year 4	\$1,425	\$2,138	\$2,850
Years 5 or more	\$1,650	\$2,475	\$3,300

If you do not meet the Minimum Monthly Royalty, we may charge you a fee for the difference (the "Shortfall"). For example, if the Minimum Monthly Royalty is \$1,425 a month, and you paid a royalty of \$1,000, then the minimum royalty fee would be \$425 (\$1,425-\$1,000).

In addition, should we assess a Shortfall for three or more months in a twelve-month period, then we may also elect to establish another System Franchisee or affiliate in your PAR and/or allow another System Franchisee or an affiliate to advertise and service customers located inside your PAR.

However, it is agreed that if you have met the Minimum Monthly Royalty requirement in a PAR over the last rolling 12-month period, then we will not assess the Minimum Monthly Royalty for that month for that PAR. For example, if your Minimum Monthly Royalty is \$3,300, and you paid royalties in that PAR of \$0 in a given month, AND you had also paid \$39,600 in royalties over the last 12 months for that PAR, then the Minimum Monthly Royalty for that month in that PAR would be \$0. However, if you had paid \$30,000 in royalties over the last 12 months in that PAR, then the Minimum Monthly Royalty in that PAR for that month would be \$9,600.

The Minimum Monthly Royalty applicable to your Business may vary from the performance standards applicable to other System Franchisees, including due to geographic area and other variables.

The population number is fixed on the date when the territory is purchased but may be modified should any of the following transactions occur: transfer of the Franchise Agreement, renewal of the Franchise Agreement, or you purchase additional territory. If there is a decline in the cumulative population in your PAR of 20% or more, you may request, and we may consider, making an adjustment in the Minimum Monthly Royalty.

Failure to pay the Minimum Monthly Royalty constitutes a default under the Franchise Agreement. We will not modify your PAR if you fail to pay the Minimum Monthly Royalty or based upon any other

contingency. If you fail to cure any Minimum Monthly Royalty default by paying the Minimum Monthly Royalty within 30 days, we may terminate the Franchise Agreement, as noted in Article 11. A.

**G. Customer Satisfaction Ratings.**

We require you to use and pay for the customer service rating system that we approve, as well as to meet certain customer satisfaction ratings as outlined in the Operations Manual (the “Customer Satisfaction Ratings”). The current Customer Satisfaction Ratings will measure, on a scale of “-100” to “100” (where “100” is the best score), the level of service provided to customers of the Business you operate through specific metrics noted in the Operations Manual. You must achieve a passing aggregate average customer satisfaction rating for each rolling 90-day period, as outlined in the Operations Manual. Currently, a passing score is a Net Promoter Score of 45. If you fail to meet this aggregate average customer satisfaction rating, you will be deemed in default of the Franchise Agreement.

If your 90-day rolling average is not passing, then depending on the severity of the Customer Service problem, we may require that you submit documentation showing (i) how you have addressed the Customer Services problem(s) and (ii) the preventative action that will be taken to prevent similar Customer Service problem(s) from reoccurring.

If you fail to meet a passing aggregate average customer satisfaction rating for two or more quarters in a calendar year, if you fail to submit the documentation outlined in the above paragraph, and/or if you should fail to follow through on the preventative action plan as required, then you will be deemed in default of this Agreement. Accordingly, and pursuant to Article 11. A, your failure to meet the Customer Satisfaction Rating for any period set forth above will constitute grounds for termination of the Franchise Agreement unless, within 60 days after delivery of written notice of default, you cure the defaults by satisfying the Customer Satisfaction Rating for that recently completed period.

## **ARTICLE 3**

### **TRADEMARK STANDARDS AND REQUIREMENTS**

You hereby acknowledge and agree that the Trademarks are our property and that your right to use the Trademarks is specifically conditioned upon the following terms and conditions:

**A. Trademark Ownership.** The Trademarks are our valuable property, and we, or those we designate, are the exclusive owner of all rights, title, and interest in and to the Trademarks and all past, present, or future goodwill of the Business conducted within the PAR that is associated with or attributable to the Trademarks. Your use of the Trademarks will inure to our benefit. You may not, during or after the term of this Agreement, engage in any conduct directly or indirectly that would infringe upon, harm, or contest our rights in any of the Trademarks or the goodwill associated with the Trademarks, including any use of the Trademarks in a derogatory, negative, or other inappropriate manner in any media, including but not limited to print or electronic media.

**B. Trademark Use.** You may not use, or permit the use of, any trademarks, trade names, or service marks in connection with the Business, except those set forth in the Operations Manual or except as we otherwise direct in writing. You must use the Trademarks for the Approved Service Lines (as we designate) and only in connection with such products and services as we specify and only in the form and manner we prescribe in writing. You must comply with all trademark, trade name, and service mark notice marking requirements. You may use the Trademarks only in association with the operation of the Franchised Business in providing the Approved Service Lines, as approved by us and in accordance with our standards and/or requirements with respect to quality and production, service standards, and methods of operation. You must

implement and abide by our requirements and recommendations directed to enhancing substantial System uniformity in the matters described in this Article.

C. Business Identification. You must use the Trademark for the Approved Service Lines, as we designate, as the trade name of the Business, and no other mark or words may be used to identify the Business without our prior written consent. You may not use any of the Trademarks as part of the name of your corporation, partnership, limited liability company, or other similar entity. You must hold yourself out to the public as an independent contractor operating the Business pursuant to a license from us.

You must clearly indicate on your business checks, stationery, purchase orders, receipts, and other written materials that you are the owner of the Business and that you are an independently owned and operated franchisee of the System. You may use the Trademarks for the Approved Service Lines, as we designate, on various materials, such as business cards, stationery, purchase orders and checks, provided you: (i) accurately depict the Trademarks on the materials; (ii) include a statement on the materials, in immediate proximity to the Trademark, indicating that you independently own and operate the Business; and (iii) do not use the Trademarks in connection with any other trademarks, trade names or service marks unless we specifically approve it in writing prior to the use.

You must affix the Trademarks for the Approved Service Lines (as we designate) to all vehicles, uniforms, equipment, containers, fixtures, signs, stationery, advertising, sales/promotional materials, and other objects we designate and according to the size, color, lettering style, and fashion as we may designate in the Operations Manual.

D. Litigation. In the event any person or entity improperly uses or infringes the Trademarks or challenges your use or our use or ownership of the Trademarks, we will control all litigation, and we have the right to decide as to whether a suit will be instituted, prosecuted, or settled, the terms of settlement and whether any other action will be taken. You must promptly notify us of any such use or infringement of which you are aware. You must promptly inform us of any claim arising out of your use of any Trademark and must, without compensation, cooperate with us in any action we undertake. We or our affiliate will be responsible for our fees and expenses with any such action unless the challenge or claim results from your misuse of the Trademarks in violation of this Agreement, in which case you must reimburse us for our fees and expenses.

E. Changes. You may not make any changes or substitutions to the Trademarks unless we direct you in writing. We reserve the right to change the Trademarks at any time. Upon receipt of our notice to change the Trademarks (whether in response to third-party claims of superior rights to the Trademarks or otherwise), you must, at your expense, cease using the former Trademarks and commence using the changed Trademarks. We will not be responsible for any other expenses or other amounts you may claim you are owed with respect to the changed Trademarks, and you agree that you will not commence or join in any arbitration, litigation or other proceeding against us for any such expenses, losses, or damages.

## ARTICLE 4

### TERM OF FRANCHISE: FRANCHISEE'S RIGHT TO RENEW

The following provisions control with respect to the term and renewal of this Agreement:

A. Initial Term. The term of the license granted in this Agreement is for a period of 10 years from the date of this Agreement.

B. Renewal Term. You have the right to renew your license for two additional 10-year terms each, provided you have met the following conditions:

1. you must give written notice to us no less than nine months prior to the end of the expiring term of your intent to renew the license. You must execute the then-current form of franchise agreement and all other agreements then customarily used by us in the renewal of franchises and pay us the then current renewal fee, capped at 20% of the then current Initial Franchise Fee. These agreements may vary materially from those agreements currently in use by us. Your failure or refusal to execute such agreements within 30 days after their delivery to you will be deemed an election by you not to renew the license. If you do not qualify for renewal of your Franchise Agreement and, we may, in some cases, but are not required to, offer to enter into a Franchise Agreement for a smaller territory or for some but not all of your PARs, and you would have the option to accept on the terms offered;

2. you are in compliance with all the terms and conditions of this Agreement and are in compliance with our operating and quality standards and requirements;

3. you have satisfied, prior to renewal, all monetary obligations owed by you to us, our affiliates, or your suppliers or creditors, whether pursuant to this Agreement or otherwise;

4. you have agreed, in writing, to make such reasonable expenditures as are necessary so that the Business will conform to our then-current standards;

5. you attend any training program, at your expense, that we deem necessary for you to operate the Business in accordance with our then-current standards;

6. you have continuously and actively operated the Business

7. you are meeting or exceeding the Minimum Performance Standards in Article 2.F, the minimum Sales Activity Score in 9.B., and the minimum Customer Satisfaction Ratings in Article 2.G.; and

8. you, your Principal Operator, Minority Operators, and your Personal Guarantors sign a general release of claims in a form we prescribe.

C. Interim Period. If you do not exercise your right to renew this Franchise Agreement prior to the expiration of this Agreement and you continue to accept the benefits of this Agreement after the expiration of this Agreement, then at our option, this Agreement may be treated either as (i) expired as of the date of expiration with you then operating a franchise without the right to do so and in violation of our rights; or (ii) continued on a month-to-month basis (“Interim Period”) until one party provides the other with written notice of such party’s intent to terminate the Interim Period, in which case the Interim Period will terminate 30 days after receipt of the notice to terminate the Interim Period. In the latter case, all of your obligations shall remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on you upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Period.

## ARTICLE 5

### PREMISES STANDARDS

You acknowledge and agree that we have the right to establish, from time to time, quality standards regarding the business operations of System franchised businesses to protect the distinction, goodwill, and uniformity symbolized by the Trademarks and the System. Accordingly, you agree to maintain and comply with our quality standards and agree to the following terms and conditions:

A. Franchised Location; Lease. You are responsible for purchasing or leasing a site for the Business (“Franchised Location”) that meets our site selection criteria. You must obtain our written acceptance of the Franchised Location. You may not use the Franchised Location or its premises for any purpose other than the operation of the Franchised Business offering only the Approved Service Lines during the term of this Agreement. We make no guarantees concerning the success of the Business located on any site that we accept. You are solely responsible for obtaining all necessary permits or licenses, and in all other respects complying with applicable legal requirements relating to the Business.

We have no responsibility for the lease; it is your sole responsibility to evaluate, negotiate and enter into the lease for the Franchised Location.

You must execute and provide us an executed copy of your lease or the purchase agreement for the selected and approved site for your Franchised Location within 5 days of the lease execution date and within 60 days from the date of execution of this Agreement. If you fail to have your “site under control” (execute the lease or the purchase agreement within the periods set forth in this subparagraph), we will have the right to terminate this Agreement without opportunity to cure pursuant to Article 11. A.

B. Construction; Opening Date. You must construct and equip the Franchised Location in strict accordance with our current approved specifications and standards pertaining to equipment, inventory, signage, fixtures, furnishings, supplies, and design and layout of the space. You must open for Business to the public no later than six months following the Effective Date.

C. Relocation. If you need to relocate because of condemnation, destruction, or expiration or cancellation of your lease for reasons other than your breach, we will grant you authority to do so at a site acceptable to us that is within your PAR provided that (i) we have issued our written acceptance of the new site; and (iii) the Business is open for business at the new Franchised Location within 150 days following your request to relocate, all in accordance with our then-current standards. If you voluntarily decide to relocate the Business to a new Franchised Location, your right to relocate the Business will be void, and your interest in this Agreement will be voluntarily abandoned unless you have given us notice of your intent to relocate not less than 60 days prior to closing the Business, have procured a site that has been accepted by us within 60 days after closing the prior Business, have opened the Business at the new Franchised Location within 150 days of such closure and complied with any other conditions that we reasonably require. You must pay the costs of any relocation, and we reserve the right to charge you for any reasonable costs that we incur.

You do not have the right to relocate in the event you lose the right to occupy the Franchised Location premises because of the cancellation of your lease due to your breach. The termination or cancellation of your lease due to your breach is grounds for immediate termination under Article 11. A.

D. Business Telephone Line; Answering Service; Fax. You must acquire and maintain a dedicated business telephone number, which is only available to you while you operate the Business. We may require that the telephone number be acquired from an approved vendor. You may not advertise or otherwise give out any other telephone number to customers or potential customers. You must comply with our standards and requirements as outlined in the Operations Manual relating to your Business telephone. You also must have the capability to send and receive faxes. Upon the termination or expiration of this Agreement, you must authorize the transfer of any Business telephone numbers, including cellular numbers and directory listing, to us.

You may be required to pay for, and use, an approved call center to answer incoming sales calls. We may, at any time, with 30 days prior notice to you, designate another method, vendor, or manner for answering sales calls.

You must continually list the Business in the “Yellow Pages” and "White Pages" of the primary telephone directory servicing your PAR.

## ARTICLE 6

### OPERATIONS STANDARDS AND REQUIREMENTS

You acknowledge and agree that we have established and may revise, from time to time, quality standards regarding the operations of System businesses to protect the distinction, goodwill, and uniformity symbolized by the Trademarks and the System. Accordingly, you agree to maintain and comply with our quality standards and requirements for the System and agree to the following terms and conditions:

A. Products and Services. You may market and sell to customers only the Approved Service Lines and such other products and services that we have expressly approved in writing to you, or, if we elect, through modifications to the Operations Manual (collectively, "Products and Services"). These Products and Services must meet the standards and specifications prescribed by us, which we may modify from time to time. You must conform to all quality and customer service standards we prescribe in writing.

B. Approved Vendors and Supplies. Unless we otherwise specify in writing, you must use approved vendors and supplies for all services, products, equipment, and materials that we determine meet our standards and specifications of quality required to protect the valuable goodwill and uniformity symbolized by and associated with the Trademarks and Business ("Approved Vendors and Supplies" or "Approved Supplies"). Approved Vendors are companies that are approved for a specific service or product they provide. You must comply with all billing and service provision policies of Approved Vendors, including any billing, invoicing, or refund policies. You acknowledge that we may designate a single vendor or source of supply and that we or an affiliate may be that vendor/source, as further noted in 16.N. Currently, we are the designated single source for the Software. We also have a single designated supplier for the Turn-Key Business Package and certain required branded chemicals. We reserve the right to modify this list with 30 days' notice to you, and such updates will be listed in our Operations Manual or in any other form of written or electronic communication as we designate. You will pay the then-current price in effect for products and services that you are required to purchase from us or a designated vendor, and the cost to you for these products and services may be higher than comparable products and services on the market. Approved Supplies are the service or product that is approved. Except if we have designated a single vendor or source of supply, you may obtain that Approved Supply from any available source. Upon request, we will provide and update you with a written list of the Approved Vendors and Supplies. **ALTHOUGH APPROVED BY US, WE MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO PRODUCTS, SERVICES, EQUIPMENT, SUPPLIES, FIXTURES, FURNISHINGS OR OTHER APPROVED PRODUCTS. WE, HOWEVER, WILL PASS THROUGH ANY APPLICABLE MANUFACTURER WARRANTIES ON PRODUCTS AND SERVICES THAT YOU PURCHASE FROM US, SUBJECT TO ALL WARRANTY TERMS AND CONDITIONS IMPOSED BY THE MANUFACTURER.**

WHILE WE CURRENTLY DO NOT DO SO, IN THE EVENT WE PROVIDE YOU WITH ANY TECHNOLOGY PRODUCTS AND/OR SERVICES IN THE FUTURE, WE DO NOT WARRANT THAT SUCH PRODUCTS AND/OR SERVICES WILL BE UNINTERRUPTED OR ERROR-FREE.

IN NO EVENT WILL WE BE LIABLE FOR ANY INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL, OR PUNITIVE DAMAGES (INCLUDING, WITHOUT LIMITATION, ANY DAMAGES ASSOCIATED WITH LOSS OF USE, INTERRUPTION OF BUSINESS, LOSS OF DATA OR LOSS OF PROFITS) ARISING OUT OF OR IN ANY WAY RELATED TO ANY TECHNOLOGY PRODUCTS AND/OR SERVICES WE PROVIDE OR ANY PRODUCTS AND/OR SERVICES YOU OBTAIN FROM ONE OF OUR APPROVED SUPPLIERS.

C. Operations Manual. To help protect our reputation and goodwill and to maintain uniform operating standards under the Trademarks and Business, you must conduct the Business in accordance with the required System Standards and procedures contained in our Operations Manual and any other manuals, proprietary software, or computer data files created for use in the operation of the Franchised Business (collectively the “Operations Manual”). Any required specifications, standards, and/or operating procedures exist to protect our interest in the System and the Trademarks and to create a uniform customer experience, and not for establishing any control or duty to take control over those day-to-day operational matters that are reserved to you. “System Standards” mean the mandatory and suggested specifications, standards, operating procedures, and rules (the “System Standards”) that we prescribe from time to time for the operation of a Franchised Business and information on your other obligations under this Agreement and related agreements.

We will loan to you one copy of the Operations Manual for the term of this Agreement. You must always treat and maintain the Operations Manual and the information contained therein, and any other proprietary information created for or approved for use in the operation of the Business as secret and confidential. The Operations Manual will always remain our sole property. We may from time to time revise the contents of the Operations Manual and you expressly agree to comply with each new or changed standard. You must always ensure that your copy of the Operations Manual is kept current and up to date. In the event of any dispute as to the contents of the Operations Manual, the terms of the master copy of the Operations Manual we maintain will be controlling. You acknowledge and agree that in the future the Operations Manual and other system communications may only be available on the Internet, our intranet system or other online or computer data transfer communications, as described in Article 6.M.

D. Operating Procedures. The required standards for the operation of the Business generally will be set forth in the Operations Manual or other written materials. The Operations Manual will also include guidelines or recommendations in addition to require standards. In some instances, the required standards will include recommendations or guidelines to meet the required standards. You may follow the recommendations or guidelines or some other suitable alternative, provided that you meet and comply with the required standards. In other instances, no suitable alternative may exist. In order to protect our interests in the System and Trademarks, we reserve the right to determine if you are meeting a required standard and whether an alternative is suitable to any recommendations or guidelines.

You must adopt and use the required standards, procedures, techniques, software, and systems described in the Operations Manual. We will revise the Operations Manual and their standards, procedures, techniques, software, and systems periodically to meet changing conditions of operation in the best interest of all businesses operating under the Trademarks.

