

## FRANCHISE DISCLOSURE DOCUMENT

PatchMaster Franchise, LLC  
A Delaware limited liability company

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Chester, NJ 07930  
844-PATCHMAN  
info@patchmaster.com  
www.PatchMaster.com



You will offer wall surface repair and related services to residential and commercial customers (the “Franchised Business”).

The initial investment necessary to begin operations of a PatchMaster franchise ranges from \$86,450 to \$111,950. This amount includes \$77,450 that must be paid to the Franchisor or its affiliates. The initial investment necessary to begin operations of a PatchMaster 3-pack franchise, where you concurrently purchase 3 franchise territories, ranges from \$150,450 to \$187,450. This amount includes \$137,450 that must be paid to the Franchisor or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Paul Ferrara, 88 East Main Street #345, Mendham, NJ 07945 or (973) 944-4900 x 404.

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 contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

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

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

**THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT IS APRIL 25, 2023**

## How to Use This Franchise Disclosure Document

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

| 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 or Exhibits D and E. |
| <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 A 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 PatchMaster business in my area?</b>                     | Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.  |
| <b>Does the franchisor have a troubled legal history?</b>                                | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.   |
| <b>What’s it like to be a PatchMaster franchisee?</b>                                    | Item 20 or Exhibits D and E lists current and former franchisees. You can contact them to ask about their experiences.   |
| <b>What else should I know?</b>  | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.  |

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in New Jersey. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Massachusetts than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **Limited Operating History.** The franchisor is at an early stage of development and has limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Sales Performance Requirement.** 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.
5. **Use of Franchise Brokers.** The franchisor 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. Do not rely only on the 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.

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.

**PATCHMASTER FRANCHISE, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
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**ITEM 1**  
**THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language used in this Disclosure Document, “we” or “us” means PatchMaster Franchise, LLC, the Franchisor, and “you” or “franchisee” means the person who purchases a franchise from us. If you are a corporation, partnership, limited liability company or other entity, “you” may also refer to your owners.

**The Franchisor**

The Franchisor is PatchMaster Franchise, LLC a Delaware limited liability company formed on November 17, 2021. Our principal place of business is 57 Main Street, Chester, NJ 07930, www.PatchMaster.com. We do business under the name “PatchMaster™.”

We began offering franchises in April 2022 for the operation of a wall surface repair and related service business under the name “PatchMaster”. Our predecessor began offering franchises in September 2017. We acquired the PatchMaster system in December 2021. We do not offer, and have not offered, franchises in any other line of business. We are not currently engaged in any other business and do not operate a business of the type being franchised.

**Parents, Predecessors and Affiliates**

Our predecessor is PM Franchising, LLC, a Utah limited liability company formed on March 18, 2016. Its principal place of business is 57 Main Street, Chester, NJ 07930. Our predecessor offered PatchMaster franchises from September 2017 to December 2021. We are a wholly-owned subsidiary of PM Holdco, LLC (our “**Parent**”), a Delaware limited liability company formed on November 17, 2021, with an address at 57 Main Street, Chester, NJ 07930.

We have several affiliates that require disclosure in this Disclosure Document (collectively our “Affiliates”). Except as expressly stated in this Item 1, our Parent and our Affiliates do not operate businesses similar to the type being franchised and do not offer franchises in this or any other line of business and do not provide products or services to our franchisees.

Four (4) affiliates through common ownership operate a business in Utah similar to the type being franchised. Zite and Zite, LLC and JSun, LLC began operating a business in Utah similar to the type being franchised in August 2016 and October 2016 respectively. N.J. Drywall Repair, Inc. began operating a business similar to the type being franchised in May 2018. Barkat, LLC began operating a business similar to the type being franchised in April 2016 but became an affiliated unit in May 2019. These affiliates have never offered franchises in this or any other line of business.

Our agents for service of process is in Exhibit G.

**PatchMaster Franchised Business**

We franchise the right to operate a business that offers wall surface repair and related services to residential and commercial customers (the “**Franchised Business**”) using (i) trademarks, trade names, service marks, designs, emblems, logos, graphics, slogans, copyrights, trade dress, trade secrets and commercial symbols including the mark “**PatchMaster**” (the “**Marks**”); and (ii) specifications for necessary equipment, defined service and product offerings, standard operating and administrative procedures, management and technical training programs (the “**System**”).

We offer and award to qualified applicants, a franchise to own and operate the Franchised Business. Franchisees may be individuals or entities that meet our then current requirements for non-individual franchisees. These requirements may include the signing of personal guarantees by some or all of the individuals holding an equity interest in the Franchise.

If awarded a franchise, you will operate a business that offers wall surface repair and related services to residential and commercial customers using the Marks and System. We will provide you with the training, techniques, know-how, information, specifications, and recommendations, and access to materials and supplies, and business assistance, which will enable you to operate the Franchised Business. Related services encompass small home repairs that may include, but not be limited to: plaster, stucco, concrete and trim repairs and painting. Services affiliated with the Franchised Business do not include mechanical, plumbing, electrical, roofing, heating, ventilation and air conditioning installation and repairs. We also provide various supporting products and services to you and other franchisees.

To acquire a franchise, you will sign a Franchise Agreement (**Exhibit B**) with us that will grant you the right and obligation to sell certain approved products and services under our Marks (“**Products and Services**”) and purchase certain equipment from us or approved suppliers using the System and the Marks. You will conduct your Franchised Business at locations that we will provide or that you will obtain with our prior approval (“**Locations**”) within a specified geographic Licensed Service Area (the “**LSA**”). We will establish your Licensed Service Area before you sign your Franchise Agreement. The Licensed Service Area provides you with certain exclusive rights to the extent we will not grant another franchisee an authorized office within your LSA provided you are materially compliant with the Franchise Agreement. You may not provide services associated with the Franchised Business outside your LSA. You are not permitted to market, advertise or solicit business outside of your LSA. All marketing representations must include a list or description of your LSA. In the event Franchisee receives business from outside its Licensed Service Area, it must refer the business to the franchisee who licenses the applicable Licensed Service Area.

### **The Market and Competition**

The services associated with the Franchised Business are used by a variety of customers, including private residential homeowners, commercial facilities, individuals in a particular trade such as plumbers, electricians and restoration service providers who in the course of conducting their service may need to conduct invasive procedures through drywall that need to be repaired. The market for the services is well established and national in scope. We believe the industry and the demand for these services will experience long-term expansion and growth. Your competitors will include local and national companies that provide similar services.

### **Special Industry Regulation**

There may be federal, state, and local regulations and licensing requirements pertaining to wall surface repair and related services associated with the Franchised Business. In some states you or your manager may be required to obtain a contractor’s license or other licenses. Every state has a contractor licensing law and the state licensing board should be contacted for licensing requirements specific to the state. This list includes all 50 states as every state has a contractor law but we do not know whether the Franchised Business is subject to these laws: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin Wyoming.

We are not aware of any other regulations specific to the industry in which the Franchised Business operates. You must comply with all laws and regulations that apply to business generally, which include regulations concerning sanitation, discrimination, employment, and sexual harassment, as well as the Americans with Disabilities Act, which requires readily accessible accommodations for disabled individuals. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your Franchised Business and should consider both their effect and cost of compliance.

### **Financial Incentives**

We may offer financial incentives to our existing franchisees, employees or other third parties, including who refer a franchise prospect lead to us that results in the granting of a franchise to that lead. Any information given to you by a franchisee is coming from him/her in his/her capacity as a franchisee. No franchisee or referral source shall be deemed our agent. Under no circumstances shall any such referral source be deemed a franchise seller, broker or other third-party sales representative for the franchise sales process.