E. Computer System. We require you to use a computer in the operation of the Business. You must use any computer system that we develop or select for the Business, including all future updates, supplements, and modifications (the “Computer System”). The computer software package developed for use in the Business may include proprietary software. You may be required to license other forms of proprietary software from us, an affiliate or a third party and you also may be required to pay a software licensing fee in connection with your use of the proprietary software. All right, title and interest in the software will remain with the licensor of the software. The computer hardware component of the Computer System must conform to specifications we develop. In the event that unauthorized software is used or downloaded, franchisee shall be liable for all damages and problems caused by the unauthorized software in addition to the other remedies provided under this Agreement. You acknowledge and agree that we will have full and complete access to information and data produced by the Computer System. You will be required to use and pay for all future updates, supplements, and modifications to the Computer System. You must install and maintain anti-virus software on all devices at your cost. You agree to pay for any reasonable

telephone computer support that we may choose to provide at our then-current charges, as set forth in the Operations Manual and updated from time to time.

It is your responsibility to make sure that you are in compliance with all laws that are applicable to the Computer System or other technology used in the operation of your Business, including but not limited to all data protection or security laws, such as PCI and CCPA compliance. You agree that we have the right to require you to update or upgrade computer hardware components, Software, and/or cloud-based subscriptions as we deem necessary from time to time, with no limitations as to the number or cost of such updates or upgrades. You must take all steps, including but not limited to those related to visibility and management of your Business network, that are necessary to ensure that your Business is compliant with all data privacy and security laws and Payment Card Industry Data Security Standards (PCI DSS) requirements, as such standards may be revised and modified by the PCI Security Standards Council (see [pcisecuritystandards.org](http://pcisecuritystandards.org)), or such successor organization or standards that we may reasonably specify. You agree to use any computer network, intranet system, extranet system, email, and handheld devices required or authorized for use in connection with the Business in strict compliance with our standards, protocols, and restrictions that we include in the Operations Manual or in our other written policies, which include but are not limited to Brand's privacy policies, encryption requirements, data and IT security policies, including the implementation of phishing and other security awareness programs and training, cyber incident notification requirements, and Artificial Intelligence policies. You further agree not to violate our privacy policies or user terms on our Website.

F. Confidential Information. You, your Principal Operator, your Minority Operators, any person you hire to perform management obligations related to the Business ("Designated Manager"), and your Personal Guarantors (as described in Article 16.F) must not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person or entity any Confidential Information, except to such employees as must have access to it to operate the Business. For purposes of this Agreement, "Confidential Information" means proprietary information, knowledge, and know-how, including processes, materials, software, computer data files, methods, procedures, suggested pricing, specifications, techniques, Customer Information (as defined in Article 6.G below) and other data concerning the methods of operation of a System franchised business. All Confidential Information must not be used for any purpose other than conducting the Business in the PAR. You must obtain nondisclosure and confidentiality agreements in a form satisfactory to us from your Principal Operator, Minority Operators, and from other key employees. You must provide copies of the executed agreements to us upon request. You will not disclose Customer Information and our other proprietary information, trade secrets, and Confidential Information to third parties, including entering such information into public/open Artificial Intelligence models or any other AI model that uses such information to train the Artificial Intelligence unless specifically authorized by us in writing.

G. Customer Information. We own all data and information related to customers of the Business, including, without limitation, all data collected from former, existing, and/or potential customers including customer names and addresses, discounts and credit extensions to customers, customer contracts, designs, and status information (collectively "Customer Information"). If we request, you must provide us with an up-to-date customer list in the form we prescribe. You acknowledge that we may require you to submit this information through our Internet system or other online communications. We have the right to contact the customers to ascertain your quality of service and the level of customer satisfaction. You may not use the Customer Information for any purpose whatsoever other than in the normal conduct of the Business. Upon expiration, nonrenewal, transfer, or termination of this Agreement, you must promptly deliver to us all customer lists, data, and information for all past and current customers of the Business. You agree to strictly adhere to our privacy policies we may now, or in the future, establish with respect to Customer Information.

H. Evaluations. We or our authorized representative have the right to enter the Business premises at all reasonable times during the business day for the purpose of making periodic evaluations and

to ascertain whether you are observing the provisions of this Agreement, to inspect and evaluate your premises used for the Business, to observe and accompany you on sales and customer service calls and visits, and to inspect and evaluate any customer correspondence and any products and services provided to customers. Upon our request, you must provide us copies of any proposals you present to customers for our review and evaluation. Any evaluation or inspection we conduct is not intended to exercise and does not constitute control over your day-to-day operation of the Business or assume any responsibility for your obligations under this Agreement.

I. Adaptations. Complete and detailed uniformity under many varying conditions may not always be possible or practical, and we reserve the right to vary the standards for any franchisee based upon the customs or circumstances of a particular area of primary responsibility, geographic location, density of population, number of businesses, existing business practices, or any condition that we deem to be of importance to the operation of the franchisee's Business. You will not be entitled to require us to grant you a like or other variation hereunder on account of any variation from standards, specifications, and practices granted to any other franchisee. You acknowledge and agree that we have the right to modify, add to, or rescind any requirement, standard, or specification that we prescribe under this Agreement as may be necessary to adapt our System to changing conditions and competitive circumstances, business strategies, business practices, technological innovation, and any other changes as we deem appropriate. You must comply with these modifications, additions, or rescissions at your expense.

J. Continuous Operation of Business. You must operate the Business on a full-time basis. You acknowledge and agree that if the Business is closed or otherwise not operated for a period of 5 consecutive days or more without our prior written consent, the closure or failure to operate will constitute your voluntary abandonment of the franchise, and we have the right, in addition to other remedies provided for herein, to terminate this Agreement and the franchise operated hereunder. Acts of God, war, strikes, or riots preventing you temporarily from complying with the foregoing will suspend compliance therewith for the duration of the interference.

K. Compliance with Law. You must at all times conduct the Business in compliance with all applicable laws, regulations, codes, and ordinances. You also agree to comply with all applicable laws pertaining to the privacy of the customer, employee, and transactional information ("Privacy Laws") and other applicable data protection laws that are applicable to the Prism franchise system as a whole. You acknowledge that you are an independent business and are solely responsible for control and management of the Business, including such matters as hiring and discharging your employees. You acknowledge that we have no power, responsibility, or liability in respect to employee relations issues, including hiring, discharge and discipline, and related matters. As between us and you, you are solely responsible for the safety and well-being of your employees and the customers of the franchise business. At no time will you or your employees be deemed to be employees of us or our affiliates. You must promptly notify us of any claim or litigation in which you are involved that arises from the operation of the Business.

L. Participation in an Internet Web Site or Other Online Communications. You must participate in our Web site and no other Web site related to the Business. We also may require you, at your expense, to participate in our intranet system. We have the right to determine the content and use of any Web site and our intranet system and will establish the rules under which franchisees may participate. You may not separately register any domain name or operate any Web site containing any of the Trademarks without our written approval. You may not conduct any business or advertise any products or services on the Internet (including, through social media), except as authorized by us in writing. You may not link or frame our website. We will retain all rights relating to our Web site and our intranet system and may alter or terminate our Web site or our intranet system without prior notice to you. Your general conduct on our Web site, our intranet system or on other online communications (including all current and future forms of social media networks and platforms) and, specifically, your use of the Trademarks or any advertising on any Web site

or other such online communications is subject to the provisions of this Agreement and the policies outlined in the Operations Manual. For example, you must comply with our policies regarding the use and placement of key words, meta tags and titles, social media platforms, blogs, websites, domain names, URL's and linking. You further agree to claim, pay for, and update all online listings we designate. You may not use or download any software on your computer unless it has been authorized by us in writing. If you use or download any unauthorized software, you will be liable for all damages and problems caused by the unauthorized software in addition to the other remedies provided under this Agreement. You acknowledge that certain information obtained through your participation in our Web site and our intranet system may be considered Confidential Information, including access codes and identification codes. Your right to participate in our Web site and our intranet system or otherwise use the Trademarks or System on the Internet or other online communications will terminate when this Agreement expires or terminates.

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

M. Suggested Pricing Policies. We may, from time to time, make suggestions to you regarding your pricing policies. Notwithstanding any suggestions, you have the sole and exclusive right as to the fees you charge to customers, except for National Accounts for which we establish fees. We do, however, retain the right to modify the System on 60 days' written notice to give us the right to establish customer fees, both maximum and minimum in accordance with applicable legal requirements. Any list or schedule of fees we furnish to you may, unless otherwise specifically stated as to the maximum or minimum price, be treated as a recommendation only and failure to accept or implement any such suggestion will not in any way affect the relationship between you and us.

N. Innovations. You agree to fully and promptly disclose to us all ideas, plans, improvements, concepts, methods, and techniques relating to the development, marketing or operation of the Business or any similar business conceived or developed by Franchisee, your employees, independent contractors or other persons or entities acting on your behalf ("Innovations"). We and our affiliates own and have the right to authorize other franchisees to use any Innovations without any compensation to you. Nothing in this Article modifies your obligation to comply with System standards and the Operations Manual.

O. Legal Entity. If you are not a legal entity at the time you sign this Agreement, you must form a legal entity and transfer this Agreement and the Business to a legal entity owned by you prior to attending our initial training program. At such time that you form the legal entity and upon any subsequent changes, you must submit to us, in the format that we require, the names of all owners of the legal entity and their percentage of ownership in the legal entity. In the case of multiple owners, prior to attending our initial training program you must provide us with a copy of the dispute resolution agreement by and among the multiple owners.

You (or the legal entity) may not operate any other business other than the Business without our prior written permission.

P. **Vehicles**. You must purchase or lease vehicles that meet our specifications and requirements, including model type, condition, color, trademark representation, and appearance (no rust or body damage). These specifications are included in our Operations Manual.

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

## ARTICLE 7

### PERSONNEL AND TRAINING STANDARDS

The following provisions and conditions control with respect to personnel, training, and supervision.

A. **Supervision of the Business**. The Business must at all times be under the direct supervision of the Principal Operator. This means that the Principal Operator must operate the business year-round on a full-time and best-efforts basis. If, at any time during the term, the Business is not under the direct supervision of the Principal Operator, it must be operated by a fully trained Designated Manager who has been approved by us. In the event that it is not operated under the direct supervision of the Principal Operator or the Designated Manager, or if the operation of your Business breaches this Agreement such that the integrity of the Trademarks would be compromised, we have the right (but not the obligation) to service all customer accounts of the Business on a temporary basis until you appoint a new Principal Operator/fully-trained manager and/or cure the operational default (as the case may be). If it is not cured within 30 days, we can terminate this Agreement.

B. **Training**. Prior to commencement of the Business, and within four months of the Effective Date of this Agreement you, the Principal Operator, and any Designated Manager (if applicable) must attend and successfully complete our initial training program at our headquarters or any other location that we may designate. We provide initial training for up to 3 people for the first Service Line, and one additional person for each additional Service Line added, without charging you a fee. We provide Sales Training to one person per business. If you want to send more people to initial training or to sales training, we will charge you our then-current additional training fees. You are responsible for all room, board, and travel expenses during training. You understand that, except for the confidentiality and non-disclosure restrictions in Articles 6.C, 6.F and 12 (with which you will be bound as of the date you sign this Agreement and must adhere to even if you fail to successfully complete training), this Agreement will not become effective unless you successfully complete the initial training program.

C. **Ongoing Training and Assistance**. We may provide and require you, your Principal Operator, and your Designated Manager to attend or participate in ongoing training programs, including offsite and onsite training, conference calls, and Internet programs. We may charge you a fee to attend any additional training. You are required to attend at least one ongoing training every two years. You are responsible for all room, board, travel expenses and any applicable wages for your employees during any offsite ongoing training. We also may assist you periodically with creating or refining your plans for the Business, as described more fully in the Operations Manual.

D. **Staffing**. You must hire and supervise efficient, competent, and courteous persons as your employees for the operation of the Business and set and pay their wages, commissions, and incentives with

no liability on us. No employee of yours will be deemed to be an employee of us for any purpose whatsoever, and nothing in any aspect of the System or the Trademark in any way shifts any employee or employment related responsibilities from you to us. You alone are responsible for the day-to-day operation of the Franchised Business and the terms and conditions and employment of Franchisee's personnel, including the soliciting, hiring, firing, discipline, paying, training, scheduling, managing, and supervising of Franchisee's employees.

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

E. Attendance at Meetings. You, your Principal Operator, and your Designated Manager must, at your expense, attend all conferences, seminars, or meetings that we sponsor for System Franchisees to set forth new methods and programs for operation, training, management, sales, or marketing. If you are unable to attend any such meeting, you must notify us prior to the meeting and attempt to have a substitute person from the Business, acceptable to us, attend and represent you at such meeting. Failure to attend any required meetings will result in a fee of \$1,000 owed to us. You must attend at least one meeting per year. Failure to do so may result in termination of this Agreement.

F. Dress Code. You and your employees must adhere to the dress code we designate (which designations may be communicated through the Operations Manual) and utilize the uniform when interacting with customers or potential customers.

G. New Concepts. If you, your employees, or your principals develop any new concept, process or improvement in the operation or promotion of the Business, you shall promptly notify us and provide us with all necessary related information, without compensation. Any such concept, process or improvement shall become our sole property and we shall be the sole owner of all patents, patent applications, trademarks, copyrights, and other intellectual property rights related thereto. You and your principals hereby assign to us any rights you may have or acquire therein, including the right to modify such concept, process, or improvement, and otherwise waive and/or release all rights of restraint and moral rights therein and thereto. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, process, or improvement in any and all countries, and further agree to execute and provide us with all necessary documentations for obtaining and enforcing such rights. You and your principals hereby irrevocably designate and appoint us as your agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process, or improvement. In the event that the foregoing provisions of this Article 7.G are found to be invalid or otherwise unenforceable, you and your principals hereby grant to us a worldwide, perpetual, nonexclusive, fully paid license to use and sublicense the use of the concept, process, or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe your rights therein.

## ARTICLE 8

### FEES, REPORTING AND AUDIT RIGHTS

You must pay the fees described below and comply with the following provisions:

A. Initial Franchise Fee. You must pay to us an Initial Franchise Fee in the amount designated on the Data Sheet attached as Appendix A to this Agreement, upon execution of this Agreement. The Initial Franchise Fee is deemed fully earned by us upon receipt and is non-refundable.

B. Royalty Fee. In addition to the Initial Franchise Fee, during the full term of this Agreement and in consideration of the rights granted to you, you must pay to us a weekly Royalty Fee equal to 7% of Gross Sales of the Business, which includes all fees you generate from the Approved Service Lines and otherwise in connection with the operation of the Business.

C. Turn-Key Business Package. When you sign this Agreement, you must pay to us or our designated third-party supplier, as we designate, the Turn-Key Business Package Fee in the amount designated on the Data Sheet attached to this Agreement as Appendix A. The Turn-Key Business Package contains various products and equipment necessary for you to commence business operations, and depending on the package purchase, may include: (i) equipment necessary to perform Restoration Services; (ii) computer equipment and software; (iii) initial inventory; (iv) office equipment and supplies; (v) vehicle decals; (vi) tools and equipment; (v) marketing supplies; and (vi) uniforms, all of which we may periodically change. The materials that are included in our Turn-Key Business Package may be shipped F.O.B. from our approved suppliers. The costs you incur for the Turn-Key Business Package are non-refundable.

D. Technology Fee. You must pay the then-current weekly Technology Fee throughout the term of this Agreement. The fee may cover items such as lease of our proprietary software, listing on the website, and other technology that we deem necessary for the benefit of the System. The Technology Fee in effect as of the effective date of this Agreement is set forth on the Data Sheet attached to this Agreement as Appendix A and is subject to increase effective on notice to you. Additionally, we reserve the right to charge more for multiple users and/or additional services.

E. Computations and Remittances; Application of Payments. Except for the Initial Franchise Fee, you must compute all amounts due and owing at the end of each week's operation. The royalty week runs Sunday to Saturday, and the royalty report must be updated and submitted in the manner we require by Saturday of each week, and monies must be available for debiting on Wednesday for the preceding week of collected Gross Sales. We reserve the right to change the reporting day of the week for any or all amounts.

You must certify the computation of the amounts in the manner and form we specify, and you must supply to us any supporting or supplementary materials as we reasonably require verifying the accuracy of remittances. You waive any and all existing and future claims and offsets against any amounts due under this Agreement, which amounts you must pay when due. We have the right to apply or cause to be applied against amounts due to us or any of our affiliates any amounts that we or our affiliates may hold from time to time on your behalf or that we or our affiliates owe to you.

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

G. Interest Charges; Late Fees. All amounts that you owe to us or to our affiliates will bear interest at the rate of 18% per annum or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual. In addition to interest charges on late Royalty Fee and Marketing Fund Fee payments, you must pay to us a late fee of \$25 for each delinquent report, and/or for each day that any payment that you owe to us under this Agreement is paid late, per occurrence. If a payment is returned to us because there are insufficient funds in your bank ("NSF") account, then for each returned payment, we may collect an additional payment equal to the greater of (i) \$37 or (ii) the amount we are charged by the bank plus a \$5 administrative fee. The late fee and NSF fees are not interest or a penalty, it is only to compensate us for increased administrative and management costs due to the late payment or NSF.

H. Financial Planning and Management. You must record the sale of all Approved Service Lines in the manner and timeframe we specify. You must use, and pay for the accounting system that we specify, which we may be able to access without limitation. You also must keep books and records and submit reports as we periodically require and, on the forms, and in accordance with the methods we require, all of which accurately reflect the operations and condition of the Business operations. You must provide this information to us according to reporting formats, methodologies, and time schedules that we establish from time to time. You also must preserve and retain the books, records, and reports for not less than 60 months. You must allow us electronic and manual access to all records relating to the Business.

I. Required Reports. You must submit to us all reports with respect to the preceding month by the dates and in the form and content as we periodically prescribe. The reports we may require include, but are not limited to, the following information for the preceding month: (i) amount of Gross Sales and gross receipts of the Business, amount of sales tax and the computation of the Royalty Fee and the Marketing Fund Fee; (ii) if we request, copies of your most recent Federal, state, or other income tax returns, details and monthly balance sheet and statement of profit and loss, including a summary of your costs for utilities, labor, rent and other material cost items; and (iii) if requested by us to verify your Gross Sales, all such books and records as we may require under our audit policies published from time to time. You also must, at your expense, submit to us within 90 days after the end of each fiscal year a detailed balance sheet, profit and loss statement and statement of cash flows for such fiscal year, prepared on an accrual basis including all adjustments necessary for fair presentation of the financial statements, including a supplemental schedule of revenue and expenses prepared in the format we may periodically prescribe. We may require that the annual financial statements be reviewed or audited by a certified public accountant. You must certify all reports to be true and correct. Prior to opening, and by November 15<sup>th</sup> of each year, you must submit to us a business plan, your yearly financial projections, and your marketing plan in the manner specified by us. You acknowledge and agree that we have the right to impose these requirements on you regardless of whether we impose the same requirement on our other franchisees.