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

### **Paul Ferrara, Chief Executive Officer**

Mr. Ferrara has served as our Chief Executive Officer in Chester, New Jersey since December 2021. Mr. Ferrara served as our predecessor's Chief Executive Officer in Chester, New Jersey from July 2020 to December 2021. From May 2019 to June 2020, Mr. Ferrara was Chief Operating Officer for Master Home Services, LLC, the former parent company of PM Franchising, LLC and for HM Services, LLC d/b/a HouseMaster, in Somerville, New Jersey. Prior to serving as our Chief Operating Officer, Mr. Ferrara was our Director of Affiliate Marketing and Strategy from November 2017 to May 2019 and for HM Services, LLC from May 2013 to May 2019.

### **Steven Adler, Chief Financial Officer**

Mr. Adler has served as our Chief Financial Officer since December 2021. Mr. Adler served as our predecessor's Chief Financial Officers from May 2019 to December 2021. From May 2019 to June 2020, Mr. Adler served as Chief Financial Officer of Master Home Services, LLC, the former parent of PM Franchising, LLC and for HM Services, LLC d/b/a HouseMaster, in Somerville, New Jersey. Mr. Adler also serves as Chief Executive Officer of Financial Summit Ventures, in New York City since February 2003. Mr. Adler also served as Chief Financial Officer for Parrable, Inc. in New York, San Francisco, CA and Ann Arbor, MI from March 2015 to November 2018.

### **Samantha Dreger, Chief Marketing Officer**

Mrs. Dreger has served as our Chief Marketing Officer in Chester, NJ since May of 2022. From May of 2021 until May of 2022, Mrs. Dreger served as the Senior Marketing Manager for CONTROLTEK USA in Bridgewater, New Jersey. From March of 2020 through May of 2022, Mrs. Dreger was the Director of Marketing for Markov Processes International in Summit, New Jersey. From March of 2013 through March of 2020 Mrs. Dreger served as the VP of Marketing and Communications for ShoreTech Marketing Group in Baltimore, Maryland.



**Edwin Zite, Vice President of Training**

Mr. Zite currently serves as our Vice President of Training in Chester, New Jersey since December 2021 and is one of our founding franchisees. Mr. Zite served as our predecessor’s Vice President of Training in Chester, New Jersey from July 2020 to December 2021. Mr. Zite has owned and operated his own construction company in Utah since January 1996. He has also worked as a manager and scuba instructor for Homestead Crater in Midway, Utah since January 2007. Since August 2016, Mr. Zite has operated Zite and Zite, LLC, a business of the same type being franchised under this Disclosure Document.

**Joseph Eible, Vice President of Operations**

Mr. Eible currently serves as our Vice President of Operations in Chester, New Jersey since November 2022. Mr. Eible served as our Director of Franchise Support in Chester, NJ from December 2021 to November 2022. Mr. Eible served as our predecessor’s Director of Franchise Support in Chester, New Jersey from July 2020 to December 2021. From June 2019 to June 2020, Mr. Eible served as Manager of Franchise Support of Master Home Services+, LLC, the former parent of PM Franchising, LLC and for HM Services, LLC d/b/a HouseMaster, in Somerville, New Jersey. Since July 2012, Mr. Eible also serves as President and Founding Partner of The 23 Company in Ledgewood, New Jersey.

**Christian Clavadetscher, Business Coach**

Mr. Clavadetscher currently serves as our Business Coach in Chester, New Jersey since January 2023. Mr. Clavadetscher owns Cape Fear Drywall Repair, LLC, our PatchMaster™ franchisee in Wilmington, North Carolina since January 2021. He also currently serves as Sales & Marketing representative for Gold Street Advisors in Wilmington, North Carolina since June 2019. He served as our predecessor’s Franchise Sales representative in Chester, New Jersey from February 2020 to January 2021. From June 2018 to May 2019, he served as Franchise Sales representative for Health Source in Avon, Ohio. From April 2015 to May 2018, he served as Franchise Sales representative for HouseMaster, LLC in Somerville, New Jersey.

**ITEM 3**  
**LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4**  
**BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

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

**Initial Franchise Fees**

You must pay us an initial franchise fee of \$49,500 for the right to operate the Franchised Business (the “Initial Franchise Fee”). You will be granted a certain protected territory known as a Licensed Service Area (“LSA”). Each LSA is made up of a contiguous zip codes consisting of approximately a 300,000 to 350,000-population figure. The Initial Franchise Fee is fully earned upon signing the Franchise Agreement and is nonrefundable.

If you desire to purchase an LSA with a population greater than 350,000, you must pay an additional Initial Franchise Fee of \$0.152 per person of population above 350,000. If you desire to purchase more than one LSA, the Initial Franchise Fee is discounted as outlined in the following table:

| LSAs | Total Population  | Initial Franchise Fee | Discount |
|------|-------------------|-----------------------|----------|
| 1    | Up to 350,000     | \$49,500              | -        |
| 2    | 600,000 – 650,000 | \$79,500              | \$19,500 |
| 3    | 900,000 – 950,000 | \$109,500             | \$39,000 |

The population is determined by the most recent U.S. Census available and as may be updated from time to time from certain third-party demographic providers. The Initial Franchise Fee must be paid in a lump sum when you sign the Franchise Agreement. All buyers under this offering pay a uniform Initial Franchise Fee, including the additional fee for a larger LSA, except for the qualified discount described below.

The cost of the Initial Training Program and training materials are included in the Initial Franchise Fee paid to us. If you are obtaining the Franchised Business from an existing Franchisee, the cost of the Initial Training Program and training materials are included in the Transfer Fee. Additional training beyond the Initial Training Program is not included in the Initial Franchise Fee or the Transfer Fee. Additional training may only be required by us when new Products and Services are being added to the System or if Franchisee’s performance of its obligations is unsatisfactory. The registration fees for your first year’s attendance at the annual conference are provided as part of the initial franchise fee, as long as you attend. This registration fee shall only cover one person. Additional attendees and guests must pay the full registration fee. The registration fee varies each year and can be up to \$1,000 per attendee. If we hold a conference and you do not attend the conference your first year, you must pay the full registration (not the early registration fee). Thereafter, the fee is payable even if you or your manager do not attend the conference. You are required to attend one annual conference or regional meeting at least once every other year. We are not obligated to hold the conference, in which case you do not pay.

We offer a \$7,000 discount off the Initial Franchise Fee to veterans and first responders who qualify for our discount program. We offer a 20% discount for existing franchisees that purchase additional territory after the first year in business. We offer a 10% discount for franchisees who are referred through an employee or vendor. In 2022, all franchisees paid an initial franchise fee consistent with the fees published in the then current Franchise Disclosure Document, except we provided a 20% discount to a franchisee who was entitled to the 10% discount for being referred by an employee.

**Startup Package**

You must pay to us \$27,950 for the RightTrack Startup package which is payable to us in a lump sum within two (2) weeks of signing the Franchise Agreement. If you purchase non-contiguous franchise

territories, we reserve the right to charge the RightTrack Startup package for each territory, especially where the franchises will operate separately. The amounts paid to us for the RightTrack Startup package are fully earned upon receipt and are nonrefundable. We and our representatives will use these funds to purchase necessary items from Approved Suppliers to establish your business in an efficient and methodical manner. The RightTrack Startup package is designed to catalyze business growth and can be broken up into two distinct parts: Tools & Materials and Grand Opening Marketing Package.

Tools & Materials: Includes initial tools and equipment such as work lights, air compressors, nail guns, sanders, vacuum, paint brushes and rollers, putty knives, ladders, cordless saws, extension cords, heavy duty staple gun, fans, heaters, various hand tools, and one year of bookkeeping services. The approximate cost of these items is \$11,750.

Grand Opening Marketing Package: Includes vehicle wrap, branded apparel, lawn signs, business cards, rack cards, trade rack cards, yard signs, and various promotional items. Additional marketing items includes 3 months of lead aggregation services, 3 months of social media advertising, and 3 months of digital marketing spend. The approximate cost of these items is \$16,200.

**Additional Initial Fees**

If your jurisdiction has laws or regulations that require additional instruction beyond that provided by our standard training program (during the Initial Training Program) that require individualized effort in order to comply with the laws or regulations, you will be responsible for all efforts and fees, (training, application, registration, testing, etc.) associated with obtaining the necessary compliance requirements in your area. All fees paid to us are fully earned upon receipt and are nonrefundable. Amounts paid to any third parties may be refundable, but will depend on your contract or relationship with such third parties.

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

| NAME OF FEE <sup>(1)</sup> | AMOUNT  | DUE DATE <sup>(2)</sup>   | REMARKS   |
|----------------------------|---|---|---|
| Royalty Fee                | 9% of first \$150,000 in Gross Revenue per year;<br>8½% on \$150,001-\$250,000;<br>8% on \$250,001 - \$500,000<br>7½% on \$500,001-\$1,000,000<br>7% on \$1,000,001-\$1,500,000;<br>6% on \$1,500,001-\$2,500,000;<br>5% on \$2,500,001 and above.<br>You must pay a minimum monthly royalty fee for each LSA. <sup>(3)</sup> | 10 <sup>th</sup> day of the month for Gross Revenue for the previous Reporting Period. <sup>(4)</sup> We require payment by electronic transfer of funds. | You are responsible for the greater of Royalty Fee based on your percentage of your Gross Revenue or a minimum monthly Royalty Fee (“Minimum Royalty Fee”) per LSA of \$400 in year 1, \$500 in year 2 and \$600 each year thereafter. Gross Revenue includes the total revenues and receipts from the sale of all products and services sold in connection with the Franchised Business pursuant to the Franchise Agreement, whether under any of our Marks or otherwise. Gross Revenue does not include sales tax. From time to time, Franchisor may offer certain incentive discounts. |
| Marketing Contribution     | Up to 3% of Gross Revenue, currently 1% of all Gross Revenue  | Same as Royalty Fee.  | Gross Revenue definition same as Royalty Fee. We currently collect only 1% as the Marketing Contribution, but we may increase the fee up to 3% of Gross Revenue   |

| NAME OF FEE <sup>(1)</sup>                        | AMOUNT  | DUE DATE <sup>(2)</sup>   | REMARKS  |
|---|---|---|--|
|   |   |   | at any time and from time to time upon 30 days' notice to you.   |
| Technology Fee <sup>(5)</sup>                     | Reasonable fee, currently \$275 per month   | Same as Royalty Fee.  | Payable by you monthly for technology usage. If you purchase non-contiguous franchise territories, we reserve the right to charge a Technology Fee for each territory, especially where the franchises will operate separately. See note 5.  |
| Territory Change Fee                              | \$1,000   | When Change in Territory is Effectuated.  | If Franchisee seeks to change its territory and the request is approved, franchisor reserves the right to charge this fee.   |
| Late Payment Interest and Late Fee <sup>(6)</sup> | Lessor of 18% annually (compounded daily) or the maximum permitted by law. \$10 per day Late Fee \$50 delinquent fee for insufficient funds | On late payments and reports for each day payment or report is delinquent. and delays in reporting, | Interest will be applied retroactively to day one for any payment that is past due, including underpayments such as where Gross Revenue has been underreported. Late Fee applies to any payment or report that is past due. If there are insufficient funds at the time payment is due, there is an additional \$50 delinquent fee owed to us.   |
| Transfer Fee                                      | Then-existing Transfer Fee, currently \$10,000  | Before closing on transfer.   | This fee is payable by you or the transferor if you purchase the Franchised Business from an existing franchisee. This fee includes all fees associated with the transfer as well as the cost for the Initial Training Program and training materials. You must pay for all of the expenses of your personnel and you to attend any training program, including travel, lodging, car rentals, meals and the wages of any person attending training. No fee is due if you transfer your franchise to a new corporation controlled by you. <sup>(5)</sup>  |
| Meeting Registration Fee                          | Up to \$1,000. Fee may be adjusted annually to reflect increases in the national consumer price index.                                      | When invoiced, before date of Meeting or monthly.   | <p>The Registration Fee for one attendee is included in your Initial Franchise Fee provided the Meeting is held and you attend your first year. If you do not attend the Meeting your first year, you have to pay the Meeting Registration Fee. Thereafter, this fee is payable even if you or your manager do not attend the Meeting. We are not obligated to hold the Meeting, in which case you do not pay.</p> <p>We reserve the right to charge this meeting registration fee via monthly or other periodic payment or installments that are automatically paid or withdrawn from your account with other monthly or periodic fees.</p> |
| Additional Training Fee <sup>(7)</sup>            | \$500 other amount depending on the nature of additional  | Upon demand   | The Initial Training Program is provided to Franchisee at no charge for the life of the  |

| NAME OF FEE <sup>(1)</sup>  | AMOUNT   | DUE DATE <sup>(2)</sup>                        | REMARKS   |
|---|--|--|---|
|   | training that is requested or required   |  | franchise provided subject to the conditions identified in the below notes. If additional training is requested by you or required by us during the Term, an additional fee will be required but in no event will be less than \$500 per attendee. Franchisee pays for all travel, lodging and meal expenses. |
| Accounting Software Fees  | \$25 - \$150/mo. or higher depending on functionality and number of Users)   | Monthly upon demand                            | The high-end range for this fee includes payroll functionality. These fees are payable to us or a third party for required accounting and financial management software to manage the Business.   |
| Other Fees (including Call Center and Scheduling, Telephone, Web Lead Services) | Undetermined, reasonable rates if we decide to provide or procure required products or services and collect the relevant fee | Upon demand                                    | We reserve the right to require Franchisee to purchase from Franchisor specific products or services, or to reimburse Franchisor for certain purchases including, but not limited to, call center and scheduling services, telephone and web lead services.   |
| Start-up Costs for New Ancillary Business Products or Services                  | Not to exceed \$25,000 per LSA in any ten (10) year period   | Upon demand                                    | We may require you to add new lines of products or services to the offering of your Franchised Business, such as concrete repair or driveway sealing. In this event, the initial start-up costs shall not exceed \$25,000 per Ancillary Business per LSA during the Term.                                     |
| Modernization Fee   | Not to exceed \$10,000 in any ten (10) year period   | Upon demand                                    | We may require you to update or refurbish your Franchised Business consistent with our then-current standards and specifications. Modernization may also be required prior to any sale, transfer, or assignment of your Franchised Business, or as a condition of signing a renewal agreement.                |
| Audit   | Cost of Audit  | When billed.                                   | Payable only if audit performed due to your failure to report, if audit shows an under reporting of 3% of Gross Revenue or more, or if audit shows your failure to follow territory boundary restrictions.  |
| Renewal Agreement Fee   | \$2,500  | Upon execution of Renewal Franchise Agreement. | Payable only if you meet eligibility for signing the Renewal Franchise Agreement and execute the Renewal Franchise Agreement.   |
| Reimbursement for Insurance   | Cost of Insurance plus our expenses.   | When billed.                                   | Payable only if we pay your premium when you fail to do so.   |
| Enforcement and Collection Costs  | Undetermined, but including 1.5% interest per month with respect to any payments.  | Upon demand                                    | Payable only if (i) we incur legal costs in enforcing the Franchise Agreement or defending a claim and prevails in any action, or (ii) we incur expenses due to your failure to make timely payments, submit reports  |