J. Our Audit Rights. We or our authorized representative have the right at all times during the business day to enter the premises where your books and records relative to the Business are kept and to evaluate, copy and audit such books and records. We also have the right to request information from your suppliers and vendors. In the event that any such evaluation or audit reveals any understatement of your Gross Sales, or that you serviced in another System Franchisee's territory, or in one of our Affiliate's territories, you must pay for the audit, and in addition to any other rights we may have, we have the right to conduct further periodic audits and evaluations of your books and records as we reasonably deem necessary for up to 2 years thereafter and any further audits and evaluations will be at your sole expense, including, without limitation, professional fees, travel, and room and board expenses directly related thereto. Furthermore, if you understate or underreport Gross Sales at any time, or if a subsequent audit or evaluation conducted within the 2-year period reveals any understatement of your Gross Sales of 2% or more, in addition to any other remedies provided for in this Agreement, at law or in equity, we have the right to terminate this Agreement immediately.

We will keep your financial books, records and reports confidential, unless the information is requested by tax authorities or used as part of a legal proceeding, for the purposes of Articles 12.B and 14.E, or where your information is grouped with similar information from other businesses to produce shared results like high-low ranges or average gross sales or expenses on a system-wide or regional basis.

K. Tax Payments. You will pay all state and local taxes, including, without limitation, taxes denominated as income or franchise taxes, that may be imposed on us as a result of our receipt or accrual of any fees or payments due from you to us (or our affiliates) under the Franchise Agreement, whether assessed against you through withholding or other means or whether paid by us directly. In either case, you will pay to us (and to the appropriate governmental authority) such additional amounts as are necessary to

provide us (and to the appropriate governmental authority) such additional amounts as are necessary to provide us, after taking such taxes into account (including any additional taxes imposed on such additional amounts), with the same amounts that we would have received or accrued had such withholding or other payment, whether by you or by us, not been required.

L. Lien and Security Interest Grant. By signing this Agreement, you grant to us a lien and security interest in and against any and all personal property, equipment, and fixtures owned by you and used in connection with the Business as security for the payment of the obligations outlined in this Agreement.

## ARTICLE 9

### MARKETING

You agree to actively promote the Business, to abide by all our marketing requirements and to comply with the following provisions:

A. Marketing Fund Fee. You must pay to us a weekly Marketing Fund Fee in an amount equal to 2% of your Gross Sales (the "Marketing Fund"), in the manner described in Articles 8.C and 8.D. All Marketing Fund Fees- will be placed in a Marketing Fund. We will manage the Marketing Fund. Excess Marketing Fund contributions not spent in any fiscal year will be carried over for future use. We may use the Marketing Fund to formulate, develop, research, and conduct marketing, promotional, public relations, customer satisfaction and/or lead generation programs to promote the RSFG System and one or more of the RSFG Service Lines in a form and media we determine in our sole judgment to be appropriate, including coverage that is local, regional, or national in scope.

An unaudited annual income and expense statement for the Marketing Fund will be available by request by April 15<sup>th</sup> of each year for the previous calendar year. You acknowledge and agree that: (i) we have the absolute and exclusive right to determine expenditures of funds collected and as to the selection of any programs for which said expenditures are made; (ii) the Marketing Fund is not a trust or escrow account and we have no fiduciary obligation to you or to any System Franchisee with respect to the marketing programs or expenditures of funds; and (iii) we reserve the right to use the Marketing Fund to reimburse us for all costs that we (and /or our designee) incur related to such programs, campaigns, and studies, including the proportionate compensation of employees who devote time and render service in the conduct, formulation, development and production of the programs, campaigns and studies or the administration of the Marketing Fund. We may make reasonable disbursements from the Marketing Fund for the payment of expenses incurred in connection with the general promotion of the Trademarks and System including the cost of formulating, developing and implementing customer lead generation programs and/or market studies, and the reasonable costs of administering these programs, including accounting expenses and the actual cost of salaries and fringe benefits paid to our employees or designees engaged in administration of the programs.

We have the absolute and exclusive right to determine the contents, terms and conditions of the market development programs. You have no property rights of any kind with respect to the monies in the Marketing Fund. We have no obligations to spend any amount on marketing in the area or PAR where you are located or for Service Lines that you offer. Excess Marketing Fund contributions not spent in any fiscal year will be carried over for future use.

We may use national and regional agencies from time to time to create and place advertising and marketing communications, public relations campaigns and/or develop and administer lead generation studies or programs.

The Marketing Fund will not be used for advertising principally directed at the sale of franchises; however, we may state on any advertisements that “franchises are available,” and to “contact us for information regarding this opportunity.”

B. Local Marketing. Prior to initial training, you must hire a Business Development Manager (BDM), an employee whose primary responsibility is to sell the Business Services to contractors, adjusters, and similar companies. You must have one for each PAR that you are awarded. With our prior written permission, you may serve in this capacity in one PAR; however, you must then hire a Designated Manager to manage the operation aspects of the Business.

We require you to record all sales activity in the software that we designate, as well as to meet certain Sales Activity Score as outlined in the Operations Manual (the “Sales Activity Score”). Currently, the fee for this software is paid for as part of the Technology Fee. The current Sales Activity Score will measure, on a scale of “0” to “100” (where “100” is the best score), the sales activity performed in your PAR through specific metrics noted in the Operations Manual. You must achieve a passing aggregate average Sales Activity Score for each rolling 90-day period, as outlined in the Operations Manual. Currently, a passing score is a Sales Activity Score of 60. If you fail to meet this aggregate Sales Activity Score rating, you will be deemed in default of the Franchise Agreement.

In addition to the Marketing Fund Fee, and the requirement to hire a BDM, we recommend, but do not require, that you spend money on local sales and marketing activities each year. In your first year of business, the recommendation is the greater of 5% of Gross Sales or \$12,000, and in the second year or more, the recommendation is the greater \$20,000 or 5% of Gross Sales, capped at \$50,000.

We require that you join and participate in the claims and insurance associations that we designate as being pertinent to your market. You must also claim, and pay for, the online listings that we designate. You also must list your Business in the Yellow Pages and White Pages of the primary telephone director servicing your PAR when such listing is available at no or minimal cost.

C. Approved Marketing Materials. You must use only such marketing materials as we furnish, approve, or make available, and the materials must be used only in the manner that we prescribe. Any additional local marketing materials that you wish to utilize must be submitted to us for our prior written approval (including print, electronic, or other forms of media). We will not unreasonably withhold approval of your marketing materials if they are factually accurate and current, dignified and in good condition and accurately reflect the Trademarks. Any local advertising materials you submit to us will be deemed approved if we do not disapprove or comment on the materials within 10 business days of receipt of the materials. We reserve the right to revoke the approval of any advertising material previously approved with 30 days written notice to you.

Any public figures you choose to use in connection with local promotions must be approved by us, in the same manner as specified in the above paragraph.

D. Cooperative Advertising. We have the right to establish and maintain local advertising cooperatives based on designated marketing areas. If a local or regional advertising cooperative is formed or organized in your market, you will be required to participate and contribute. The contribution amount designated by the cooperative must be on a percentage of Gross Sales basis and per Franchised Business and must be the greater of 1% of Gross Sales or \$5,000 per year (the “Coop Contribution”). Each Franchised business within an advertising cooperative, including primarily residential businesses offering the Service Lines that are owned by us or our affiliate, will be a member of the cooperative and have one vote per business. Each advertising cooperative will be required to adopt governing bylaws that meet our approval and that we may require the cooperative to amend from time to time. We may provide each advertising cooperative with a sample form of bylaws that the cooperative must use, and we must approve, containing certain terms and conditions that we require, although the bylaws cannot modify the voting structure set

forth in this paragraph without our prior written permission. The advertising cooperatives must submit to us its meeting minutes upon our request. All advertising cooperatives must obtain our written approval of all promotional and advertising materials, creative execution, and media schedules prior to their implementation. The members of each cooperative and their elected officers will be responsible for the administration of the advertising cooperative. We reserve the right to administer the cooperatives' funds and require payment from its members via electronic funds transfer. If we determine the need exists, we may require each advertising cooperative to engage the services of a professional media buyer or advertising agency that meets with our approval and has expertise in the industry and in the particular market. We may require each cooperative to have an independent certified public accountant prepare annual financial statements, which will be available to us and to all franchisee members of the cooperative. We have the right to require advertising cooperatives to be formed, changed, dissolved, or merged. We may also implement a franchisee advisory council that will provide advisory input on marketing and related matters.

## ARTICLE 10

### YOUR OTHER OBLIGATIONS; NONCOMPETE COVENANTS

You agree to comply with the following terms and conditions:

A. Payment of Debts. You agree to pay promptly when due: (i) all payments, obligations, assessments and taxes due and payable to us, vendors, suppliers, lessors, federal, state or local governments, or creditors in connection with the Business or Products or Services used in connection with the Business; (ii) all liens and encumbrances of every kind and character created or placed upon or against any of said property; and (iii) all accounts and other indebtedness of every kind incurred by you in the conduct of the Business. In the event you should default in making any payment, we will be authorized, but not required, to pay the same on your behalf and you covenant promptly to reimburse us on demand for any such payment.

B. Indemnification. You hereby waive all claims against us (and any affiliates, officers, directors, agents, and employees) for damages to property, death, or injuries to persons arising directly or indirectly out of the management or operation of the Business. You must indemnify and hold us (and any affiliates, officers, directors, agents and employees) harmless from and against any and all claims, demands and liabilities of any nature whatsoever arising in any manner, directly or indirectly, from or in connection with the operation, use, or occupancy of the Business or premises or any breach by you, or by your or your employees' actions or inactions, or by your failure to comply with the terms and conditions of this Agreement, including attorneys' fees and costs (regardless of cause or any concurrent or contributing fault or negligence of any party). As to third party claims related to Restoration Services that we provide to customers of your Business, we will indemnify and hold you harmless from and against all claims, demands and liabilities from third parties regarding work performed of any nature whatsoever arising in any manner, directly or indirectly, from such Restoration Services performed by us.

It is the intention of the parties to this Agreement that we shall not be deemed a joint employer with you for any reason; however, if we incur any cost, liability, loss, or damage as a result of any actions or omissions of you or your employees, including any that relate to any party making a finding of any joint employer status, you will fully indemnify us for any such cost, liability, loss, and damage.

C. Insurance. You agree to purchase the types and amounts of insurance coverage described below (as we may change or supplement, in our sole business judgment, as specified by the Operations Manual or otherwise by us in writing):

(1) Commercial General Liability, Contractor's Pollution Liability Insurance, and Professional Liability Insurance. Coverage for "bodily injury," "property damage," and "personal and advertising injury" with no exclusion or limitation applying to the products / completed operations

liability coverage. Limits must be at least \$2,000,000 general aggregate, \$2,000,000 products and completed operations aggregate, \$1,000,000 personal and advertising injury limit and \$1,000,000 per occurrence.

Limits must specifically confirm coverage for pollution, including mold and lead, with minimum limits of \$1,000,000 each incident, with \$1,000,000 aggregate. The limited liability pollution endorsement does not meet the pollution insurance requirement. Contractual liability coverage including the assumed personal and advertising injury endorsement must be included to cover the indemnity provisions of this Franchise Agreement. The exclusion for employer's liability shall not apply to claims for covered contractually assumed liability claims.

Such policy shall contain a waiver of subrogation endorsement as to claims against Restoration Specialties Franchise Group, LLC.

Restoration Specialties Franchise Group, LLC shall be named as an additional insured on this policy on a primary and noncontributory basis, and with both a CG-2037 Products/Completed Operations Form, and a Grantor of Franchise Form CG2029 or an insurer's comparable form.

- (2) Automobile Liability Insurance. You are required to maintain insurance with a combined single limit ("CSL") of \$1,000,000 for bodily injury and property damage for all owned or leased vehicles and include hired and non-owned vehicles. Additionally, uninsured motorist and under-insured motorist coverage will be equal to the CSL.
- (3) Workers' Compensation and Employers' Liability. Statutorily required workers' compensation insurance and employer's liability insurance is required to be maintained with limits of at least \$500,000 by accident, \$500,000 by disease and \$500,000 policy limit. In "Monopolistic States" including Ohio, North Dakota, Washington, Wyoming, and West Virginia "Stop Gap" coverage must be purchased separately or added to the commercial general liability policy and/or worker's compensation and employers' liability policy. "Stop Gap" in Ohio must not contain exclusion with the "substantially certain to occur" language.
- (4) Employee Dishonesty Insurance. You are required to maintain employee dishonesty insurance with minimum limits of \$50,000 per loss and such coverage is to also cover acts of stealing against third parties. This coverage must increase by \$50,000 for each \$4,000,000 in annual Gross Sales achieved up to \$250,000 per loss (for example, at \$4,000,000 in Gross Sales, your bond would need to increase to \$100,000 at \$8,000,000 to \$150,000, etc.)
- (5) Umbrella or Excess Liability Insurance. You are required to maintain a commercial umbrella liability insurance policy with minimum limits of \$1,000,000 per occurrence and aggregate and shall list the commercial general liability, pollution liability and automobile liability as scheduled underlying policies. This policy will need to increase by \$1,000,000 per occurrence and aggregate for each \$4,000,000 in Gross Sales achieved up to \$10,000,000 per occurrence and aggregate (for example, at \$4,000,000 in Gross Sales, you would need to increase this to \$2,000,000, at \$8,000,000 to \$3,000,000, etc.).
- (6) Property Coverage: You are required to maintain insurance on your business personal property, at amounts equivalent to replacement value.

You must also carry insurance coverage for property of others in your care, custody, and control (including work in progress), with minimum limits equal to the value of goods in your possession at any one time, or \$250,000, whichever amount is higher.

You must carry business income and expense coverage for twelve months.

- (7) **Bailees Legal Liability:** You are required to maintain Bailees Legal Liability Insurance, covering the liability for damage to Customer's goods, which must have minimum limits equal to the value of goods in your possession at any one time, or \$250,000, whichever amount is higher.
- (8) **Motor Truck Cargo:** You are required to maintain motor truck cargo insurance to cover goods in transit, at a minimum of \$100,000 per incident.

You are required to comply with any state, county, local, or other municipal insurance requirements.

You should carefully review your policy to make sure that they do not exclude items of (a) for Art - rarity, antiquity, fine arts, (b) for Electronics - electronics and/or data documents, for (c) Textiles – textiles, clothing, including furs, suedes, and leather, drapery/curtains, as well as valuable collectibles such as dolls, quilts, etc., and for (d) Documents - paper, including items with confidential information.

No deductible or self-insured retention can exceed \$5,000 for any required insurance policy, except that you may have retention of up to \$10,000 on the Umbrella Liability Insurance policy.

You may not reduce the policy limits, restrict coverage, cancel, or otherwise alter or amend any insurance policy without our written consent. You must maintain these insurance levels throughout the term of this Agreement. You must provide us with proof of coverage on demand. You must obtain these insurance policies from insurance carriers that are rated "A" or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which you operate your Franchised Business.

Commercial General Liability, Contractor's Pollution Liability Insurance, and Professional Liability Insurance, Automobile Liability Insurance, and Umbrella or Excess Liability Insurance policies will name Restoration Specialties Franchise Group, LLC as an additional insured and any other entities that we designate (the "Indemnified Parties"), will contain no provision which in any way limits or reduces coverage for you in the event of a claim by any one or more of the Indemnified Parties, will extend to and provide indemnity for all obligations assumed by you and all items for which you are required to indemnify us, will be primary to and without right of contribution from any other insurance purchased by the Indemnified Parties, and will provide, by endorsement, that we receive at least 10 days prior notice of any intent to cancel or materially alter any policy. Whenever a change is made to your policy, and before expiration of any insurance coverage, you must submit to us a copy or certificate or other acceptable proof of such insurance with a copy of the Additional Insured Endorsement on your policy. On occasion, we may request complete copies of all insurance policies to insure compliance with the insurance provisions of this contract.

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

D. **Non-competition Covenants.** You agree that you will receive valuable training and Confidential Information that you otherwise would not receive or have access to but for the rights licensed to you under this Agreement. You therefore agree to the following noncompetition covenants:

1. Unless otherwise specified, the term "you" as used in this Article 10.D, 10.E. and 10.F., includes, collectively and individually, you, all Principal Operators, Minority Operators, your Designated Manager (if any), guarantors, officers, directors, members, managers, partners, and holders of any ownership interest in you. We may require you to obtain from your Designated Manager and other individuals identified in the preceding sentence a signed non-compete agreement in a form satisfactory to us that contains the non-compete provisions of this Article 10.D.

2. You covenant that during the term of this Agreement, you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with, or have any interest in any Competitive Activity other than as authorized by this Agreement or any other agreement between us and you. For purposes of this Agreement, “Competitive Activity” means any other business: (a) offering, marketing, selling or providing any service that is the same as or substantially similar to any of the Service Lines, and/or (b) selling products and services similar to the Products and Services sold by the Franchised Business, including but not limited to those Products and Services outlined in Articles 1.A, 1.B., 1.J and 2.B of this Agreement (each a “Competitive Business”). The term “Competitive Activity” also means any business offering franchise or license opportunities for the operation of a Competitive Business.

3. You covenant that you will not, for a period of 2 years after the expiration or termination of this Agreement, regardless of the cause of termination, or within 2 years of the sale of the Business or any interest in you, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in a business engaging in a Competitive Activity within: (i) the PAR; (ii) a 40-mile radius outside the PAR; or (iii) within the primary area of responsibility of another System Franchisee.

4. You expressly agree that the 2-year period and geographical restrictions are the reasonable and necessary time and geographic scope needed to protect us, our franchisees, and the Franchised System if the Agreement expires or is terminated. You also agree that the length of time in subpart (3) will be tolled for any period during which you are in breach of the covenants or any other period during which we seek to enforce this Agreement. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement.

E. Non-Solicitation. As further outlined in Article 6.G we own all data and information related to customers and potential customers of the Business, including, without limitation, all customer lists. In the event of the expiration, nonrenewal, transfer or termination of this Agreement, you agree that you will not use, disclose, or retain, in any form any customer lists or other customer information. In addition, you agree that you will neither solicit, induce, or attempt to influence any former, current, or potential customers, clients, business associates, affiliates, suppliers, vendors, contractors, entities, or persons who refer business to you, us, or another System Franchisee, for any business purpose or in attempts to encourage them to cease doing business with you, us, or another System Franchisee. Your further acknowledge and agree the underlying business purpose for this Article 10.E is to address the damage that we will incur for the loss of the person hired away, including the costs of finding, hiring, and training a new management-level employee and for the loss of the services and experience of the employee hired away.

F. Spouses and Immediate Family Members. It shall be deemed a breach of this Agreement if your spouse, parent, sibling, or children should engage in any of the prohibited conduct outlined in Article 10.D and E.