| <b>NAME OF FEE <sup>(1)</sup></b>                                | <b>AMOUNT</b>  | <b>DUE DATE <sup>(2)</sup></b>  | <b>REMARKS</b>   |
|--|--|---|--|
|  |  |   | when due or otherwise comply with the Franchise Agreement.   |
| Indemnification  | Loss, liability, damages, and costs incurred by us   | When a claim is brought against us in connection with your Franchised Business. | You must reimburse us for any liability and costs incurred by it by reason of your ownership or operation of the Franchised Business.  |
| Deferred Training Fee  | \$15,000   | Upon demand   | Payable in addition to pursuing legal measures to enforce contract provisions and all other rights, remedies, charges and penalties if you violate the confidentiality or non-compete covenants and/or the covenant is not enforceable in your jurisdiction and you continue to provide services associated with the Franchised Business after termination or expiration of the Franchise Agreement. This fee equals the market value that you received at no charge for the initial training, training materials, and software licensing and in consideration for abiding by the Franchise Agreement terms and covenants. |
| Liquidated Damages   | Thirty percent (30%) of your average annual Gross Revenue over the preceding three (3) years (or for such shorter period if you have not been under a Franchise Agreement for a full three (3) year period). | Upon demand   | Payable if you improperly disclose proprietary information or breach or otherwise not abide by the covenants not to compete in the Franchise Agreement   |
| Fine for Violation of Territory Restrictions                     | Greater of \$5,000 per occurrence or 50% of revenue generated from such infringing activity  | Upon demand   | Payable if you fail to abide by the territory restrictions in the Franchise Agreement, including conducting Services in another franchisee's LSA. The fine is in addition to our right to terminate for breach.  |
| Customer Refund  | Variable   |   | Payable if you do not resolve a customer service complaint, the customer contacts us and we determine a request for refund is reasonable, and we pay a refund to the customer to resolve the complaint.  |
| Reimbursement of investigation fees                              | Fee we paid to investigator or secret shopper  | Upon demand   | Payable if found to be in violation of the Franchise Agreement.  |
| Fines for failure to comply with System Standards <sup>(8)</sup> | Amount published in the Manuals; currently \$250 per occurrence.   | Upon demand   | Payable if you fail to adhere to the System Standards as specified in the Manuals  |
| Reimbursement for taxes paid                                     | Undetermined   | Upon demand   | Payable if we are required to pay taxes (other than income) on account of payments you make to us.   |

Notes:

- (1) You pay all fees to us unless otherwise noted. All fees paid to us are fully earned upon receipt and are nonrefundable and, except as expressly stated, all fees are uniformly imposed.
- (2) All fees are imposed by and payable to us by electronic funds transfer or other automatic payment mechanism we designate (“**EFT**”). We may charge all past due fees including the Royalty Fee, Marketing Contribution, Conference/Regional Meeting fees, amounts due for purchase and insurance requirements, to a credit card previously authorized by you.
- (3) You must pay the greater of the Royalty Fees based on your percentage of your Gross Revenue or a monthly Minimum Royalty Fee in the amount of \$400 per LSA for year 1, \$500 per LSA for year 2 and \$600 per LSA for each year thereafter beginning on the Minimum Effective Date, typically 90 days following the Agreement Effective Date. This Minimum Royalty Fee increases annually on Franchisee’s anniversary date of the Franchise Agreement Effective Date of the applicable calendar year. Gross Revenue is defined in the Franchise Agreement as: “total revenues, receipts, and dollar volume from the sale of all products, services and merchandise sold and booked in connection with the Franchised Business, whether under any of the Marks or otherwise. Gross Revenue is calculated on an accrual basis regardless of whether Franchisee has collected payment. Gross Revenue excludes sales taxes added to the sales price and collected from the customer. Third-party fees and payments and uncollected funds are not excluded from Gross Revenue.”
- (4) Reporting Period means the monthly calendar period from the 1<sup>st</sup> of the month to the next to last day of the same month (unless we designate otherwise). Payments and reports will be due on the 10th day of the month for the prior Reporting Period and will be paid by EFT.
- (5) The Technology Fee covers certain technology tools required to operate the business. Currently, these tools include the following: scheduling software; customer review platform; main toll-free number; social media management; office software and online webmail. These included items are subject to change at our discretion.
- (6) If there are insufficient funds from which to pay the fee when due, in addition to late fees assessed at a rate of \$10 per day and late payment interest, you must pay us a \$50 delinquent fee payment for each of these instances.
- (7) The Initial Training Program is provided to Franchisee for its Owners, employees and independent contractors at no charge for the life of the franchise provided i) you are in good standing under the Franchise Agreement by being current in the payment of all fees and are otherwise fully compliant with your contractual obligations and requirements/specifications as identified in the Manuals; and ii) we approve of the training candidate. We may provide, at our option, additional training programs for you and your employees at locations designated by us and/or on-line, for an additional fee. Under certain circumstances, including but not limited to, new Products and Service offerings being added to the System or your unsatisfactory performance of its obligations, we may require you or your employees to attend additional training courses from time to time and to pay us an Additional Training Fee.
- (8) You must comply with all System Standards specifically identified as required in the “Manuals,” which is defined in the Franchise Agreement to mean any collection of written, video, audio and/or software media (including materials distributed electronically), regardless of title and consisting of various subparts and separate components, all of which we or our authorized representatives produce and that contain System Standards and recommendations for the Franchised Business, all of which we may change from time to time.”

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

**YOUR ESTIMATED INITIAL INVESTMENT**

**A, Franchise Agreement -Single Unit**

| <b>TYPE OF EXPENDITURE</b>   | <b>AMOUNT</b>               | <b>METHOD OF PAYMENT</b>               | <b>WHEN DUE</b>  | <b>TO WHOM PAYMENT IS TO BE MADE</b>            |
|--|-----------------------------|--|--|---|
| Initial Franchise Fee <sup>(1)</sup>                               | \$49,500                    | Lump Sum                               | When you sign the Franchise Agreement                          | Us  |
| Training Expenses <sup>(2)</sup>                                   | \$500 - \$2,500             | As Incurred                            | Before Opening   | Hotels;<br>Transportation<br>Lines; Restaurants |
| RightTrack Startup Package (Tools & Materials) <sup>(3)</sup>      | \$11,750                    | Lump Sum                               | Within two (2) weeks of Franchisee signing Franchise Agreement | Us  |
| RightTrack Start Up Package (Grand Opening Package) <sup>(3)</sup> | \$16,200                    | Lump Sum                               | Within two (2) weeks of Franchisee signing Franchise Agreement | Us  |
| Computer, Phone and Office Equipment                               | \$0 - \$2,500               | As Incurred                            | As Incurred  | Vendors   |
| Vehicle(s) Down Payment <sup>(4)</sup>                             | \$0 - \$5,500               | As Arranged                            | Before Opening   | Vendors   |
| Licensing, Permits, and Deposits <sup>(5)</sup>                    | \$0 - \$2,000               | As Incurred                            | As Incurred  | Landlord  |
| Insurance Costs including Worker's Compensation <sup>(6)</sup>     | \$2,000- \$5,500            | As Arranged: Annual or Monthly Premium | Before Opening   | Insurance Broker                                |
| Legal Services   | \$500 - \$1,500             | As Incurred                            | As Incurred  | Legal Counsel                                   |
| Additional Funds – 3 months <sup>(7)</sup>                         | \$6,000 - \$15,000          | As Incurred                            | As Incurred  | Various Vendors                                 |
| <b>Total</b>   | <b>\$86,450 - \$111,950</b> |  |  |   |

All amounts shown in the table above are estimates only for your first LSA and do not include any costs for a call and scheduling center. Any fees paid to us are not refundable. Amounts paid to any third parties may be refundable, but will depend on your contract or relationship with such third parties. Neither we nor any affiliate finances any part of the initial investment. See Item 10, below.