## ARTICLE 11

### TERMINATION

The following provisions apply with respect to termination:

A. Termination by Us. We have the right to terminate this Agreement effective upon notice to you, unless otherwise specified below, under the following provisions:

1. Termination After Opportunity to Cure. Except as otherwise provided in this Article 12.A; you will have either 10 days, 30 days, 60 days, or 90 days (as specified below) from the date of our issuance of a written notice of default to cure any default under this Agreement. Your failure to cure a default within the cure period will provide us with good cause to terminate this Agreement. The termination will be accomplished by mailing or delivering to you written notice of termination that will identify the grounds for the termination; and the termination will be effective immediately upon our issuance of the written notice of termination.

a. Failure to pay when due any amounts required to be paid to us or any of our affiliates whether pursuant to this Agreement or otherwise or to any third party (including vendors and suppliers) as required by this Agreement or any other agreement between you and us or our affiliates, or failure to submit any report, statement or return that is required under this Agreement, and you do not cure the default within 10 days of receiving written notice of this default.

b. Failure to locate an acceptable Franchised Location for the Business and/or execute a lease for the Franchised Location prior to attending Initial Training; failure to attend Initial Training within four months of signing the Franchise Agreement; failure to begin operations of the Franchised Business within six months of signing this Agreement; and/or you do not cure the default within 30 days of receiving written notice of the default.

c. Failure to acquire, continuously maintain, or to provide satisfactory evidence that you have acquired and maintained, the required minimum levels of insurance. However, we will not exercise our right to terminate this Agreement provided that immediately upon receipt of written notice from us, you cease operating the Franchised Business, and obtain the required insurance within 10 days of receiving written notice of this default.

d. The offer of services other than the Approved Service Lines, failure to offer the services required by this Agreement, and/or failure to honor a warranty provided to a customer; and you do not cure the default within 30 days of receiving written notice of the default.

e. Failure to (i) comply with any mandatory or required System Standard, (ii) comply with material modifications to any mandatory or required System Standards, (iii) operate the business as specified in the Operations Manual, or (iv) comply with any other provision provided for under the Franchise Agreement; and you do not cure the default within 30 days written notice.

f. Failure to meet the Minimum Performance Standards and fail to cure any Minimum Performance Standards default by paying the Shortfall Royalty within 30 days written notice.

g. Failure to achieve a passing aggregate average customer satisfaction rating for two or more rolling 90-day periods in a calendar year; failure to submit the documentation required under 2.G of the Franchise Agreement for any 90-periods where your aggregate average customer satisfaction rating was not passing; failure to follow through on any preventative action plan required under 2.G. of the Franchise Agreement; and/or you fail to cure the default within 60 days written notice.

h. You receive a notice of your non-compliance with applicable laws, whether that be from a federal, state, local law, or other required regulation or ordinance governing

body (for example, OSHA), and you do not cure the matter in a way satisfactory to the governing body within thirty days of your notification.

i. Failure to achieve the minimum Sales Activity Score in two or more rolling 90-day periods in a calendar year; failure to follow through any preventative action plan required under 9.B. of the Franchise Agreement; and/or you fail to cure the default within 60 days written notice.

2. Immediate Termination with No Opportunity to Cure. If any of the following defaults occur, you will have no right to cure the default and this Agreement will terminate effective immediately on our issuance of written notice of termination:

a. Willful and material acts of deceit or falsification, such as (i) willfully deceiving customers relative to the source, nature or quality of services sold; (ii) making any material misrepresentation on the franchise application or otherwise relating to the acquisition or operation of the Franchise, (iii) willful and material falsification of any report, statement or other written data furnished to us; and/or (iv) other similar acts.

b. Voluntary abandonment of the Business for a period of five or more business days. Some signs of voluntary abandonment may include actions such as ceasing to service customers, the disconnection of the telephone without a new number immediately being reinstalled or reconnected, default or termination of lease without a new location selected, default or loss of vehicles, and/or other conduct that we would consider abandonment of the Business.

c. Violation of any covenant of confidentiality, non-disclosure, or non-competition provision of the Franchise Agreement.

d. Voluntary or involuntary bankruptcy by or against you or any Personal Guarantor, insolvency, making an assignment for the benefit of creditors or any similar voluntary or involuntary arrangement for the disposition of assets for the benefit of creditors.

e. Conviction of you or any Personal Guarantor (or pleading no contest to) any felony; or to an offense that brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair the goodwill of any of the Trademarks.

f. Intentionally understating or underreporting Gross Sales; failure to timely record payments received by you, including in connection with the operation of the Business in the Software; or if a subsequent audit is performed within a 2-year period and both audits showed your failure to timely record in the Software, 2% or more of payments received in connection with the operation of the Franchised Business.

g. Any unauthorized assignment or transfer of the Business, this Agreement or you.

h. A second default of any type within any 12-month consecutive period, regardless of whether the default was subsequently cured; or if you should fail to cure any default within the required notice period.

3. Immediate Termination After No More than 24 Hours to Cure. If a default under this Agreement occurs that materially impairs the goodwill associated with any of the Marks, violates any health or safety law or regulation, violates any System standard as to health and safety, or if the operation of your Business presents a health or safety hazard to the public or to customers or employees: you will have no more than 24 hours after we provide written notice of the default

to cure the default; and if the default is not timely cured, this Agreement will terminate effective immediately on our issuance of written notice of termination.

4. **Effect of Other Laws.** The provisions of any valid, applicable law or regulation prescribing permissible grounds, cure rights or minimum periods of notice for termination of this franchise supersede any provision of this Agreement that is less favorable to you.

5. **Multiple Franchise Agreements.** If you have entered into more than one franchise agreement with us, then a default under any of the franchise agreements will constitute a default under all franchise agreements.

B. **Termination by Franchisee.** You may terminate this Agreement as a result of a breach by us of a material provision of this Agreement; provided that: (i) you provide us with written notice of the breach that identifies the grounds for the breach; and (ii) we fail to cure the breach within 30 days after our receipt of the written notice. If we fail to cure the breach, the termination will be effective 60 days after our receipt of your written notice of breach. Your termination of this Agreement under this Article will not release or modify your post-term obligations under Article 13 of this Agreement.

## ARTICLE 12

### POST-TERM OBLIGATIONS

Upon the expiration or termination of this Agreement:

A. **Reversion of Rights.** All your rights to the use of the Trademarks and all other rights and licenses granted herein and the right and license to conduct the Business under the Trademarks in the PAR will revert to us without further act or deed of any party. All your right, title, and interest in, to and under this Agreement will become our property. You must immediately pay all sums due to us, our affiliates or designees and all sums you owe to third parties that have been guaranteed by us, our parent or any of our affiliates. You must immediately comply with the post-term non-competition and non-solicitation obligations under Articles 10.D-10.F, cease all use and display of the Trademarks and of any material copyrighted by us (including without limitation the Operations Manual and other Confidential Information), and return to us all customer lists and related data. You must immediately cease using the customer list and must refrain from any business relationship with any customer of the Franchised Business. You must immediately return to us, at your expense, all copies of the Operations Manual, any training videos, the full customer list, the full software database, all licensed software, as well as any other information or materials designated by us in writing as proprietary and continue to comply with the confidentiality provisions of Article 6.F.

B. **Discontinuation of Business and Trademark Use.** Upon your receipt of the written notice of expiration or termination, you may not accept or service any customer, but you immediately must transition all customers to us. You must return all customer property to the customer. You must cease your participation in any System Web site and our intranet system and must discontinue your use of the Trademarks or System on the Internet or other online communications. Furthermore, you must not use any of the Trademarks in a derogatory, negative, or other inappropriate manner in any media, including but not limited to print or electronic media. You also must take such action as may be required to cancel all assumed name or equivalent registrations relating to the use of any trade name or Trademarks and notify the telephone company and listing agencies of the termination or expiration of your right to use all telephone numbers of the Business and all classified and other directory listings of the Business and authorize the transfer of such numbers and directory listings to us or as we direct, all in accordance with the Assignment of Telephone Numbers attached as Appendix B. This agreement by you regarding the telephone numbers and listings is for the benefit of such

telephone company serving you. You agree to hold any such telephone company harmless from any and all claims against it arising out of any orders given by us to terminate, transfer or put-on referral such telephone service. You must transfer to us or terminate service, as designated by us, all domain names, electronic mail accounts, online listings, social media accounts, and the like, which were set-up for the Business. Notwithstanding the foregoing, in the event of expiration or termination of this Agreement, you will remain liable for your indemnification obligations specified in Article 10.B or under common law and other obligations pursuant to any applicable lease for the Business premises or otherwise, which by their very nature are intended to survive the expiration or termination of this Agreement.

Unless otherwise specified above, you must deliver satisfactory evidence of your completion of all the items in 12.A. and 12.B within 30 days.

## ARTICLE 13

### DISPUTE RESOLUTION

The following provisions apply with respect to dispute resolution:

A. Internal Dispute Resolution. Franchisee must first bring any claim or dispute between Franchisor and Franchisee to Franchisor's management and make every effort to resolve the dispute internally. Franchisee must first exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third-party. This agreement to internally resolve disputes will survive termination or expiration of this Agreement.

B. Mediation. At Franchisor's option, all claims or disputes between Franchisee and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure sent forth in Section 6.3(a) above, will be submitted first to mediation to take place in the city and state of our then current National Headquarters, under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Franchisee will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 13.B if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Marks, the System, or in any Confidential Information or other confidential information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Franchisee's payment obligations under this Agreement.

C. Arbitration. Any controversy or claim arising out of or relating to this Agreement, other than a claim for injunctive relief, will be settled by binding arbitration, and judgment upon the award may

be entered in any court having jurisdiction thereof. All arbitrations must be individual proceedings and not a class arbitration or multi-party arbitration. The arbitration must be conducted in the city and state of our then current National Headquarters, and will be conducted by a panel of three arbitrators selected in accordance with the rules and regulations of the AAA applicable to commercial matters. The arbitrators will render a decision based on, and consistent with the laws of our then current National Headquarters (presently Florida), and with the facts and evidence that are properly introduced at the hearing. If there are any disputes in matters of public policy, restraint of trade, securities laws violation, or any other matter which cannot be the subject of arbitration, those matters will be separated from all other disputes and those other disputes will first be settled by arbitration. After arbitration, any disputes which cannot be tried by arbitration will be brought before a court of competent jurisdiction. Should the parties be unable to separate matters which will be addressed by arbitration from those which cannot be addressed by arbitration, the allegations and positions of the parties will be brought before the arbitrators, and their decision regarding the appropriateness for arbitration of the matters in controversy will be determinative and binding upon the parties. Unless otherwise determined by the arbitrators, the fees and expenses of arbitration, not including attorneys' fees, will be shared equally by the parties. The parties acknowledge that this alternative dispute resolution procedure is fair and enforceable.

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

E. Injunctive Relief. You recognize that the Business is one of a large number of businesses identified by the Trademarks and similarly situated and selling to the public similar products and services, and the failure on the part of a single franchisee to comply with the terms of its agreement could cause irreparable damage to us or to some or all our other franchisees. Therefore, it is mutually agreed that in the event of a breach or threatened breach of any of the terms of this Agreement by you, we will forthwith be entitled to an injunction restraining such breach or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief. Similarly, it is mutually agreed that in the event of our breach or threatened breach of any of the terms of this Agreement, you will forthwith be entitled to an injunction restraining such breach or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made. The foregoing equitable remedies are in addition to, and not in lieu of, all other remedies or rights that the parties might otherwise have by virtue of any breach of this Agreement by the other party.

F. Attorneys' Fees. The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement or the Business will be entitled to recover its reasonable attorneys' fees and costs from the other party. This Article 13.F will survive termination or expiration of this Agreement under any circumstances.

G. Enforcement. During the term of this Agreement, if you do not give us written notice of the alleged breach of this Agreement within one year from the date that you have knowledge of circumstances reasonably causing you to believe you may have a claim for a breach of this Agreement by us, then the alleged breach will be deemed to be waived by you in all respects and you will be barred from

bringing any legal or other action against us for the alleged breach. Furthermore, upon expiration or termination of this Agreement, you may not assert any claim or cause of action against us arising under, out of, or in any way connected with or related to this Agreement, the relationship between the parties, or the Business unless the claim or cause of action is commenced within one year after the effective date of the expiration or termination of this Agreement. Notwithstanding the preceding two sentences, if the one-year time limitation is prohibited by or invalid under any applicable law, then no suit or action may be commenced or maintained unless it is commenced within the shortest applicable statute of limitations.

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

## ARTICLE 14

### ASSIGNMENT BY FRANCHISEE

You agree that the following provisions will govern any transfer or proposed transfer by you:

A. Transfers. This Agreement is entered by us with specific reliance upon the financial qualifications and the personal experience, skills and managerial and financial qualifications of you and your Principal Operator, all of which are essential to the satisfactory operation of the Business licensed hereunder. Consequently, neither you nor your Principal Operator's interest in this Agreement or in the Business, nor your Principal Operator's interest in you, may be transferred or assigned to or assumed by any other person or entity (the "Assignee"), in whole or in part, unless you or your Principal Operator have first tendered to us the right of first refusal to acquire such interest in accordance with Article 14.E, and if we fail to exercise such right, unless our prior written consent is obtained and the transfer conditions described in Article 14.C are satisfied.

Any sale (including installment sale), lease, pledge, management agreement, contract for deed, option agreement, gift or otherwise or any arrangement pursuant to which you turn over all or part of the daily operation of the Business to a person or entity who shares in the losses and/or profits of the Business in a manner other than as an employee will be considered a transfer for purposes of this Agreement. Specifically, but without limiting the generality of the foregoing, the following events constitute a transfer, and you must comply with the right of first refusal, consent, Transfer Fee, and other transfer conditions in this Article 14:

1. Any change or series of changes in the percentage of the franchisee entity owned, directly or indirectly, by any Principal Operator (including any addition or deletion of any person or entity who qualifies as a Principal Operator) which results in the Principal Operator owning less than 67% of the franchisee entity;

2. Any change in the general partner of a franchisee that is a general, limited, or other partnership entity; or

3. For purposes of this Article 14.A, a pledge or seizure of any ownership interests in you or in any Principal Operator that affects the ownership of 1% or more of you or Principal Operator, which we have not approved in advance in writing.

In the event of your or your Principal Operator's insolvency or the filing of any petition by or against you or your Principal Operator under any provisions of any bankruptcy or insolvency law, if your legal representative, successor, receiver or trustee desires to succeed to your or your Principal Operator's interest in this Agreement or the Business, such person first must so notify us, must tender the right of first refusal provided for in Article 14.E, and if we fail to exercise such right, must apply for and obtain our consent to the transfer and satisfy the transfer conditions described in Article 14.C. In addition, you, your Principal Operator,

or the Assignee must pay our attorneys' fees and costs incurred in any bankruptcy or insolvency proceeding pertaining to you or your Principal Operator.

B. Consent to Transfer. We will not unreasonably withhold our consent to transfer, provided that the Assignee is, in our reasonable judgment, qualified to provide active supervision over the operation of the Business, the Assignee possesses sufficient net worth and sources of capital to meet our standards for the Business, and the conditions defined in Article 14.C are satisfied. Application for our consent to a transfer and tender of the right of first refusal provided for in Article 14.E must be made by submission of our form of application for consent to transfer, which must be accompanied by the documents (including a copy of the proposed purchase or other transfer agreement) or other information required therein. The application must indicate whether you or your Principal Operator proposes to retain a security interest in the property to be transferred. No such security interest will be created without our prior written consent and except upon conditions acceptable to us. Any attempted transfer by you or your Principal Operator without our prior written consent or otherwise not in compliance with the terms of this Agreement will be void and will give us the right to terminate this Agreement.

C. Conditions of Transfer. Whether the transfer is to an individual, a corporation, a partnership or to any other entity, the following provisions apply:

1. We may condition our consent to any proposed transfer upon the following:
  - (a) all your obligations in connection with the Business have been assumed by the Assignee;
  - (b) all your ascertained or liquidated debts in connection with the Business, including all amounts owed to us or any of our affiliates or your suppliers have been paid in full;
  - (c) you are not in default under any provision of this Agreement; the Business must be in operation; and you must have completed Initial Training and opened the Business;
  - (d) the Assignee (i) meets the then current qualification criteria for the operation of the Franchised Business; (ii) enters into the then current form of Franchise Agreement; (iii) is not involved in a competitive business and (iv) completes the training program required of new franchisees;
  - (e) you or the Assignee has paid us the then-current transfer fee;
  - (f) you and all Personal Guarantors officers, directors and shareholders execute a general release in our favor;
  - (g) you and all Personal Guarantors, officers, directors, and shareholders agree to comply with the covenant not to compete and non-solicitation set forth in Articles 10.D, 10.E, and 10.F, of this Agreement; and
  - (h) in the event that the Assignee was introduced to you by us, our agents, or otherwise was a prospective franchisee working with our sales team or outside brokers, you must pay us a resale assistance fee ("Resale Assistance Fee"), in addition to the transfer fee, equal to the greater of (i) \$10,000; or (ii) our actual costs, including but not limited to any broker commission that may be incurred, due, or required arising from the transfer.
    - (i) in the case of an installment sale, if you or any Principal Operator proposes to retain a security interest or other financial interest in the Franchise Agreement or the Business operated thereunder (with our consent), you or such Principal Operator agrees to guarantee the performance of the Franchise Agreement until the final close of the installment sale or the termination of such interest, as the case may be.

(j) if you have been approved to do more than one Service Line in the same PAR, you must sell all Service Lines to the same buyer. If you own more than one PAR, you may sell each PAR to a separate buyer at our discretion.

2. Notwithstanding the conditions stated in Article 14.C.1 above, if you are an individual franchisee, you may assign the franchise to a corporation or other similar entity in which you own all the issued and outstanding capital stock provided that:

(a) the corporation or other similar entity is newly organized, and its activities are confined exclusively to acting as the franchisee under this Agreement;

(b) the corporation or other similar entity executes a document in a form approved by us in which it agrees to become a party to and be bound by all the provisions of this Agreement; and

(c) the Principal Operator remains personally liable in all respects under this Agreement and executes on a form approved by us a personal guarantee and agreement not to sell, assign, pledge, mortgage or otherwise transfer or encumber the stock.

3. We may require you to prepare and furnish to the Assignee or to us such financial reports and other data relating to the Business and its operations as we, in our sole and exclusive judgment, may deem necessary or appropriate for the Assignee or us to evaluate the Business and the proposed transfer. You agree that we have the right to confer with proposed assignees and furnish them with information concerning the Business and proposed transfer without being held liable to you. Any such information we furnish to proposed assignees is for the sole purpose of permitting the assignees to evaluate the Business and proposed transfer and must not be construed in any manner or form whatsoever as earnings claim or claims of success or failure.

D. Death, Disability, or Incapacity. If any individual franchisee (or Principal Operator) dies or becomes disabled or incapacitated and the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as a franchisee hereunder, the person or entity must apply for our consent, successfully complete our training program, and pay the applicable Transfer Fee, all in accordance with this Article 14 as in any other case of a proposed transfer. Failure to transfer within 180 days of the Principal Operator's death, disability or incapacity constitutes a default under this Agreement. Further, we may temporarily manage and control the customer accounts of the Business during any interim or transition period associated with the transfer or assignment under this Article 14.D to ensure the continued integrity of the Trademarks and System.