**NOTES:**

(1) The Initial Franchise Fee must be paid when the Franchise Agreement is executed. The Initial Franchise Fee is fully earned by us when paid and is not refundable.

(2) You or your Owner (if you are an entity) must attend training at the location we designate. You are responsible for the expenses you and any attendees will incur for travel and living expenses while training. The cost of this will depend on the number of persons who attend training and the distance you



must travel to the training location. You must pay the travel expenses for you and for any additional trainees. (See Item 11.)

(3) The RightTrack Startup Package includes initial tools and equipment such as work lights, air compressors, nail guns, sanders, vacuum, paint brushes and rollers, putty knives, ladders, cordless saws, extension cords, heavy duty staple gun, fans, heaters, various hand tools, and one year of bookkeeping services. Also incorporated in this amount is the Grand Opening Marketing Package which includes vehicle wrap, branded apparel, lawn signs, business cards, rack cards, trade rack cards, yard signs, and various promotional items. Additional marketing items includes 3 months of lead aggregation services, 3 months of social media advertising, and 3 months of digital marketing spend.

In addition to this Startup Package, it is recommended that a portion of your ongoing revenues be allocated to purchase additional tools and equipment as needed.

(4) This estimate costs for the first three months of a lease or a sufficient down payment for required vehicles to use in the Franchised Business. (See Item 8 for vehicle requirements).

(5) This estimate includes amounts and other pre-paid costs you may incur in establishing the Franchised Business such as security deposits, utility deposits, business licenses, permits.

(6) This insurance estimate covers your cost of insurance as required in the Franchise Agreement for the first three to six months. You pay insurance premiums directly to third party insurers. You must deliver to us upon request proper certificate evidencing the existence of the required insurance coverage. Insurance requirements are identified in the Manuals. If you fail to procure and/or maintain the required insurance, you authorize us to purchase this insurance on your behalf. In this event, you will be required to reimburse us for all premiums associated with this insurance. The requirements and costs of employer liability and worker’s compensation insurance may be variable based on the jurisdiction where the Franchised Business is located.

(7) We considered the experience and operations of our affiliates since 2016 in formulating the “additional funds” amount. This chart estimates your initial start-up expenses. You should review these figures carefully with a business advisor before making any decision to purchase the right to become a franchisee. These expenses are additional funds you may need to expend during the initial phase of the Franchised Business. They do not account for any revenues during this period of time, nor do they include of the other categories described above.

**B, Franchise Agreement -3-pack**

| <b>TYPE OF EXPENDITURE</b>                                    | <b>AMOUNT</b>   | <b>METHOD OF PAYMENT</b> | <b>WHEN DUE</b>  | <b>TO WHOM PAYMENT IS TO BE MADE</b>            |
|---|-----------------|--------------------------|--|---|
| Initial Franchise Fee <sup>(1)</sup>                          | \$109,500       | Lump Sum                 | When you sign the Franchise Agreement                          | Us  |
| Training Expenses <sup>(2)</sup>                              | \$500 - \$2,500 | As Incurred              | Before Opening   | Hotels;<br>Transportation<br>Lines; Restaurants |
| RightTrack Startup Package (Tools & Materials) <sup>(3)</sup> | \$11,750        | Lump Sum                 | Within two (2) weeks of Franchisee signing Franchise Agreement | Us  |

| <b>TYPE OF EXPENDITURE</b>   | <b>AMOUNT</b>                | <b>METHOD OF PAYMENT</b>               | <b>WHEN DUE</b>  | <b>TO WHOM PAYMENT IS TO BE MADE</b> |
|--|------------------------------|--|--|--------------------------------------|
| RightTrack Start Up Package (Grand Opening Package) <sup>(3)</sup> | \$16,200                     | Lump Sum                               | Within two (2) weeks of Franchisee signing Franchise Agreement | Us                                   |
| Computer, Phone and Office Equipment                               | \$0 - \$2,500                | As Incurred                            | As Incurred  | Vendors                              |
| Vehicle(s) Down Payment <sup>(4)</sup>                             | \$0 - \$11,000               | As Arranged                            | Before Opening   | Vendors                              |
| Licensing, Permits, and Deposits <sup>(5)</sup>                    | \$0 - \$2,000                | As Incurred                            | As Incurred  | Landlord                             |
| Insurance Costs including Worker's Compensation <sup>(6)</sup>     | \$2,000- \$5,500             | As Arranged: Annual or Monthly Premium | Before Opening   | Insurance Broker                     |
| Legal Services   | \$500 - \$1,500              | As Incurred                            | As Incurred  | Legal Counsel                        |
| Additional Funds – 3 months <sup>(7)</sup>                         | \$10,000 - \$25,000          | As Incurred                            | As Incurred  | Various Vendors                      |
| <b>Total</b>   | <b>\$150,450 - \$187,450</b> |  |  |                                      |

All amounts shown in the table above are estimates only if you purchase three LSAs. Any fees paid to us are not refundable. Amounts paid to any third parties may be refundable, but will depend on your contract or relationship with such third parties. Neither we nor any affiliate finances any part of the initial investment. See Item 10, below.

**NOTES:**

- (1) The Initial Franchise Fee for each LSA must be paid when the Franchise Agreement is executed.
- (2) You or your Owner (if you are an entity) must attend training at the location we designate. You are responsible for the expenses you and any attendees will incur for travel and living expenses while training. The cost of this will depend on the number of persons who attend training and the distance you must travel to the training location. You must pay the travel expenses for you and for any additional trainees. (See Item 11.)
- (3) The RightTrack Startup package includes initial tools and equipment, one year of bookkeeping services, and the Grand Opening Marketing Package. The amount listed in this table assume that you purchase three contiguous LSAs. If you purchase non-contiguous franchise territories, we reserve the right to charge the RightTrack Startup package for each territory, especially where the franchises will operate separately. In addition to this Startup Package, it is recommended that a portion of your ongoing revenues be allocated to purchase additional tools and equipment as needed.
- (4) This estimate costs for the first three months of a lease or a sufficient down payment for up to 2 vehicles to use in the Franchised Business. (See Item 8 for vehicle requirements).
- (5) This estimate includes amounts and other pre-paid costs you may incur in establishing the Franchised Business such as security deposits, utility deposits, business licenses, permits.
- (6) This insurance estimate covers your cost of insurance as required in the Franchise Agreement for the first three to six months to cover for up to three LSAs. You pay insurance premiums directly to third

party insurers. You must deliver to us upon request proper certificate evidencing the existence of the required insurance coverage. Insurance requirements are identified in the Manuals. If you fail to procure and/or maintain the required insurance, you authorize us to purchase this insurance on your behalf. In this event, you will be required to reimburse us for all premiums associated with this insurance. The requirements and costs of employer liability and worker's compensation insurance may be variable based on the jurisdiction where the Franchised Business is located.

(7) We considered the experience and operations of our affiliates and franchisees since 2016 and 2017 in formulating the "additional funds" amount. The estimate range for three LSAs includes a higher amount to account for more employees. This chart estimates your initial start-up expenses. You should review these figures carefully with a business advisor before making any decision to purchase the right to become a franchisee. These expenses are additional funds you may need to expend during the initial phase of the Franchised Business. They do not account for any revenues during this period of time, nor do they include of the other categories described above.

**NOTE:** These figures do not include your personal living expenses. You need additional funds for personal living expenses. We base our estimate of these expenses on our own experience. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the Franchised Business. Although these expenses represent our estimate of additional funds you will need for the first 3 months of operations that does not mean that you will not require additional funds during or beyond that period of time.

## **ITEM 8**

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

#### **Required Purchases and Approved Suppliers**

Maintaining the quality and uniformity of the Products and Services offered by PATCHMASTER franchisees is central to the reputation, goodwill and value of the PATCHMASTER System. Therefore, you must use stationery, reports, advertising and promotional material, equipment, products, and other supplies required or used in connection with the Franchise Business (collectively "Supplies") under our specifications and standards. We may designate by brand name the equipment and the products that you must use in your Franchised Business. We may change equipment, Products and Services and/or suppliers at any time.

Specifications for Supplies and insurance are formulated by us in the exercise of business judgment and experience in the business. If the specifications are adopted or modified, they are issued to franchisees through the Manuals or other by written communication, including written documentation distributed via e-mail. Supplies must be purchased from suppliers designated or approved by us ("Approved Suppliers"). We do not provide material benefits to a franchisee based on a franchisee's use of Approved Suppliers.

Currently, there are no tools, equipment or supplies for which we are the Approved Supplier, but we reserve the right to become an Approved Supplier. Our officers Paul Ferrara, Steven Adler, Joseph Eible, and Edwin Zite have an ownership interest in us.

## **Required Purchases**

### **Branded Items: Stationary**

You must use an Approved Supplier for any branded items that use our Marks, including without limitation online and social media marketing. You must purchase stationery and uniforms from an Approved Supplier or according to our specifications as identified in the Manuals.

### **Vehicle**

You must own, purchase, or lease a Vehicle or multiple Vehicles that meet the specifications that are in the Manuals. Currently, our specifications require that Vehicles are a commercial van or its equivalent in size and durability. Alternative vehicles are appropriate only depending on the extent of the service request and the amount of supplies and tools needed to complete the service request. We require that the primary Vehicles used for the Franchised Business have a marketing wrap that we design, and all Vehicles associated with the Franchised Business have approved branded signage. In addition, you will maintain the Vehicle(s) at regular intervals in accordance with laws and regulations to reflect safety and insurance requirements. You will also refurbish the Vehicle(s) at intervals as determined by us or to reflect any changes in the image, design, format or operation of the System and the Marks.

### **Call and Scheduling Center**

We reserve the right to require you to use a Call and Scheduling Center as mandated and designated by us.

### **Equipment**

You must own or have access to a laptop or desktop computer system loaded with commercially available software throughout the Term. See Item 11 for further details.

### **Lead Services**

We reserve the right to require you to reimburse us or purchase specific products and services from us or an Approved Supplier, including, but not limited to, telephone and web lead services.

### **Software**

You must purchase and utilize accounting software that we designate as provided by an Approved Supplier. We also reserve the right to require you to purchase or lease proprietary software from us or an Approved Supplier designated by us in the future.

### **Insurance**

Before you begin operations, you must secure, and throughout the term of the franchise maintain, at your expense, insurance policies to insure against loss, liability, or expense whatsoever arising or occurring upon or in connection with the operation of the Franchised Business. Present requirements are: commercial general liability insurance with bodily injury and property coverage written on an "occurrence" policy form of at least \$1,000,00 single limit per occurrence; medical expense for any one person of at least \$5,000; products and complete operations aggregate of \$2,000,000; personal and advertising injury in the amount of at least \$1,000,000; fire damage in the amount of at least \$300,000; aggregate policy limit in the amount of at least \$2,000,000; Automobile Insurance for any owned, leased, non-owned and hired

automobile coverage in an amount of not less than \$1,000,000 with \$500 deductibles for both the collision and comprehensive deductible. If you use any employees or independent contractors to perform the services of the Franchised Business, you must have Workers' Compensation insurance as required by state law; and Employer Liability with coverage of not less than \$1,000,000 per accident and \$1,000,000 policy limit in the aggregate. If you own office or warehouse space, you are encouraged to have Property Insurance for the building, business/personal property and the property of others in the replacement amount of the contents of the site. All policies must be issued by an insurer(s) rated A- or better in Class X by Alfred M. Best and Company Inc., or comparably rated by Moody's and/or Standard and Poor's or similarly reliable rating services acceptable to us. All insurance policies shall in all instances be considered primary non-contributory coverage and expressly protect both you and us from liability and action. We must be named in all policies as a co-insured or an additional named insured. You must furnish to us a certified copy of the certificate with respect to each policy, which provides that such policy shall not be canceled or modified except upon 30 days prior written notice to us. If you fail to obtain or maintain in force any insurance as provided in the Franchise Agreement or to furnish the certificates required, we may maintain or obtain insurance and/or certificates on your behalf, and you must promptly reimburse us for all premiums and other costs incurred. We may increase the amounts of coverage or require different or additional coverage in the future due to inflation, the identification of new risks, changes in the law or standards of liability, higher damage awards or other relevant changes in circumstances. Insurance requirements are identified in the Manuals.

We reserve the right to make insurance available to you through a risk purchasing group program or other group insurance option that we manage. While not currently required, we reserve the right to require you to participate in such a program. There are otherwise no current purchasing or distribution cooperatives.

### **Approval of Alternative Suppliers**

To the limited extent that you desire to offer any Product and Service through a third-party supplier or vendor or to use a supplier other than as designated by us, you must receive our approval. We will consider a variety of factors when designating an Approved Supplier. These factors include: their demonstrated capacity to meet our standards and specifications; financial strength and business reputation of the supplier; its standards of quality, service, safety and health and adequate quality controls; ability to fill orders in a timely fashion based on quantity projections; ability to serve the needs of franchisees and deliver the product on a regional or national scale; and protection of our proprietary information. Our confidential requirements and systems information should not be revealed to any proposed supplier/vendor without our written approval.

We or our agents may inspect any approved vendor or supplier facilities to assure compliance with our specifications and standards. Permission for inspection will be a condition of our continued approval of any vendor or supplier. If we find from any inspection that a vendor or supplier fails to meet our specifications and standards, we will give written notice describing this failure to you and to the vendor or supplier, with a notice that unless the failure or deficiency is corrected within a reasonable period of no more than 30 days, the vendor or supplier will no longer be approved.

We will notify you of our approval or disapproval of a proposed supplier within 180 days of receiving your written request for approval. If we notify you that a supplier no longer meets our standards and specifications, you must immediately stop using that Supplier's products. Additional specifications for Approved Suppliers, equipment, Products and Services may be included in our Manuals or in written communications to you, which may include email, and may periodically change.

### **Approval New Supplies, Products and Services**

You may not conduct any advertising without our prior written approval. You may only display the advertising and signage approved by us periodically, in the Manuals or as we may otherwise authorize in writing.

With advance written notice, you may request our approval to add new products or services or Supplies that are not then part of the Franchised Business. We will require a complete assessment of the products or services and any related data to allow us to determine whether the additional products or services will be allowed. The assessment of specifications and standards will relate to quality, durability, value, design, composition, strength, functionality/performance, and the needs of, and consistency with, the business model of the Franchised Business and the System. We will notify you in writing of the approval or disapproval of any new product or services you propose within 180 days of receiving your written request for approval.