E. Right of First Refusal. If you or your Principal Operator propose to transfer or assign this Agreement or your interest herein or in the Business, in whole or in part, to any third party, you or your Principal Operator first must offer to sell to us your interest as provided herein. In the event of a bona fide offer from such third party, you or your Principal Operator must obtain from the third-party offeror and deliver to us a statement in writing, signed by the offeror and by you or your Principal Operator, of the terms of the offer. In the event of (i) a transfer or assignment of stock or similar ownership interests in you or your Principal Operator's interest in you, or (ii) you, your Personal Owner's or a Personal Guarantor's insolvency or the filing of any petition by or against you, or your Principal Operator or a Personal Guarantor under any provisions of any bankruptcy or insolvency law, our offer will be to purchase you and your Principal Operator's interest in this Agreement and the Business. An amount and terms of purchase must be established by a qualified appraiser selected by you and us. If the parties cannot agree upon the selection of an appraiser, one will be appointed by the American Arbitration Association upon petition of either you or us to appoint an appraiser to establish such price in accordance with the rules and procedures of the Association. You or your legal representative must deliver to us a statement in writing incorporating the appraiser's report.

We will have 30 days from our receipt of the statement setting forth the third-party offer or the appraiser's report to accept the offer by delivering written notice of acceptance to you. The acceptance will be on the same price and terms set forth in the statement delivered to us; provided, however, we will have the right to substitute equivalent cash for any noncash consideration included in the offer. If we fail to accept the offer within the 30-day period, you will be free for 6 months from the date the offer was submitted to us to affect the disposition described in the statement delivered to us; provided the transfer is not at a lower price or with more favorable terms than have been offered to us and is otherwise in accordance with this Article 14. If the disposition is not closed within the six-month period with the proposed assignee, then you or your Principal Operator must reoffer to sell to us prior to the sale to a third party. You or your Principal Operator may affect no other sale or assignment of you, this Agreement, or the Business without first offering the same to us in accordance with this Article 14.E.

## ARTICLE 15

### ASSIGNMENT BY FRANCHISOR

We reserve the right to sell or assign, in whole or in part, our interest in this Agreement. Any such sale or assignment will inure to the benefit of any assignee or other legal successor.

## ARTICLE 16

### GENERAL PROVISIONS

The parties hereby agree to the following provisions:

A. Severability. Should one or more clauses of this Agreement be held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Agreement will be deemed to be valid and in full force and effect and the terms of this Agreement will be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses. It is the intent and expectation of each of the parties that each provision of this Agreement will be honored, carried out and enforced as written. Consequently, each of the parties agrees that any provision of this Agreement sought to be enforced in any proceeding hereunder will, at the election of the party seeking enforcement and notwithstanding the availability of an adequate remedy at law, be enforced by specific performance or any other equitable remedy.

B. Waiver/Integration. Except as set forth in Article 13.E, no waiver by either party of any breach by the other party, nor any delay or failure by either party to enforce any provision of this Agreement, will be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce the non-breaching party's rights with respect to that or any other or subsequent breach. Subject to our rights to modify Appendices or System standards and requirements and as otherwise provided herein, this Agreement may not be waived, altered, or rescinded, in whole or in part, except by a writing signed by you and us. This Agreement together with any addenda and appendices hereto constitute the entire, full and complete agreement and understanding between you and us and supersede all prior negotiations, understandings, representations, and agreements, no other representations, promises, warranties or agreements have induced you to execute this Agreement. Both parties agree that there are no oral or written representations, promises, assurances, warranties, covenants, side-deals, rights of first refusal, options, or understandings other than those expressly contained in this Agreement. The parties agree that, in entering into this Agreement, they are each relying on their own judgment, belief and knowledge as to any claims and further acknowledge that no promise, inducement or agreement not expressed herein have been made to procure their agreement hereto.

Nothing in this Agreement or in any related agreement is intended to disclaim the representations we made in the Franchise Disclosure Document we furnished to you. You are responsible for conducting your own independent investigation of the franchised business and you are strongly encouraged to consult with an attorney and business advisor before investing in this franchise opportunity.

You acknowledge that you are entering into this Agreement as a result of your own independent investigation of our franchised business and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to you pursuant to applicable law.

C. Notices. Notices may be sent by personal delivery, United States Mail, Registered Mail, by reputable commercial courier service, electronic mail, or facsimile.

1. Notices sent by U.S. Mail or Registered Mail are deemed delivered and effective three days after being placed with the delivery service.

2. Notices sent by a commercial courier service are deemed delivered and effective (i) one day after being placed for overnight service; (ii) two days after being sent via two-day delivery; (iii) three days after being sent via three-day delivery or (iv) five days after being sent ground.

3. Notices delivered by personal delivery, sent by electronic mail or facsimile will be deemed delivered as of the day delivered/sent.

Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this Article. The notice addresses for you and us is as specified in the first paragraph of this Agreement or such other address as may be designated in the future.

D. Authority. Any modification, consent, approval, authorization, or waiver granted hereunder required to be effective by signature will be valid only if in writing executed by you or, if on behalf of us, in writing executed by our President. You must neither create nor purport to create any obligation on behalf of us, nor agree to any other term, condition, or covenant that is inconsistent with any provision of this Agreement.

E. References. If a franchisee consists of two or more individuals, such individuals will be jointly and severally liable, and references to the franchisee in this Agreement include all such individuals. Headings and captions contained herein are for convenience of reference and must not be taken into account in construing or interpreting this Agreement.

F. Principal Operator; Personal Guarantors. The Principal Operator must be identified on the Ownership Addendum attached as Appendix F to this Agreement and must sign the attached undertaking and guarantee as a Personal Guarantor. In addition, any person or entity that is an owner of 5% or more of Franchisee, or at any time becomes an owner of a minority interest of Franchisee, is a Personal Guarantor and must execute the form of undertaking and guarantee attached to this Agreement, as a condition of becoming a Minority Operator.

G. Relationship of Parties. You are and will be considered an independent contractor with control and direction of the Business and operations, subject to the conditions and obligations established by this Agreement. No agency, employment, or fiduciary relationship is created by this Agreement. Your Business is separate and apart from any that we may operate. Neither party to this Agreement may bind the other nor make any representations tending to create apparent agency, employment, or partnership.

H. Successors/Assigns. Subject to the terms of Articles 14 and 15, this Agreement is binding upon and inures to the benefit of the administrators, executors, heirs, successors and assigns of the parties.

I. Interpretation of Rights and Obligations. The following provisions will apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

1. Applicable Law. Except to the extent governed by the United States Trademark Act of 1946, as amended (Lanham Act, 15 U.S.C. Article 1051 et seq.), this Agreement is governed by and interpreted in accordance with the laws of our then current National Headquarters (presently Orlando, Florida), except that such laws relating to franchises will not apply unless the jurisdictional requirements of such laws are satisfied independently of this provision. You expressly waive any rights or protections you have or may have under any statute or law of any other state fully permitted by law. This Agreement may be deemed to be amended from time to time as may be necessary to bring any of its provisions into conformity with valid applicable laws or regulations. Subject to Article 13, any cause of action, claim, suit, or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties may be brought in any of the below courts:

- a. Federal District Court in the then current county of our national headquarters, regardless of whether the lawsuit is brought by us or against us, and both parties hereto irrevocably admit themselves to, and consent to, the personal jurisdiction of said court; or
- b. If neither federal question nor diversity jurisdiction exists, then in the State Courts of our then current National Headquarters, regardless of whether the lawsuit is brought by us or against us, and both parties hereto irrevocably admit themselves to, and consent to, the personal jurisdiction of said courts, or
- c. In any court of competent jurisdiction that is in your county or state, if the lawsuit is against you.

Both parties hereto irrevocably admit themselves to, and consent to, the exclusive jurisdiction of said courts. The provisions of this Article will survive the termination of this Agreement. You are aware of the business purposes and needs underlying the language of this Article, and with a complete understanding thereof, agree to be bound in the manner set forth.

2. Our Rights. Whenever this Agreement provides that we have a certain right, that right is absolute, and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

3. Our Reasonable Business Judgment. Whenever we reserve or are deemed to have reserved discretion in a particular area or where we agree or are deemed to be required to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Reasonable Business Judgment in making our decision or exercising our rights. A decision or action by us will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes a financial or other individual interest of us. Examples of items that will promote or benefit the System include enhancing the value of the Trademarks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing, or encouraging modernization, and improving the competitive position of the System.

J. JURY WAIVER. THE PARTIES (AND THEIR RESPECTIVE OWNERS AND PERSONAL GUARANTORS, IF APPLICABLE) HEREBY WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN CONNECTION WITH THE ENFORCEMENT OR INTERPRETATION BY

JUDICIAL PROCESS OF ANY PROVISION OF THIS AGREEMENT, AND IN CONNECTION WITH ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION OR SIMILAR CAUSES OF ACTION OR ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES FOR BREACH OF THIS AGREEMENT.

K. WAIVER OF PUNITIVE DAMAGES. THE PARTIES (AND THEIR RESPECTIVE OWNERS AND PERSONAL GUARANTORS, IF APPLICABLE) HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT.

L. NO CLASS ACTION. ANY DISPUTE BETWEEN FRANCHISOR AND FRANCHISEE, WHETHER RESOLVED IN ARBITRATION OR IN A COURT PROCEEDING, MUST BE RESOLVED IN AN INDIVIDUAL PROCEEDING, AND MAY NOT BE RESOLVED VIA A CLASS ACTION OR SIMILAR MULTI-PARTY PROCEEDING.

M. Acts Beyond Control of Parties. In the event of any failure of performance of this Agreement according to its terms by any party, the same will not be deemed a breach of this Agreement if it arose from a cause beyond the control of and without the negligence of the party. Such causes include strikes, wars, riots, and acts of government except as may be specifically provided for elsewhere in this Agreement.

N. Notice of Potential Franchisor Profit. We hereby advise you that we or our affiliates may from time to time make available to you products or services for use in the Business on the sale of which we or our affiliates may make a profit. You agree that you will pay the then-current price in effect for any such goods, products, and services. We further advise you that we or our affiliates may from time to time receive consideration from Vendors in respect to Approved Supplies and other products or services you may use in the Business or in consideration of services rendered or rights licensed to such persons. You agree that we or our affiliates are entitled to said profits or consideration.

O. Effective Date. This Agreement is deemed made when accepted by us at our headquarters and signed by our President.

IN WITNESS WHEREOF, the parties have executed this Franchise Agreement on the date first noted above.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

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

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

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

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

ATTACHMENT A

In consideration of the execution of this Franchise Agreement by us, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in this Franchise Agreement, to be paid, kept and performed by the franchisee, including without limitation the dispute resolution provisions of the Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each condition and term contained in this Franchise Agreement and agree that this Personal Guarantee should be construed as though the undersigned and each of them executed a Franchise Agreement containing the identical terms and conditions of this Franchise Agreement.

The undersigned waives: (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he/she may have to require that an action be brought against the franchisee or any other person as a condition of liability.

In addition, the undersigned consents and agrees that: (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the franchisee or any other person; and (2) such liability will not be diminished, relieved or otherwise affected by the franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Agreement, or the amendment or extension of the Agreement with or without notice to the undersigned.

It is further understood and agreed by the undersigned that the provisions, covenants, and conditions of this Guarantee will inure to the benefit of the successors and assigns of us.

## PERSONAL GUARANTORS

### Individually

### Individually

## Address

## Address

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

## Telephone

Appendix A to the Franchise Agreement

**Data Sheet**

1. **Franchisee's Approved Service Lines (check all that apply):**

- Electronic Services
- Art Services
- Document Services
- Textile Services

2. **Initial Franchise Fee:** \$ \_\_\_\_\_

3. **Turn-Key Business Package Fee:** \$ \_\_\_\_\_

4. **Technology Fee (as of Effective Date, subject to increase):** \$211 (per week)

Appendix B to the Franchise Agreement  
**Primary Area of Responsibility (“PAR”)**

**FRANCHISED LOCATION**

The PAR, as stated in Article 2 of the Franchise Agreement includes the following zip-codes, and as located on the attached map.

**PAR**

<zip1>	<zip2>	<zip3>	<zip4>	<zip5>

This is to confirm your acknowledgement and understanding that zip codes and/or their boundaries change periodically, and in the event of a future change, we will use our best efforts to ensure your PAR comprises approximately the same population in approximately the same geographic location.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

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

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

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

**Assignment of Telephone Numbers**

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

This assignment is effective as of the date of termination of the Franchise Agreement entered into between Restoration Specialties Franchise Group, LLC ("us") and \_\_\_\_\_ ("you"). You hereby irrevocably assign to us or our designee the telephone number or numbers and listings issued to you with respect to each and all your Franchised Businesses, including employee cellular telephone numbers that have been used in connection with Franchised Businesses in any respect ("telephone numbers"). This assignment is for collateral purposes only and we have no liability or obligation of any kind whatsoever arising from this assignment, unless we desire to take possession and control over the telephone numbers.

We hereby are authorized and empowered upon termination of the Franchise Agreement and without any further notice to you to notify the telephone company, as well as any other company that publishes telephone directories ("telephone companies"), to transfer the telephone numbers to us or such other person or entity as we designate. You hereby grant to us an irrevocable power of attorney and appoint us as your attorney-in-fact to take any necessary actions to assign the telephone numbers, including but not limited to, executing any forms that the telephone companies may require to effectuate the assignment. This assignment is also for the benefit of the telephone companies, and the telephone companies may accept this assignment and our instructions as conclusive evidence of our rights in the telephone numbers and our authority to direct the amendment, termination, or transfer of the telephone numbers, as if they had originally been issued to us. In addition, Franchisee agrees to hold the telephone companies harmless from any and all claims against them arising out of any actions or instructions by Restoration Specialties Franchise Group, LLC regarding the telephone numbers.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

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

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

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

Appendix D to the Franchise Agreement

**Assignment of Domain Name, E-Mail Address, Online Listings and Social Media Accounts**

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

This assignment is effective as of the date of termination of the Franchise Agreement entered into between Restoration Specialties Franchise Group, LLC (“we” or “us”) and \_\_\_\_\_ (“you” or “franchisee”). You hereby irrevocably assign to us or our designee the domain names, e-mail addresses, online listings, and/or Social Media accounts (collectively the “Web Listings”) with respect to each and all your Franchised Businesses. You agree to pay all amounts, whether due and payable or not, that any domain name registry (“Registry”) or Internet Service Provider (“ISP”) may require in connection with such transfer. This assignment is for collateral purposes only and we have no liability or obligation of any kind whatsoever arising from this assignment, unless we desire to take possession and control over the domain names and e-mail addresses.

We are hereby authorized and empowered upon termination of the Franchise Agreement and without any further notice to you to notify the Registry and the ISP to transfer or terminate (as we designate) the Web Listings to us or such other person or firm as is designated by us. In furtherance thereof, you hereby grant an irrevocable power of attorney to us and appoint us as your attorney-in-fact to take any necessary actions to assign the Web Listings, including but not limited to, executing any forms that the Registry and the ISP may require to effectuate the assignment. This assignment is also for the benefit of the Registry and the ISP, and the Registry and the ISP may accept this assignment and our instructions as conclusive evidence of our rights in the Web Listings and our authority to direct the amendment, termination, or transfer of the Web Listings, as if they had originally been issued to us. In addition, you agree to hold the Registry and the ISP harmless from all claims against them arising out of any actions or instructions by us regarding the Web Listings.

YOU:

(Print Name)

\_\_\_\_\_

Company Name:

By: \_\_\_\_\_  
(Your Signature)

Its: \_\_\_\_\_  
(Your Position)

WE:

RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

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

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

Appendix E to the Franchise Agreement

**FRANCHISEE AUTHORIZATION FORM FOR ELECTRONIC FUNDS TRANSFER**

The undersigned hereby authorizes Restoration Specialties Franchise Group, LLC., or any affiliated entity (collectively “RSFG”), to initiate debit and/or credit entries to my account at the financial institution listed below, including but not limited to weekly ACH debit entries for Royalty Fees, Marketing Fees, Software Fees, or any other amounts that become payable by the undersigned to RSFG or for credits due by RSFG to me. This authorization will remain in effect until I notify RSFG in writing to cancel it. Please complete this form, attach a voided check and your current W9 (<https://www.irs.gov/pub/irs-pdf/fw9.pdf>), and return to [AP@prismspecialties.com](mailto:AP@prismspecialties.com).

**SECTION 1: ACCOUNT HOLDER INFORMATION**

Tax ID Number:	
State of Business Registration:	
Franchisee Legal Name:	
Account Number(s) (if applicable):	
Franchisee Remittance Address:	
(Street Address, City, State, ZIP/Postal Code)	
Franchisee Contact Name (First and Last Name):	
Franchisee Contact Phone Number:	
Franchisee Contact Email Address:	

**SECTION 2: AUTOMATED CLEARING HOUSE (ACH) INFORMATION**

Type of Request:	New	Updated
Bank Routing Number:		
Account Number (for debits):		
Account Number (for credits):		
Vendor Name on Bank Account (Per W-9):		
Bank/Institution Name:		
Bank Contact Name:		

**SECTION 3: AUTHORIZATION / CERTIFICATION**

I certify that the information I provided is correct and that I am an authorized signer or designate of the account provided above and am entitled to provide this authorization. I (we) hereby authorize RSFG to initiate credit or debit entries to the account and financial institution listed above. I (we) further authorize adjusting entries (reversals) solely to correct errors, if any. This authorization is to remain in full force and effect until RSFG has received written notification from me (us) of its termination in such time and manner as to afford RSFG and the depository financial institution a reasonable opportunity to act on it. I also acknowledge that it is my responsibility to ensure sufficient funds are available in the account for ACH debits, and that I will be charged a fee not to exceed \$55 for each return due to non-sufficient funds. I (we) authorize the financial institution shown above to confirm my (our) account information, including account name, number, and type. I (we) acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. Law.

Signature:	Title:
Name:	Date:

Appendix F to the Franchise Agreement

**Operator Addendum**

1. Principal Operator and Minority Operators. You represent and warrant to us that the following person(s) and entities, and only the following person(s) and entities, shall be the Principal Operator and Minority Operators of the franchise:

<u>NAME</u>	<u>HOME ADDRESS</u>	<u>PERCENTAGE OF INTEREST</u>

2. Change. You shall immediately notify us in writing of any change in the information contained in this Addendum and, at our request, prepare and sign a new Addendum containing the correct information.

3. Effective Date. This Addendum is effective as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

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

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

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

## EXHIBIT G: FRANCHISEE COMPLIANCE CERTIFICATION

### PRE-CLOSING COMPLIANCE ACKNOWLEDGMENT

**NOTICE FOR PROSPECTIVE FRANCHISEES WHO RESIDE IN, OR WHO INTEND TO OPERATE THE FRANCHISED BUSINESS IN, ANY OF THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI (EACH A REGULATED STATE) :**

FOR PROSPECTIVE FRANCHISEES THAT RESIDE IN OR ARE SEEKING TO OPERATE THE FRANCHISED BUSINESS IN ANY REGULATED STATE, DO NOT COMPLETE THIS QUESTIONNAIRE OR TO RESPOND TO ANY OF THE QUESTIONS CONTAINED IN THIS QUESTIONNAIRE.

As you know, you and we are entering into a Franchise Agreement for the operation of a franchised business offering the Franchised Business. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate, or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of the Business. Where a question refers to a "person speaking on behalf of the Franchisor," this phrase does not include other Franchisees, who are not authorized to speak on behalf of the Franchisor. Please review each of the following questions carefully and provide honest responses to each question.

**Acknowledgments and Representations.** \*

1. Did you receive a copy of our Disclosure Document (and all exhibits and attachments) at least (a) 14 calendar days prior to signing the Franchise Agreement; **or** (b) if you are a resident of **New York**, at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement (or other agreement) or payment of any consideration; **or** (c) if you are a resident of **Michigan, or Iowa**, at the earlier of 10 business days before the execution of any binding agreement or payment of any consideration? Check one:  Yes  No. If no, please comment: \_\_\_\_\_
2. Have you studied and carefully reviewed our Disclosure Document and Franchise Agreement? Check one:  Yes  No. If no, please comment: \_\_\_\_\_
3. If the franchisor made any unilateral changes to the Franchise Agreement, did you receive a copy of the complete revised agreement at least 7 calendar days prior to the date on which the applicable agreement was executed? Check one:  Not Applicable  Yes.  No. If no, please comment: \_\_\_\_\_
4. Did you understand all the information contained in both the Disclosure Document and Franchise Agreement? Check one  Yes  No. If no, please comment: \_\_\_\_\_
5. Was any oral, written, or visual claim or representation made to you which contradicted the disclosures in the Disclosure Document? Check one:  No  Yes. If yes, please state in detail the oral, written, or visual claim or representation: \_\_\_\_\_
6. Except as stated in Item 19 of the Disclosure Document, did any employee or other person speaking on behalf of the Franchisor make any oral, written, or visual claim, statement, promise or representation

to you that stated, suggested, predicted, or projected sales, revenues, expenses, earnings, income, or profit levels at any Franchised Business location or business, or the likelihood of success at your franchised Business? Check one:  No  Yes. If yes, please state in detail the oral, written, or visual claim or representation:

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7. Did any employee or other person speaking on behalf of the Franchisor make any statement or promise regarding the costs involved in operating a franchise that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document. Check one:  No  Yes. If yes, please comment: \_\_\_\_\_
8. Do you understand that the Franchise Agreement grants you the right to operate a Franchised Business offering the Approved Services using the Trademarks for such Approved Service in a specified geographic area, and that we and our affiliates reserve any and all rights not expressly granted to you under the Franchise Agreement, as detailed and disclosed in Item 12 of the Disclosure Document. Check one:  Yes  No. If no, please comment: \_\_\_\_\_
9. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the franchise for the Business, meaning that any prior oral or written statements not set out in the applicable agreement or in the disclosure document will not be binding? Check one:  Yes  No. If no, please comment: \_\_\_\_\_
10. Do you understand that the success or failure of the Business will depend in large part upon your skills and experience, your business acumen, your location, the local market for products under the Trademarks, interest rates, the economy, weather patterns, inflation, the number of employees you hire and their compensation, competition, and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you commence operations of the Business may change? Check one  Yes  No. If no, please comment: \_\_\_\_\_
11. Do you understand that you are likely to achieve results that are different, possibly significantly and adversely, from the results shown in Item 19. Many factors, including the location of your Franchised Business, customers located within the territory, management capabilities, local market conditions, weather, and other factors, are unique to each Franchised Business and may significantly impact the financial performance of the business you operate. Check one  Yes  No. If no, please comment: \_\_\_\_\_
1. Do you understand that during the term of the Franchise Agreement and for two years after it expires or terminates, you (including all Principal Operators, your Designated Manager and all guarantors, officers, directors, members, managers, and partners) may not, directly, or indirectly, have or maintain any interest in any business selling products or services similar to the Products and Services sold by a Franchised Business?

Check one  Yes  No. If no, please comment: \_\_\_\_\_

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13. Do you understand that any training, support, guidance or tools we provided to you as part of the franchise are for the purpose of protecting the System, and brand and Trademarks and to assist you in the operation of your business and not for the purpose of controlling or in any way intended to exercise or exert control over you decisions or day-to-day operations of your business, including your sole responsibility for the hiring, wages and other compensation (including benefits), training, supervision and termination of your employees and all other employment and employee related matters? Check one  Yes  No. If no, please comment: \_\_\_\_\_

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14. Do you understand that we do not make any promises or representations of any kind that you will achieve any particular results or level of performance or profitability or even achieve break-even results in any particular year of operation?  
Check one  Yes  No. If no, please comment: \_\_\_\_\_

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15. On the receipt pages of your disclosure document you identified \_\_\_\_\_ as the franchise seller(s) involved in this franchise sales process. Are the franchise sellers identified above the only franchise sellers involved with this transaction? Check one  Yes  No. If no, please identify any additional franchise sellers involved with this transaction: \_\_\_\_\_

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

**NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.**

FRANCHISE APPLICANT

\_\_\_\_\_, 20\_\_\_\_

## EXHIBIT D

### **ADD-ON SERVICES ADDENDUM TO THE RSFG FRANCHISE AGREEMENT FOR EXISTING RSFG FRANCHISEES**

This addendum (the “Addendum”) to the RSFG Franchise Agreement is made and entered into on [Insert date] (“Addendum Effective Date”) by and between Restoration Specialties Franchise Group, LLC (“Franchisor,” “we,” “us” or “our”), and [Company Name], a [State] [Corporation or LLC] with an address [Address] (“Franchisee”); and (iii) [Franchisee Name], an individual with an address at [Franchisee] (“Guarantor”).

### **BACKGROUND**

A. Franchisor is the national franchisor of businesses offering one or more of the following Service Lines: (a) Art Restoration Services offering for sale services and related products for the recovery, repair and restoration of artwork and collectibles, including paintings, frames, works on paper, photographs, sculptures, murals, mosaics, decorative arts, and other similar collectibles for both residential and commercial consumers using state-of-the-art fire and disaster recovery technologies (collectively, the “Art Approved Services” or “Art Services”); and/or (b) Electronic Restoration Services offering for sale services and related products for the recovery, repair and restoration of electronic equipment and data for both residential and commercial consumers using state-of-the-art fire and disaster recovery technologies (collectively, the “Electronic Approved Services” or “Electronic Services”); and/or (c) Textile Restoration Services offering for sale services and related products for the recovery, repair and restoration of fabric, clothing and textiles using state-of-the-art fire and disaster recovery technologies (collectively, the “Textile Approved Services” or “Textile Services”); each a (“Service Line” and collectively, the “Service Lines”);

We may, in our sole and absolute discretion, also permit you to offer document restoration services along with one or more of the Primary Service Lines in connection with the operation of the Franchised Business in your PAR if you meet our eligibility criteria which may change over time), satisfy designated operational standards and you comply with our designated standards and specifications. If we authorize you to offer document restoration services, you will offer for sale and provide services and related products for the recovery, repair and restoration of documents using state-of-the-art restoration technologies (collectively, the “Document Approved Services” or “Document Services”).

B. On or around [Date], Franchisee and Franchisor entered into a franchise agreement (the “Franchise Agreement”) pursuant to which Franchisee obtained the right and undertook the obligation to operate a Franchised Business offering and providing [XX Restoration] (the “Franchised Business”) within a defined geographical area as more specifically defined in the Franchise Agreement (the “PAR”).

C. Franchisee has expressed a desire to provide one or more additional Service Lines, as set forth more specifically in this Addendum (the “Add-On Service Line(s”)), and, at Franchisee’s request, Franchisor has agreed to permit Franchisee to offer, sell and provide the Add-On Service Line(s) in accordance with the terms of this Addendum.

NOW THEREFORE, in consideration of the mutual agreements, covenants and promises contained in this Addendum and for mutual consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

## AGREEMENT

### 1. Background; Definitions.

a. The parties agree and acknowledge that the Background portion of this Addendum, including all definitions and provisions set forth therein, is hereby incorporated by reference as if fully set forth in this Section.

b. For purposes of this Addendum, if a capitalized term in this Addendum is not specifically defined herein, that term will be given the same definition that the term is afforded in the Franchise Agreement.

2. **Add-On Services.** Subject to the terms and conditions of this Addendum, Franchisor hereby agrees that Franchisee may provide the below selected add-on services in addition to those Approved Service Lines identified in Article 2 of the Franchise Agreement: (check all that apply)

Document Services  Textile Services  Art Services  Electronic Services

3. **Approved Service Lines.** Franchisee hereby agrees to provide the add-on service line(s) selected in paragraph 2 above (each an “Add-on Service Line” and collectively, the “Add-On Service Lines”) in connection with the operation of the Franchised Business in the PAR in accordance with the terms and conditions of the Franchise Agreement. The services Franchisee is permitted to perform under the Franchise Agreement, are hereby amended to include the Add-On Service Line(s) (collectively, the “Approved Service Lines”).

4. **Initial Franchise Fee.** In consideration of the rights granted to Franchisee under this Addendum, Franchisee shall pay to Franchisor an Initial Franchise Fee in the amount of \$[ ] immediately upon execution of this Addendum, which fee shall be deemed fully earned and non-refundable upon payment.

5. **Turn-Key Business Package.** When you sign this Agreement, you must pay to us or our designated third-party supplier, as we designate, the Turn-Key Business Package Fee in the amount of \$\_\_\_\_\_. The Turn-Key Business Package contains various products and equipment necessary for you to commence business operations for the Add-On Service Lines, and depending on the package purchase, may include marketing supplies, software, equipment, and tools necessary to perform the Add-On Service Lines, all of which we may periodically change. The materials that are included in our Turn-Key Business Package may be shipped F.O.B. from our approved suppliers. The costs you incur for the Turn-Key Business Package are non-refundable.

**[Documents] Turn-Key Business Package** If the Add-On Service Line is for Document Services only, unless we designate otherwise, there is no Turn-Key Business Package purchase requirement. However, you understand that you will be required to purchase certain supplies to operate the Document Services. Such supplies must be purchased within three months of signing this Addendum. The most current list of required supplies is listed in the Manuals, and upon request can be obtained in writing prior to signing this Addendum.

6. **Royalty, National Marketing Fund, and other Fees.** In addition to any other fees due under the Franchise Agreement, you agree that during the term of the Franchise Agreement and in consideration of the rights granted to you, you must pay to us weekly (a) a Royalty Fee equal to 7% of Gross Sales of the Business, and (b) a Marketing Fund Fee equal to 2% of Gross Sales of the Business. You acknowledge and agree that the term Gross Sales includes, without limitation, any and all revenues generated in connection with the Add-On Service Lines in addition to all other revenues generated in

connection with the operation of the Franchised Business. You also agree to pay the then-current Technology Fee, as we designate, which, as of the Addendum Effective Date is currently [\$XX] per week. We reserve the right to change the Technology Fee effective on notice to you and you are obligated to comply with all such changes. [You are also required to purchase and use iCAT.]

7. **[Documents only] Services Performed.** Your Business will offer the Document Services, primarily for Service Level 1 claims. You may not offer for services above the Service Level that you have been approved to offer. Service Levels are set by the complexity and scope of the restoration to be performed (collectively referred to as “Service Levels”). You may not offer for services above the Service Level that you have been approved to offer. All Franchisees are automatically approved to perform Service Level 1 claims after their successful completion of Initial Training for the Service Lines they are approved to service.

For any Document Restoration claims above the Service Level for which you have been approved, you must contact us for approval prior to servicing the claim. We may approve you to service the claim with or without assistance. Considerations for approval include items such as staffing levels, available equipment, experience, and your financial qualifications. We also may require that you complete additional training for more complex jobs. Considerations for approval to additional Service Levels will be available in our Operations Manual and may be periodically updated.

You must refer all jobs for Service Lines or Service Levels that you are not approved to do, to us, and we may assign the job to either our Affiliate or another System Franchisee who is approved to perform those Service Lines or Service Levels. We will assign to you any jobs that we receive for service in your PAR for the Service Lines and Service Levels that you are approved to service. We, our Affiliates and/or another System franchisee may perform a job in your PAR if the job is at a Service Level that you have not yet been qualified to perform, or a Service Line you have not been approved to perform, provided that the location performing the work has been qualified to perform jobs of that Service Level and / or Service. For example, if you have not been qualified to do Service Level 2, but another Franchise is qualified, then they could complete the job in your PAR, but if you were also qualified to do Service Level 2 jobs, then the job would be assigned to you. Additionally, we, our affiliates and/or other System franchisees may perform a job in your PAR if you decline a job.

If there is more than one location approved to perform Document Services in a PAR, at the Service Level required for the claim, then we will assign the job to the location closest to the claim. Alternatively, we may elect to assign the claim in a round-robin manner. However, if you are approved to offer Document Services at that Service Level, and you receive the call directly, you may service the Document Restoration claim.

8. **[Documents only] Rights Granted.** This grant of rights to offer Documents Services is non-exclusive, and Franchisee acknowledges and agrees that RSFG and/or its affiliates may allow other franchisees, affiliates and/ or third-party providers the right to establish, operate, conduct sales and marketing activities, and perform Document Services in your PAR without providing you with any rights or compensation. Notwithstanding, this does not in any way change your contractually protected right to offer [LIST] services in your Territory as set forth more fully in the Franchise Agreement.

9. **Additional Training; Licenses and Permits.** Prior to offering the Add-On Service Line(s), and within 60 days of the Effective Date of this Agreement, Franchisee must: (a) attend and complete, to Franchisor’s satisfaction, and at Franchisee’s sole cost and expense, any and all additional training programs Franchisor designates for the Add-On Service Line; and (b) obtain and maintain (throughout the term of the Franchise Agreement) all required licenses, permits and approvals to offer and provide the Add-On Service Line(s) in connection with the operation of the Franchised Business in the PAR.

10. **Minimum Royalty Requirement.** *The following supersedes and replaces the Minimum Royalty Requirement in your current Franchise Agreement.*

To meet our goals for market penetration and for the growth of the System, you agree to be bound by the minimum monthly royalty requirement (“Minimum Monthly Royalty”) as set forth below. The Minimum Monthly Royalty will be established for each year of the term of the Franchise Agreement following your first year of operation. You understand that meeting the Minimum Monthly Royalty does not suggest that you are sufficiently penetrating the market in the PAR or that the Business will be successful. Rather, the Minimum Monthly Royalty are threshold minimum amounts.

Your rights under the Franchise Agreement are conditioned upon your active and continuous development of the Business in the PAR. The Minimum Monthly Royalty is based on market potential and market share for your PAR, the growth rate of other businesses offering services that are the same as or similar to the Approved Service Lines, and other relevant factors.

You must pay us a minimum monthly royalty fee. The Minimum Monthly Royalty is based on years of operation, the number of Service Lines that you operate, and is per PAR, as outlined in the table below.

Minimum Monthly Royalty per PAR			
Years in business	Single Service Line	Two Service Lines	Three Service Lines
Year 1	No Minimum	No Minimum	No Minimum
Year 2	\$1,050	\$1,575	\$2,100
Year 3	\$1,275	\$1,913	\$2,550
Year 4	\$1,425	\$2,138	\$2,850
Years 5 or more	\$1,650	\$2,475	\$3,300

Should you not meet the Minimum Monthly Royalty, then we may charge you a fee for the difference (the “Shortfall”). For example, if the Minimum Monthly Royalty is \$1,425 in a month, and you paid royalty of \$1,000, then the minimum royalty fee would be \$425 (\$1,425-\$1,000).

In addition, should we assess a Shortfall for three or more months in a twelve-month period, then we may also elect to establish another System Franchisee or affiliate in your PAR and/or allow another System Franchisee or an affiliate to advertise and service customers located inside your PAR.

There is no additional Minimum Monthly Royalty requirement for the Document Service Line. If you currently operate another service line and are now adding another Service Line, we may modify the requirements, to blend the above rates based on your years in business for each service line. For example, if you were in year 5 of your first service line, year 3 of your second service line, and year 1 of your third, your current years requirement would be \$2,288, calculated as follows: \$1,650 (Year 5 - Single Service Line) + \$638 (Year 3 Two Service Lines year 3 is \$1,913, less Year 3 Single Service Line, which is \$1,275) + \$0 (Year 1 - Three Service Line).

The Minimum Monthly Royalty applicable to the Business you operate may vary from the performance standards applicable to other System Franchisees, including due to geographic area and other variables.

The population number is fixed on the date when the territory is purchased but may be modified should any of the following transactions occur: transfer of the Franchise Agreement, renewal of the Franchise Agreement, or if you should purchase additional territory. If there is a decline in the cumulative population

in your PAR of 20% or more, you may request, and we may consider, making an adjustment in the Minimum Monthly Royalty.

Failure to pay the Minimum Monthly Royalty constitutes a default under the Franchise Agreement. Except as set forth in this paragraph, we will not modify your PAR if you fail to pay the Minimum Monthly Royalty or based upon any other contingency. If you fail to cure any Minimum Monthly Royalty default by paying the Minimum Monthly Royalty within 30 days, we may terminate the Franchise Agreement, as noted in Article 11.A.

11. **Start Date.** You must open for Business to the public no later than four months following the Addendum Effective Date. To be approved to open, you must have (i) signed this addendum and paid all fees, (ii) completed to our satisfaction the Service Line Training program, and (iii) purchased and set-up, all required and equipment and supplies. The required list is available in the Operations Manuals. If you do not open with this time frame, at our discretion we may extend the start date or terminate this agreement.

12. **Release by Franchisee.** Franchisee and Guarantor, for themselves and all persons and entities claiming by, through, or under them, hereby release, acquit and forever discharge Franchisor and its present and former officers, employees, shareholders, directors, agents, servants, representatives, parents, affiliates, subsidiaries, franchisees, successors, and assigns (the "Franchisor Releasees") from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorneys' fees, actions or causes of action whatsoever, whether known or unknown, which they, by themselves, on behalf of, or in conjunction with any other person, persons, partnership or corporation, has, had or claims to have against the Franchisor Releasees as of the date of this Agreement, including those arising out of or related to the offer or sale of the Franchised Business or Franchise Agreement or the operation of the Franchised Business, as well as the parties' rights or obligations under the Franchise Agreement and any other agreement with the Franchisor Releasees. Franchisee and Guarantor represent and warrant that it has not assigned any of the claims released by this Agreement. Franchisee and Guarantor further represents and warrants that it will not initiate or assist or cooperate with any third party in connection with, an action or other proceeding against any Franchisor Releasees in connection with the claims released in this Section.