### **Negotiated Pricing**

We may negotiate arrangements with a certain number of suppliers of promotional and marketing items or other Supplies that we believe are advantageous and beneficial to the business interest of the franchisees. Where we have negotiated arrangements with suppliers, we may derive revenue as a result of required or voluntary purchases by franchisees. We currently do not receive rebates from suppliers based on franchisees' purchases, but we reserve the right to do so in the future.

### **Revenue from Franchisee Purchases**

Our revenue derived from the sale of supplies, products, and services to franchisees for the year ending December 31, 2022 was \$483,630, which represents 21% of our total revenue of \$2,296,659. This revenue came from the collection of Technology Fees, Digital Marketing Services, and RightTrack Startup package. The figure for revenue from sales to franchisees and the total revenue was computed internally. These dollar amounts are gross revenue figures and are not profits.

### **Cooperatives**

We do not have any purchasing or distribution cooperatives but reserve the right to do so.

### **Costs to Establish and Operate the Franchised Business**

We estimate that the required purchases according to our specifications or from Approved Suppliers described in this Item (RightTrack Startup Package, Software, Computer, Tools/Equipment, Insurance, Vehicle) represent approximately 30% of your cost to establish the Franchised Business and approximately 5-7% of your cost to operate the Franchised Business on an ongoing basis.

**ITEM 9**  
**FRANCHISEE'S OBLIGATIONS**

This table lists your principal obligations under the Franchise Agreement 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.

**Franchise Agreement**

| <b>OBLIGATION</b>                                      | <b>SECTION IN<br/>FRANCHISE AGREEMENT</b>                 | <b>ITEM IN<br/>DISCLOSURE<br/>DOCUMENT</b> |
|--|---|--|
| a. Site selection and acquisition/lease                | Franchise Agreement, Section 2.1                          | Items 7 and 8                              |
| b. Pre-opening purchases                               | Franchise Agreement, Section 7.3                          | Items 7, 8 and 11                          |
| c. Site development and other pre-opening requirements | None  | Items 7, 11 and 16                         |
| d. Initial and ongoing training                        | Franchise Agreement, Section 6.1                          | Item 11                                    |
| e. Opening   | Franchise Agreement, Section 2.2                          | Item 11                                    |
| f. Fees  | Franchise Agreement, Sections 3.2.2, 4, 6.1, 7.3.9, 12.10 | Items 5 and 6                              |
| g. Compliance with standards and policies/Manuals      | Franchise Agreement, Sections 6.2, 7, 8, 8.3              | Item 11                                    |
| h. Trademarks and proprietary information              | Franchise Agreement, Section 8                            | Items 13 and 14                            |
| i. Restrictions on products/services offered           | Franchise Agreement, Sections 2.3.3, 7.3.11, 8.2, 8.6     | Items 8 and 16                             |
| j. Warranty and customer service requirements          | Franchise Agreement, Sections 7.3.4, 7.5.3, 10.2.8        | Item 11                                    |
| k. Territorial Development and sales quotas            | Franchise Agreement, Section 7.2, 7.3.1                   | Item 12 and 16                             |
| l. Ongoing product/service purchases                   | Franchise Agreement, Section 7.3.5                        | Items 8 and 16                             |
| m. Maintenance, appearance and remodeling requirements | Franchise Agreement, Section 7.3.5                        | Item 11                                    |
| n. Insurance   | Franchise Agreement, Section 7.4                          | Items 7 and 8                              |

| <b>OBLIGATION</b>                            | <b>SECTION IN FRANCHISE AGREEMENT</b>               | <b>ITEM IN DISCLOSURE DOCUMENT</b> |
|--|---|------------------------------------|
| o. Advertising                               | Franchise Agreement, Section 2.1.2, 4.3, 7.2, 7.3.8 | Items 6, 7 and 11                  |
| p. Indemnification                           | Franchise Agreement, Section 7.5                    | Item 6                             |
| q. Owner's participation/management/staffing | Franchise Agreement, Section 7.3                    | Item 15                            |
| r. Records and reports                       | Franchise Agreement, Section 5                      | Item 6                             |
| s. Inspections and audits                    | Franchise Agreement, Sections 5.3, 5.4, 7.3.14      | Item 6                             |
| t. Transfer                                  | Franchise Agreement, Section 9                      | Items 6 and 17                     |
| u. Renewal                                   | Franchise Agreement, Section 3.2                    | Items 6 and 17                     |
| v. Post-termination obligations              | Franchise Agreement, Sections 3.4, 11               | Item 17                            |
| w. Non-competition covenants                 | Franchise Agreement, Section 11.8                   | Item 17                            |
| x. Dispute resolution                        | Franchise Agreement, Section 12                     | Item 17                            |

**ITEM 10**  
**FINANCING**

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

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

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

**Franchisees**

Before you begin operating your Franchised Business, we will:

- (1) Designate your Territory and approve of your Franchise Location. We do not provide any site assistance. We do not own or lease any premises to you. (**Franchise Agreement, Section 2.1 and Schedule 1**).



(2) Provide you or your owner (if you are an entity) with our Initial Training Program. (**Franchise Agreement, Section 6.1**).

(3) Provide you access to Manuals for operating the Franchised Business. The Manuals contain our standard operational procedures, policies, rules, and regulations with which you must comply. The Manuals also contain written specifications and standards for and a list of required Supplies, including equipment, signs, fixtures, opening inventory, and supplies and a list of Approved Suppliers. These lists may update periodically in our sole discretion. We do not deliver or install any of these items for you. (**Franchise Agreement, Section 6.2**). We may periodically modify the Manuals to convey to you any changes in the authorized products and services, specifications, standards and operating procedures. The Manuals may be provided electronically. (**Franchise Agreement, Section 6.2**) Our Manuals contain approximately 41 pages. The current table of contents for the Manuals, as of the date of this Disclosure Document, is found in Exhibit C. If applicable, additional product description and collateral provided by Suppliers will also be made available.

(4) During the operation of your Franchised Business, we may:

(1) Require you or your owner (if you are an entity) to attend refresher and additional training courses described in greater detail later in this Item. Provide additional training programs and support services as we deem appropriate. (**Franchise Agreement, Section 6.2**).

(2) Provide Assistance during certain normal working hours. (**Franchise Agreement, Section 6.3.3**)

(3) Provide you with revisions and updates to our Manuals. (**Franchise Agreement, Section 6.2**).

(4) Periodically modify your obligations under the Franchise Agreement including the adoption of new or modified Marks, Products and Services, equipment and new techniques and the sources of each. (**Franchise Agreement, Section 6.3.2., 7.3.11, 8.4.4**).

(5) Review your advertising materials and approve or disapprove them for your use. (**Franchise Agreement, Section 7.2.1**).

(6) Inspect your Franchise Location at any time it is open for business or at any other reasonable time to check on the condition and operation for compliance with the Franchise Agreement and require that franchisee comply with any other applicable laws. (**Franchise Agreement, Section 7.3.14**).

### **Advertising and Internet Usage**

In the interest of maintaining the integrity, force, quality, image, and goodwill associated with the Marks and the PatchMaster Brand, any advertising and promotional materials you choose to develop to promote the Franchised Business, must first be reviewed and approved in writing by us. (**Franchise Agreement, Section 7.2.1**) All of your advertising and promotions must be accurate and truthful, comply with applicable laws and regulations on consumer advertising, and designate the geographic area you are licensed to service. (**Franchise Agreement, Sections 7.2.2 and 7.2.3**)

You may not register any of the Marks on the Internet or any other computer on-line service. (**Franchise Agreement, Section 8.6**) You may not create, develop, maintain, and/or use your own website, blog, vlog, social network, or other on-line venue or communication on the Internet using any of the Marks.