13. **Construction of Language.** The language of this Addendum will be construed according to its fair meaning, and not strictly for or against either party. The parties have had a reasonable opportunity to review this Addendum. In the event of an ambiguity or if a question of intent or interpretation arises, this Addendum shall be construed as if drafted jointly by all of the parties, and no presumptions or burdens of proof shall arise in favor of any party by virtue of the authorship of any of the provisions of this Addendum. Headings are for reference purposes and do not control interpretation.

14. **Multiple Copies or Counterparts of Agreement.** The original and one or more copies of this Addendum may be executed by one or more of the parties hereto. In such event, all of such executed copies shall have the same force and effect as the executed original and all of such counterparts taken together shall have the effect of a fully executed original.

15. **Entire Agreement.** The Franchise Agreement and this Addendum constitute the entire, full, and complete agreement between the parties with respect to the subject matter contained herein and supersede any and all prior agreements. In the event of a conflict between the terms of the Franchise Agreement and this Addendum, the terms of this Addendum shall control. Except as amended by this Addendum, all the other terms and conditions of the Franchise Agreement are hereby ratified and confirmed, including the provisions related to governing law, attorneys' fees and costs, venue, and dispute resolution, all of which will also apply to any claims, causes of action or disputes arising out of or related to this Addendum.

**IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have duly executed and delivered this Addendum on the date first written above.**

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

By: \_\_\_\_\_  
[Legal Name]  
Its: [Title]

FRANCHISEE: [Franchisee]

By: \_\_\_\_\_  
[Legal Name]  
Its Authorized Representative

**EXHIBIT E**  
**List of Current Franchisees**

State	Franchisee	Contact	Address	Phone	Art	Elec	Tex	Doc
AL	BGI Services, Inc.	Wohlers, Jim	202 Challenge Avenue Prattville, AL 36067	(888) 598-1684	2	2	1	
AZ	CK Presents, LLC	Keppel, Scott, and Cathy	1791 W University Drive., Ste. 166 Tempe, AZ 85281	(480) 454-1999	1			
CA	Titley Holdings, Inc	Titley, Andrew	8698 Thornton Ave Newark, CA 94560	(510) 775-1959	3	3	1	
CO	TC Restoration LLC	Jacobs, Craig & Todd enenbaum	10505 S Progress Way Suite 102-3 Parker, CO 80134	(303) 781-7833	2	2	1	
CT	Twoinsync Ventures, c.	Kern, Ron, and Cristine	108 Ledyard Street Hartford, CT 06114	(860) 952-2052	2	2	1	
FL	Blaze Wake vestments LLC	Poss, Bryan	3834 Commerce Loop Orlando, FL 32808	(689) 293-9049		2		
FL	AIONIOS, LLC	Lotz, Douglas and Philip	4330 28th Street, N. St. Petersburg, FL 33714	(727) 342-0848	1	3	3	
FL	Treasures Restored, LC	Swett, Timothy, and eather	6302 Benjamin Road, Suite 414 Tampa, FL 33634	(813) 513-0525	2			
GA	BGI Services, Inc.	Wohlers, Jim	5824 Peachtree Corners East, Suite C Peachtree Corners, GA 30092	(770) 696-6377	2	2	1	
IL	Integrity Specialty estoration, LLC	Libert, Jeff and cqueline Buckmaster- bert	7821 Gross Point Road Skokie, IL 60077	(847) 616-5911	1	1	1	
IN	Indiana Recovery & estoration, LLC	Sheedy, Jon	11730 Church Street Suite 100 Indianapolis, IN 46236	(317) 357-8950	2	2	1	
KY	Kentucky Specialty ontents, LLC	Sheedy, Jon	3711 Collins Lane, Louisville, KY 40245	(502) 398-2599	1	1	1	
MA	Newslobber nterprises, Inc	Glazier, Neal and nnifer	398 Cedar Hill St, Unit 6 Marlborough, MA 01752	(508) 589-4188	3	3	1	
MD	ROK Maryland, LLC	Klatt, Ron & Susan; and uinn Cioffi	12040 Indian Creek Ct., Beltsville MD 20705	(301) 955-0885	3	3	1	
MD	Gebe Holdings, LLC	Gebe, Stephen	4206 Shannon Drive, Bldg. 6 Rosedale, MD 21213	(410) 616-7991	2	2	1	
MI	Art Recovery chnologies, Inc.	Capatina, Lee	12017 Levan Rd, Livonia MI 48150	(734) 464-8154	1			

State	Franchisee	Contact	Address	Phone	Art	Elec	Tex	Doc
MI	ERS, Inc	Capatina Lee	12001 Levan Road, Livonia MI 48150	(734) 464-4444		1	1	1
MI	SRSR, LLC	McCarthy, Andrew	5130 Patterson SE Suite B Grand Rapids, MI 49512	(616) 406-8924	1	1	1	
MN	Technical Restoration Services, Inc.	Sacco, Nick, and Janessa	15400 28th Ave N Suite 300 Plymouth, MN 55447	(763) 383-9403	2	2	1	
MO	Mandala Restoration, c.	Heuckroth, Brian	2416 Centerline Industrial Drive Maryland Heights, MO 63043	(314) 983-9988	1	1	1	
NC	DiMill Enterprises, LLC	DiPaolo, Michael, and Grey Adamski	531 Pylon Drive, Raleigh, NC 27606	(919) 629-2011	2	2	2	
NJ	JDST Restoration, Inc.	Ciano, Stephen, Sheri, and Joseph	92 N. Main Street, Building 2 Suite C PO Box 532 Windsor, NJ 08561-0532	(609) 357-4922	5	5	5	
NJ	TRJL Enterprises, Corp	McGovern, Timothy & Frananne	1 Apollo Drive, Bldg 3A, NJ 07981	(862) 259-2413	2	2	2	
NY	Caraballo Enterprises, Inc	Caraballo, Deana, and Peter	1361 Lincoln Avenue, Unit #4 Holbrook, NY 11741	(631) 588-2717	2			
NY	MGLT Inc.	Kuhlmann, Mark	100 Bond Street Westbury, NY 11590	(516) 874-3515		3		
OH	MDCH, LLC	DeLorge, David, Dana Mueller, Eric Hepner, Nick Malfilippo	21337 Drake Road, Strongsville, OH 44149	(330) 558-0233	2	2	1	
OH	RCJK, LLC	Walker, Richard, and Cheryl	171 Schofield Drive Columbus, OH 43213	(614) 866-4484	2	2	2	
OK	FFR, LLC	Sexton, Fred, Donovan Posters, and Troy Baker	13500 Railway Dr., Oklahoma City, OK 73114	405-726-1325	1	1	1	
OR	Advanced Skoro Technology International, Inc	Skoro, Boris	PO Box 30897 Portland, OR 97294	(503) 254-0779	2	2	1	
SC	Excellence in Electronic Restoration Services, Inc	Gibbons, Mike, and Andy Boatwright	7171 Bryhawke Circle Suite 500 North Charleston, SC 29418	(843) 501-0437	2	2	1	
TX	Bay Two Restoration, LLC	Bergman, Kevin and Ekaterina	2300 Valley View Ln. Suite 100 Farmers Branch, TX 75234	(833) 278-6333	2			
TX	Kahoma Corp	Horton, Bruce, and Liz	641 Commercial Drive, Ste 201 Buda, TX 78610	(512) 991-1931	2			

State	Franchisee	Contact	Address	Phone	Art	Elec	Tex	Doc
TX	Kinney Solutions ouston LLC	Kinney, Mike	10540 Bissonnet St, Suite 150 Houston, TX 77099	(713) 543-8750		7	5	
TX	Ramage Enterprises, c.	Ramage, Ken	8601 Jameel Road, Ste 170, Houston TX 77040	(281) 213-0780	3			
VA	Commonwealth isaster Recovery, LLC.	Koppanyi, Andras	11341-B Business Center Drive N. Chesterfield, VA 23236	(804) 601-4663		2	1	
VA	Mero Holdings, LLC	Harvey, Rob	11311-A Business Center Drive Richmond, VA 23236	(804) 464-8670	1			
WI	One Source Cleaning, LC	Meyer, David and nnifer and Brenda hnson	1030 Parkview Road Green Bay, WI 54304	(920) 393-3691		2	1	

## EXHIBIT F

### Table of Contents of the Operations Manual

Below you will see a Table of Contents of our Operations Manual, as of the date of this Disclosure Document. We reserve the right to modify this at any time:

Topic	Approximate Number of Pages
<b>OPERATIONS MANUAL</b>	
1. JumpStart (Pre-Opening Procedures)	85
2. General Operations	145
3. Sales and National Accounts	59
4. Safety Procedures	58
5. Tracking System (Electronics)	163
6. Tracking System (Art)	132
7. Affiliate Procedures (Electronics)	99
8. Art Procedures	100
9. Textile Procedures	188
10. Continuing Education	29
11. Prism Specialties Brand Standards	48
12. Commercial Policy Manual (Electronics)	12
13. Prism University – User Manual	11
14. Local Sales Manual	62
<b>Total Number of Pages</b>	<b>1,191</b>

## EXHIBIT G

### Form of Release Agreement

#### (Subject to Change by Restoration Specialties Franchise Group, LLC)

THIS AGREEMENT AND RELEASE (the “Agreement”) is made and entered into by and among \_\_\_\_\_ (“Franchisee”) and Restoration Specialties Franchise Group, LLC (“RSFG”). All capitalized terms not defined in this Agreement have the respective meanings set forth in the Franchise Agreement (defined below). This Agreement is effective on the date we sign below (the “Effective Date”).

#### RECITALS

- A. Franchisee and RSFG are parties to a Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”).
- B. [Describe the circumstances relating to the release.]
- C. Subject to and as addressed with greater specificity in the terms and conditions set forth below, RSFG and Franchisee now desire to settle all disputes that may exist between them relating to the Franchise Agreement

#### AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged Franchisee, and RSFG agree as follows:

- 1-3. [Note: Detail other terms and conditions of the Release.]
4. Release.
  - A. Franchisee and each of its respective heirs, successors, assigns, affiliates, shareholders, directors, employees, and agents, and on behalf of any other party claiming an interest through them (collectively and individually referred to as the “Franchisee Parties” for purposes of this Section 4), release and forever discharge RSFG, its predecessors, successors, and its current and former affiliates; as well as their respective past and present directors, officers, shareholders, agents, employees, heirs and assigns (collectively and individually referred to as the “RSFG Parties” for purposes of this Section 4) of and from any and all claims, debts, liabilities, demands, obligations, costs, expenses, actions and causes of action, whether known or unknown, vested or contingent, which Franchisee Parties may now or in the future own or hold, that in any way relate to the Franchise Agreement, any other agreement between Franchisee Parties and RSFG Parties, or the relationship between Franchisee Parties and RSFG Parties through the Effective Date (collectively, “Franchisee Parties Claims”), for known or unknown damages or other losses including, but not limited to, any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Franchise Agreement or

any other related agreement between Franchisee Parties and RSFG Parties through and including the Effective Date of this Agreement.

B. Except as noted in Section 4. B, the RSFG Parties hereby release the Franchisee Parties from any and all claims, debts, liabilities, demands, obligations, costs, expenses, actions, and causes of action, whether known or unknown, vested or contingent, which RSFG Parties may now or in the future own or hold, that in any way related to the Franchise Agreement, any other agreement between RSFG Parties and Franchisee Parties, or the relationship between RSFG Parties and Franchisee Parties through the Effective Date (collectively, the “RSFG Parties Claims”), for known or unknown damages or other losses, including but not limited to any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Franchise Agreement or any other related agreement between RSFG Parties and Franchisee Parties through and including the Effective Date. The RSFG Parties do not release the Franchisee Parties from any obligations arising by virtue of this Agreement and claims arising from the Franchisee Parties’ failure to comply with those obligations, including, without limitation, the obligations under Sections \_\_\_\_\_ of this Agreement.

C. The release of Franchisee Parties Claims as set forth in Section 4.A and RSFG Parties Claims, as set forth in Section 4. B are intended by the Franchisee Parties and the RSFG Parties (collectively, the “Releasors”) to be a full and unconditional general release, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of one of the Releasors against the other Releasors regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein.

[The Releasors, for themselves, their heirs, successors, and assigns, hereby expressly, voluntarily and knowingly waive, relinquish and abandon each and every right, protection, and benefit to which they would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any other statutes or common law principles of similar effect to said Section 1542, whether now or hereinafter existing under the laws of California or any other applicable federal and state law with jurisdiction over the parties relationship. The Franchisee Parties acknowledge that Section 1542 of the Civil Code of the State of California provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”]

[Bracketed language for use in California only.]

In making this voluntary express waiver, the Releasors acknowledge that claims or facts in addition to or different from those which are now known to exist with respect to the matters mentioned herein may later be discovered and that it is the Releasors’ intentions to settle and release all matters, regardless of the possibility of later discovered claims or facts hereby fully and forever. This Release is and shall be and remain a full, complete, and unconditional general release. The Releasors acknowledge and agree that the

foregoing waiver is an essential, integral, and material term of this Agreement and Release. The Releasors further acknowledge and agree that no violation of this Agreement shall void the release set forth in this Section 4.

[For use in Washington only] This Release Agreement does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

5. Acknowledgment. Franchisee acknowledges and agrees that the representations and agreements set forth in Section 4 are a material inducement to RSFG to enter into this Agreement, such that RSFG would not have entered into this Agreement in the absence of such agreements.

6. Binding Effect. This Agreement shall be binding upon, inure to the benefit of and be enforceable by Franchisee and RSFG and their respective successors and assigns.

7. Governing Law/Venue. This Agreement shall be governed by, and construed in accordance with, the law of our then current National Headquarters (presently Florida) without regard to principles of conflicts of law. The parties agree that any legal proceeding relating to this Agreement or the enforcement of any provision of this Agreement shall be brought or otherwise commenced only in the State or Federal courts of such state.

8. Attorney's Fees. The prevailing party in any legal proceeding to enforce the terms of this Agreement is entitled to recover its reasonable attorneys' fees and costs from the non-prevailing party.

9. Entire Agreement/Amendment. The Franchise Agreement and this Agreement constitute the entire, full, and complete agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements. In the event of a conflict between the terms of the Franchise Agreement and the terms of this Agreement, the terms of this Agreement shall control. Except as amended hereby, all the other terms and conditions of the Franchise Agreement are ratified and confirmed. This Agreement shall not be amended except by the written agreement of the parties.

10. Representation by Counsel. Franchisee and RSFG have had the opportunity to consult with legal counsel of their respective choice with respect to this Agreement, including the full and final release of claims set forth herein.

11. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Agreement shall be prohibited by or invalid under any such law or regulation in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Agreement, or the validity or effectiveness of such provision in any other jurisdiction.

12. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Facsimile or scanned signatures shall be binding as if they were originals.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

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

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

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

## EXHIBIT H

### Form of Renewal Agreement

**(Subject to Change by Restoration Specialties Franchise Group, LLC)**

This Renewal Amendment to Franchise Agreement (the “Amendment” or “Addendum”) is hereby made and entered into on \_\_\_\_\_ (the “Effective Date”), by and between: (i) Restoration Specialties Franchise Group, LLC., (“Franchisor”), and (ii) [FRANCHISEE] (“Franchisee”).

### BACKGROUND

A. On or about [insert date of FA], Franchisor and Franchisee entered into a franchise agreement (the “Original Franchise Agreement”) pursuant to which Franchisee obtained the right and undertook the obligation to open and operate a [INSERT FRANCHISE BRAND] franchised business at the following location \_\_\_\_\_ (the “Franchised Business”).

B. The initial term of the Original Franchise Agreement expires on [insert expiration date], HOWEVER in order to provide for an orderly renewal, both Franchisor and Franchisee agree to have the Original Franchise Agreement expire on the Effective Date of this Agreement (the “Expiration Date”).

C. Simultaneously with the execution of this Addendum, the Franchisee, and Franchisor are entering into a Successor Franchise Agreement (the “Franchise Agreement”) pursuant to Section Article 4.B. of the Original Franchise Agreement for a renewal term.

D. Franchisor and Franchisee wish to amend the Franchise Agreement, pursuant to the terms and conditions of this Amendment.

### AGREEMENT

NOW THEREFORE, in consideration of the mutual agreements, covenants, and promises contained in this Amendment and for other mutual consideration between the parties, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **Background; Definitions.**

a. The parties agree and acknowledge that the Background portion of this Amendment, including all definitions, representations, and provisions set forth therein, is hereby incorporated by reference as if fully set forth in this Section.

b. For purposes of this Amendment, if a capitalized term in this Amendment is not specifically defined herein, that term will be given the same definition that the term is afforded in the Franchise Agreement, as applicable.

2. **Successor Franchise Fee and Expenses.** Franchisee must pay to Franchisor a Successor Franchise Fee in the amount of \$\_\_\_\_\_, as required pursuant to Article 4.B. of the Original Franchise Agreement, immediately upon execution of this Addendum, which fee shall be deemed fully earned and non-refundable upon payment.

3. **Conditions for Grant of Successor Franchise Agreement.** Franchisee shall comply with the requirements set forth on Exhibit A to this Amendment (the "Successor FA Conditions") at Franchisee's sole cost and expense.

5. **Term.** Article 4.A. of the Original Franchise Agreement is hereby amended to provide that the Term of the Original Franchise Agreement shall expire on the Effective Date of this Addendum.

6. **Inapplicable/Modified Provisions.** Franchisor and Franchisee acknowledge and agree that the Franchised Business is in operation as of the Effective Date. Accordingly, certain provisions in the Franchise Agreement relating to pre-opening obligations are inapplicable under the Franchise Agreement.

- a. Franchisee acknowledges having attended and completed the initial training prior to entering into the Franchise Agreement. Accordingly, the Franchisee acknowledges and agrees that Franchisor has satisfied its initial training obligations under the Franchise Agreement.
- b. The Minimum Royalty Requirements in Section 2.F. is modified to reflect that the business has been in operation greater than five years.
- c. The requirement that the Franchisee pay an Initial Franchise Fee (Article 8.A.) is inapplicable. The requirement that the Franchisee pay and Franchisor provide, a Turn-Key Business Package (Article 8.C.) is inapplicable.

7. **Release by Franchisee.** Franchisee, for itself, and on behalf of its heirs, successors and assigns, affiliates, principals, managers, owners, members and any other party claiming an interest through Franchisee (collectively and individually referred to as the "Franchisee Party") for itself and all persons and entities claiming by, through, or under it, hereby releases, acquires and forever discharges Franchisor, as well as its present and former officers, employees, members, directors, agents, servants, representatives (including, without limitation, sales brokers), parents, affiliates, subsidiaries, franchisees, successors, and assigns (collectively, the "Franchisor Releasees") from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorneys' fees, actions or causes of action whatsoever, whether known or unknown, which any Franchisee Party, by itself/itself, on behalf of, or in conjunction with any other person, persons, partnership or corporation, has, had or might claim to have against any Franchisor Releasee as of, or that otherwise accrued prior to, the Effective Date of this Agreement, including without limitation, those arising out of or related to: (i) the offer and sale of the rights granted under the Franchise Agreement and/or any other agreement between a Franchisee Party and any Franchisor Releasee through the Effective Date of this Agreement; (ii) the operation of the Franchised Business prior to the Effective Date of this Agreement; and (iii) any other statute, law or regulation that is applicable to the parties' relationship. Franchisee, on behalf of the Franchisee Parties, hereby represents and warrants that Franchisee: (i) has not assigned its right to bring any of the foregoing claims to a third party; and (ii) will not initiate or assist or cooperate with any third party in connection with, action or other proceeding against any Franchisor Releasee in connection with the claims released in this Section. Franchisee further acknowledges that Franchisee has had an adequate opportunity to gather all information necessary to enter into this Agreement and to grant the releases contained herein.

Acknowledgment. Without limiting the scope of this paragraph, Franchisee acknowledges a familiarity with Section 1542 of the Civil Code of the State of California, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH, IF KNOWN BY HIM, MUST HAVE MATERIALLY AFFECTED THE SETTLEMENT WITH THE DEBTOR."

Each party hereby waives and relinquishes every right or benefit which it may have under Section 1542 of the Civil Code of the State of California, and any similar statute under any other state or federal law, to the fullest extent that he may lawfully waive such right or benefit. In connection with this waiver and relinquishment, with respect to the claims released above, each party acknowledges that it may hereafter discover facts in addition to or different from those which they now know or believe to be true but that it is the parties' intention, subject to the terms and conditions of this Agreement, to fully, finally and forever to settle and release all such claims, known or unknown, suspected or unsuspected, which now exist, may exist or did exist, and, in furtherance of such intention, the release given above shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts.

8. **Confidentiality.** Franchisee agrees to maintain the confidentiality of this Agreement and must not disclose the terms of this Agreement to any person or persons except their professional advisors for legitimate business purposes or otherwise as required by law.

9. **Severability.** In case any covenant, condition, term or provision contained in this Agreement shall be held to be invalid, illegal, or unenforceable in any respect, in whole or in part, by judgment, order or decree of any court or other judicial tribunal of competent jurisdiction, the validity of the remaining covenants, conditions, terms and provisions contained in this Agreement, and the validity of the remaining part of any term or provision held to be partially invalid, illegal or unenforceable, shall in no way be affected, prejudiced, or disturbed thereby.

10. **Applicable Law, Binding Effect and Venue.** The parties agree and acknowledge that the governing law, dispute resolution and venue provisions of the Franchise Agreement shall also govern this Agreement.

11. **Binding on Successors and Assigns.** The obligations of the Franchisee under this Agreement will be binding on Franchisee's successors and assigns (as permitted by Franchisor). The Franchisee may not assign this Agreement or any of the rights granted hereunder without the Franchisor's prior written consent (in accordance with the terms of the Renewal Franchise Agreement).

12. **Construction of Language.** The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. The parties have had a reasonable opportunity to review this Agreement. In the event of an ambiguity or if a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by all of the parties, and no presumptions or burdens of proof shall arise in favor of any party by virtue of the authorship of any of the provisions of this Agreement. Headings are for reference purposes and do not control interpretation.

13. **Entire Agreement.** The Franchise Agreement and this Agreement constitute the entire, full, and complete agreement between the parties concerning the franchise and supersede any and all prior agreements. In the event of a conflict between the terms of this Agreement, the Franchise Agreement and the terms of this Agreement shall control. Except as amended by this Agreement, all the other terms and conditions of the Franchise Agreement are hereby ratified and confirmed.

14. **Counterparts.** The original and one or more copies of this Agreement may be executed by one or more of the parties hereto. In such an event, all of such executed copies shall have the same force and effect as the executed original and all of such counterparts taken together shall have the effect of a fully executed original.

**I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

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

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

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

## **EXHIBIT I**

### **State Addenda**

#### **CALIFORNIA ADDENDUM TO** **FRANCHISE DISCLOSURE DOCUMENT**

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.

California Business and Professions Code Sections 20000 through 20043 provide rights to the Franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

- A. 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.).
- B. 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.
- C. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- D. The franchise agreement requires application of the laws of the state of our then current National Headquarters (presently Florida). To the extent that any provision in the Franchise Agreement is inconsistent with California law, California law will control.

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) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

- a) Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Corporations before we ask you to consider a material modification of your franchise agreement.
- b) You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 Through 31516). Business and Professions Code Section 20010 Voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).
- c) Neither franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A.78 a et seq., suspending or expelling such persons from membership in that association or exchange.
- d) We have posted a surety bond with Hartford Fire Insurance Company. This surety bond is on file with the California Department of Financial Protection and Innovation.
- e) The earnings claim figures in Item 19 of this Disclosure Document does not reflect costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent

investigation of the costs and expenses you will incur in operating your (franchised business). Franchisees or former franchisees, listed in this Disclosure Document, may be one source of this information.

- f) 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.dfp.ca.gov](http://www.dfp.ca.gov).
- g) No statement, questionnaire, or acknowledgment signed or agreed to by a Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the Franchise.

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**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**REQUIRED FOR CALIFORNIA FRANCHISEES**

This Addendum to the Franchise Agreement (“Franchise Agreement”) dated \_\_\_\_\_ between Restoration Specialties Franchise Group, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of California; (b) Franchisee is a resident of the State of California; and/or (c) the Franchised Business will be located or operated in the State of California.
2. California Business and Professions Code Sections 20000 through 20043, the California Franchise Relations Act, provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
3. We have posted a surety bond with Hartford Fire Insurance Company. This surety bond is on file with the California Department of Financial Protection and Innovation.
4. 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.
5. The third paragraph of Article 16.B. of the Franchise Agreement, beginning with “You acknowledge that you are entering...” is deleted in its entirety.
6. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
7. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

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

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

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

**HAWAII ADDENDUM TO**  
**FRANCHISE DISCLOSURE DOCUMENT**

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND FRANCHISEE.

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**ILLINOIS ADDENDUM TO**  
**FRANCHISE DISCLOSURE DOCUMENT**

Illinois law governs the Franchise Agreement,

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or **any other law of Illinois** is void.

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

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**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**REQUIRED FOR ILLINOIS FRANCHISEES**

This Addendum to the Franchise Agreement ("Franchise Agreement") dated \_\_\_\_\_ between Restoration Specialties Franchise Group, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

Illinois law governs the Franchise Agreement,

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or **any other law of Illinois** is void.

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

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

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

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

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

**MINNESOTA ADDENDUM TO**  
**FRANCHISE DISCLOSURE DOCUMENT**

**Item 6, Other Fees:** Note 9 is deleted in its entirety and is replaced by the following language:

The NSF Fee currently is \$30 per returned payment. NSF fees are governed by Minnesota Statute § 604.113, which puts a cap of \$30 on service charges.

**Item 13, Additional Disclosure:** The following statement is added to Item 13:

We will protect your right to use the Marks or indemnify you from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the name to the extent required by Minn. Stat. Sec. 80C.12, Subd.1(g).

**Item 17, Notice of Termination:** The following statement is added to Item 17:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minnesota Statute § 80C.14, subdivisions 3, 4, and 5 which requires, except in certain specified cases, that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.

**Item 17, Governing Law, Jurisdiction and Venue and Choice of Forum:** The following statement is added to the cover page and Item 17:

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring arbitration and/or litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

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

**Item 17, General Release:** The following statement is added to Item 17:

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

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**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**REQUIRED FOR MINNESOTA FRANCHISEES**

This Addendum to the Franchise Agreement ("Franchise Agreement") dated \_\_\_\_\_ between Restoration Specialties Franchise Group, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of and are incorporated into the Franchise Agreement. This addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Minnesota; (b) Franchisee is a resident of the State of Minnesota; and/or (c) the Franchised Business will be located or operated in the State of Minnesota.

2. The following sentence is added to the end of Section 8.G:

For Minnesota franchisees, we may collect an NSF fee no greater than \$30 in accordance with Minnesota State 604.113.

3. The following sentence is added to the end of Section 11.A:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minnesota Statute § 80C.14, subdivision 3, 4, and 5 which requires, except in certain cases, that Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for nonrenewal of the Franchise Agreement.

4. The following sentence is added to the end of Sections 4.B(7) and 14.C(f):

Notwithstanding the foregoing, Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

5. Section 13.B is deleted and replaced with the following:

Franchisor shall be entitled to the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to: (1) Franchisee's use of the Trademarks; (2) the construction and equipping of the Franchised Business; (3) the obligations of Franchisee upon termination or expiration of this Agreement; (4) a Transfer of this Agreement, any ownership interest therein or in the lease for the Franchised Business; and (5) as necessary to prohibit any act or omission by Franchisee or its employees that would constitute a violation of any applicable law, ordinance, or regulation, or which is dishonest or misleading to Franchisor and/or Franchisor's other licensees.

6. The following sentences are added to the end of Sections 12.B and 15.I:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or the Franchise Agreement can abrogate or reduce any of Licensee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

7. The third paragraph of Article 16.B. of the Franchise Agreement, beginning with "You acknowledge that you are entering..." is deleted in its entirety.

8. No statement, questionnaire, or acknowledgment signed or agreed to by a Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the Franchise.
9. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
10. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

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

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

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

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**NEW YORK ADDENDUM TO**  
**FRANCHISE DISCLOSURE DOCUMENT**

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective Rev. March 17, 2021 2 injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in

force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**: You may terminate the agreement on any grounds available by law.

1. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York

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

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**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**REQUIRED FOR NEW YORK FRANCHISEES**

This Addendum to the Franchise Agreement ("Franchise Agreement") dated \_\_\_\_\_ between Restoration Specialties Franchise Group, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of New York; (b) Franchisee is a resident of the State of New York; and/or (c) the Franchised Business will be located or operated in the State of New York.
2. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.
3. The following sentence is added to the end of Sections 4.B(7) and 14.C(f): Any provision in the Franchise Agreement requiring Franchisee to sign a general release of claims against Franchisor does not release any claim Franchisee may have under New York General Business Law, Article 33, Sections 680-695.
4. The following sentence is added at the end of Section 15: Franchisor will not assign its rights under the Franchise Agreement except to an assignee who in Franchisor's good faith and judgment is willing and able to assume Franchisor's obligations under the Franchise Agreement.
5. The third paragraph of Article 16.B. of the Franchise Agreement, beginning with "You acknowledge that you are entering..." is deleted in its entirety.
6. The following sentence is added to the end of Section 16.I: Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.
7. No statement, questionnaire, or acknowledgment signed or agreed to by a Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the Franchise.

Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

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

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

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

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

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

**NORTH DAKOTA ADDENDUM TO**  
**FRANCHISE DISCLOSURE DOCUMENT**

**Item 17, Additional Disclosures.** The following statements are added to Item 17:

Pursuant to the North Dakota Franchise Investment Law, any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota is void. The laws of the State of North Dakota will govern any dispute.

Any general release the franchisee is required to assent to is not intended to nor shall it act as a release, estoppel or waiver of any liability Restoration Specialties Franchise Group, LLC may have incurred under the North Dakota Franchise Investment Law.

Covenants not to compete upon termination or expiration of the franchise agreement are generally not enforceable in the State of North Dakota, except in certain instances as provided by law.

The Franchise Agreement includes a waiver of exemplary and punitive damages. That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Disclosure Document and Franchise Agreement.

The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Restoration Specialties Franchise Group, LLC in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

The Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Disclosure Document and Franchise Agreement.

The Franchise Disclosure Document, Franchise Agreement and Area Development Agreement state that franchisee must consent to the jurisdiction of courts in the state of our then current National Headquarters (presently Florida). That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Disclosure Document, Franchise Agreement and Area Development Agreement.

The Franchise Disclosure Document and Franchise Agreement may require franchisees to consent to termination or liquidated damages. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Disclosure Document and Franchise Agreement.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. That requirement will not apply to North Dakota franchisees and, instead the statute of limitations under North Dakota law will apply.

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

**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**REQUIRED FOR NORTH DAKOTA FRANCHISEES**

This Addendum to the Franchise Agreement ("Franchise Agreement") dated \_\_\_\_\_ between Restoration Specialties Franchise Group, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of North Dakota; (b) Franchisee is a resident of the State of North Dakota; and/or (c) the Franchised Business will be located or operated in the State of North Dakota.
2. Any release executed in connection herewith shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.
3. Covenants not to compete are generally considered unenforceable in the State of North Dakota.
4. The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. The laws of the State of North Dakota will govern any dispute.
5. The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law. This requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Franchise Agreement.
6. The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law. This requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Franchise Agreement.
7. The requirement that a franchisee consent to termination or liquidated damages has been determined by the Commissioner to be unfair, unjust, and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Franchise Agreement.
8. The Franchise Agreement states that franchisee must consent to the jurisdiction of courts in the current National Headquarters (presently Florida). That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Franchise Agreement.
9. The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. That requirement will not apply to North Dakota franchisees and, instead, the statute of limitations under North Dakota law will apply.
10. The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Restoration Specialties Franchise Group, LLC in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.
11. The third paragraph of Article 16.B. of the Franchise Agreement, beginning with "You acknowledge that you are entering..." is deleted in its entirety.

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

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

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

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

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

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**RHODE ISLAND ADDENDUM TO**  
**FRANCHISE DISCLOSURE DOCUMENT**

**Item 17, Additional Disclosure. The following statement is added to Item 17:**

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

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

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**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**REQUIRED FOR RHODE ISLAND FRANCHISEES**

This Addendum to the Franchise Agreement ("Franchise Agreement") dated \_\_\_\_\_ between Restoration Specialties Franchise Group, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Rhode Island; (b) Franchisee is a resident of the State of Rhode Island; and/or (c) the Franchised Business will be located or operated in the State of Rhode Island.
2. The following sentence is added to the end of Section 16.I:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

3. No statement, questionnaire, or acknowledgment signed or agreed to by a Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the Franchise.
4. The third paragraph of Article 16.B. of the Franchise Agreement, beginning with "You acknowledge that you are entering..." is deleted in its entirety.
5. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
6. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

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

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

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

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**VIRGINIA ADDENDUM TO**  
**FRANCHISE DISCLOSURE DOCUMENT**

**Item 17, Additional Disclosure.** In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Franchisor for use in the Commonwealth of Virginia shall be amended as follows:

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

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

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**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**REQUIRED FOR WASHINGTON FRANCHISEES**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

The third paragraph of Article 16.B. of the Franchise Agreement, beginning with "You acknowledge that you are entering..." is deleted in its entirety.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The franchisor [uses/may use] the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Carefully evaluate any information provided by a franchise broker about a franchise. Do your

own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

The Washington Department of Financial Institutions Security Division has required financial assurance based on the franchisor's financial condition. Therefore, all initial fees and payments owed by Washington Franchisees to the Franchisor shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

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

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

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

**WASHINGTON ADDENDUM TO**  
**FRANCHISE DISCLOSURE DOCUMENT**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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The franchisor [uses/may use] the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Carefully evaluate any information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

The Washington Department of Financial Institutions Security Division has required financial assurance based on the franchisor's financial condition. Therefore, all initial fees and payments owed by Washington Franchisees to the Franchisor shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

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

The undersigned does hereby acknowledge receipt of this addendum.

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## EXHIBIT J

### State Effective Dates

The following states require that the Franchise Disclosure Document be registered or filed with the state, or otherwise be exempt from registration: California, Florida, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington, and Wisconsin. This disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

CALIFORNIA	Pending
FLORIDA	Pending
HAWAII	Not Registered
ILLINOIS	Pending
INDIANA	Pending
MARYLAND	Different Form of FDD
MICHIGAN	Pending
MINNESOTA	Pending
NEW YORK	Pending
NORTH DAKOTA	Pending
RHODE ISLAND	Pending
SOUTH DAKOTA	Pending
UTAH	Pending
VIRGINIA	Pending
WASHINGTON	Pending
WISCONSIN	Pending

In all other states, the effective date of this Franchise Disclosure Document is April 1, 2025

**EXHIBIT K**

**Receipts**

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## RECEIPT

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 Restoration Specialties Franchise Group, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that Restoration Specialties Franchise Group, LLC give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan and Iowa require that Restoration Specialties Franchise Group, LLC give you this Disclosure Document at least 10 business days before the execution of the franchise or other agreement or the payment of any consideration, whichever occurs first.

If Restoration Specialties Franchise Group, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the state agency identified on Exhibit A.

David Wells and Cassidy Ford of EverSmith Brands, act as our Franchise Sellers. Their principal business address is 6700 Forum Drive, Suite 150, Orlando, FL, 32821, 888-826-9429

\_\_\_\_\_, of \_\_\_\_\_ acts as our Franchise Seller. His/her principal business address is \_\_\_\_\_.

Issuance Date: April 1, 2025

See Exhibit A for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated April 1, 2025, that included the following Exhibits:

- A. List of State Administrators, Agents for Service of Process and Effective Dates
- B. Financial Statements
- C. Franchise Agreement (including Appendices)
- D. Add-on Addendum
- E. List of Current Franchisees
- F. Table of Contents to the Operations Manual
- G. Form of Release Agreement
- H. Form of Renewal Agreement
- I. State Addenda
- J. Effective Dates
- K. Receipts

Date	Signature	Printed Name
Date	Signature	Printed Name

## KEEP THIS COPY FOR YOUR RECORDS

This Disclosure Document is available by request in either paper or .pdf format, please contact [michelle.justavino@eversmithbrands.com](mailto:michelle.justavino@eversmithbrands.com).

## RECEIPT

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 Restoration Specialties Franchise Group, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that Restoration Specialties Franchise Group, LLC give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan and Iowa require that Restoration Specialties Franchise Group, LLC give you this Disclosure Document at least 10 business days before the execution of the franchise or other agreement or the payment of any consideration, whichever occurs first.

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David Wells and Cassidy Ford of EverSmith Brands, act as our Franchise Sellers. Their principal business address is 6700 Forum Drive, Suite 150, Orlando, FL, 32821, 888-826-9429

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\_\_\_\_\_  
Date \_\_\_\_\_ Signature \_\_\_\_\_ Printed Name \_\_\_\_\_

\_\_\_\_\_  
Date \_\_\_\_\_ Signature \_\_\_\_\_ Printed Name \_\_\_\_\_

Please sign this copy of the receipt, date your signature, and return it to Michelle Justavino, Restoration Specialties Franchise Group, LLC, 6700 Forum Dr Ste 150, Orlando, Florida 32821-8013, 888-826-9429, michelle.justavino@eversmithbrands.com.

Copy for Restoration Specialties Franchise Group, LLC