We, in our sole discretion, shall establish all social networking accounts on behalf of Franchisee that use the Marks. Franchisee shall not under any circumstance use the Marks on any social networking website or any other media that exploits, utilizes, displays, or otherwise makes use of any of the Marks. For any accounts that we establish on behalf of Franchisee, Franchisee has no right, title or interest to any webpage on any of Franchisee's social networking sites including, but not limited to, all "fans", "followers", "friends" and "contacts" associated therewith which mentions, uses or refers in any way to the Marks or other intellectual property. You must use our approved vendors for online and social media marketing or anywhere else that uses our Marks.

You are not obligated to participate in any local or regional advertising cooperative.

### **Marketing Fund**

We reserve the right to require you to contribute up to 3% of your Gross Revenue to the PatchMaster marketing fund. The required contribution is currently at 1% of your Gross Revenue. We may increase the fee up to 3% of Gross Revenue at any time and from time to time upon 30 days' notice to you. **(Franchise Agreement, Section 4.3 and 11.2)**. Affiliate-owned PatchMaster businesses will pay a Marketing Contribution consistent with other franchisees. If all of the Marketing Contributions are not spent in the fiscal year in which they accrue, the remaining amounts are retained in the Marketing Fund for use in the following years.

Franchisee's marketing contributions are deposited into our general operating account and are commingled with our general operating funds. (Section 4.3.2). An accounting of the marketing contribution deposits constitutes the marketing fund. We, without seeking or obtaining agreement with franchisees, and not as a condition to the grant or acceptance of the Franchised Business, but strictly as a unilateral expression of intention and of business policy designed to enhance the competitive effectiveness and general public acceptance of the PatchMaster name and business, shall use the marketing fund ("**Marketing Fund**") as it shall, in its sole discretion, deem beneficial for the brand, including the development and implementation of PatchMaster marketing, advertising and promotional programs to enhance the competitive effectiveness and general public acceptance of the PatchMaster name and service. (Section 4.3). Currently, we use certain in-house marketing and advertising resources as well as uses outside designers and agencies to create and execute marketing efforts and campaigns.

We intend to use the Marketing Fund to build the reputation, awareness, visibility and acceptance of the PatchMaster name and Marks and the services associated therewith and to provide marketing, advertising and promotional materials and services to benefit the entire PatchMaster System. We shall direct all marketing programs financed by the Marketing Fund with sole discretion over all aspects of the fund's usage, including, but not limited to, the creative concepts, materials, endorsements, types of media and geographic allocation of media placement. Marketing Fund expenses may include, but not be limited to: i) website development, content creation, social media, materials for marketing to the trades, past customers, and other industry-related contacts, and other media coverage that is national, regional or local in scope; ii) assisting franchisees in implementing marketing, advertising, and promotional tools and programs, which may include field visits, annual PatchMaster Brand conference/regional meeting costs attendant to marketing efforts or other targeted or system-wide marketing efforts at our discretion; iii) those associated with brand recognition for franchise sales purposes; iv) payments to us for the expense of administering the Marketing Fund, including administrative costs, overhead, accounting expenses and salaries and benefits paid to our employees engaged in the marketing, advertising and promotion functions or as an allocation for certain Corporate Services as described below.

The Marketing Fund shall pay reasonable costs of administration, including administrative costs, overhead and salaries that we may incur related to the fund's purpose. Specifically, we have the right to use

part of the Marketing Fund for joint or collective advertising campaigns with related, affiliated companies. Marketing Fund costs for formulation, development and placement of advertising, marketing, promotional and public relations materials will include marketing staff compensation, travel expenses, and a proportionate share of the compensation for our senior management who devote time and render services for advertising, marketing and/or promotional purposes or the administration of the Marketing Fund. The Marketing Fund may compensate us or our affiliated entities for out-of-pocket costs and for reasonable expenses incurred for rent, overhead, accounting, collection, reporting, legal, human resources, finance, operations, management and other services (collectively “Corporate Services”), which we or our affiliated entities provide to, or which relate to the administration of or services provided to, the Marketing Fund and its programs. We and our affiliated entities may provide certain products and/or services to the Marketing Fund, including the Corporate Services outlined above, which would otherwise be provided by unaffiliated third parties, and we and our affiliates will be entitled to compensation by the Marketing Fund for such products and/or services. Any products and/or services provided by us or our affiliates will be provided at a cost comparable to those costs that the Marketing Fund would otherwise incur if the products or services were obtained from unaffiliated third parties. In those cases where Corporate Services costs are shared, we and our affiliates determine how much of the overall expenses incurred for Corporate Services for a calendar year are reasonably attributable to marketing, promotional and advertising services. These expenses are allocated based on revenue, headcount, usage and similar bases, as we deem appropriate for the specific Corporate Service. We have the right to periodically modify the allocation process and the methodology described in this paragraph.

We shall direct all marketing programs financed by the Marketing Fund with sole discretion over the creative concepts, materials, endorsements, types of media and geographic allocation of media placement. We do not have to spend any amount on marketing, advertising, promotion or field work in your area. None of the money contributed to the Fund will be used by us in the offer of franchises.

Franchisees may receive an annual unaudited accounting of the advertising fund’s receipts and disbursements upon written request. This accounting of the advertising fund is not audited.

In the fiscal year ended December 31, 2022, we received total marketing funds of \$87,550 and we incurred total marketing fund expenditures of \$111,987. The 2022 marketing contributions collected by us were spent as follows: 78.5% on marketing payroll and overhead; 14.2% on campaigns and promotions; 0.4% public relations; 3.1% on social media; and 0.4% design and development; 1.0% on dues & subscriptions; 0.1% on marketing print items; 0.1% on advertising; 0.9% on photo & video productions, with a \$24,436 excess of expenditures compared to marketing funds collected.

Currently, there is no specific advertising council composed of franchisees that advises us on advertising policies.

### **Computer System and Equipment**

You must own a laptop or desktop computer system loaded with commercially available software. You may also be required to purchase certain proprietary or third-party software from us or a third-party vendor, including customer relationship management accounting software. (**Franchise Agreement, Section 7.3.2**). Our current requirements are that the computer system be equipped with the most recent Windows operating system, Ethernet and USB ports and must support a functioning e-mail program (**Franchise Agreement, Section 7.3.2**). We will have independent access to information and data that you collect, and your computer system must be capable of sending and receiving e-mails to and from us. High speed internet access is required. The approximate cost to purchase or lease this type of computer system is between \$750 and \$2,000. You will be provided with a telephone number for your smart phone must exclusively be used for the Franchised Business. (**Franchise Agreement, Section 6.3.3**.) The estimated

cost to purchase a smart phone is approximately \$500. You must pay for ongoing maintenance and repairs to this equipment, as well as any upgrades or updates we require. (**Franchise Agreement, Section 7.3.2**). We estimate that the current annual cost to do so is approximately \$500 to \$1,000. We are not required to assist you with buying this equipment. We may transmit communications to you including updates of the Manuals and any policies and procedures via email or through a website portal. (**Franchise Agreement, Sections 6.2, 6.3.4**). We have no contractual obligation for maintenance, repairs, updates, and upgrades to your computer systems.

### **Location Approval**

You must select a location for the operation of your Franchised Business within your Licensed Service Area, subject to our approval. If you choose to have a home-office and live outside your Licensed Service Area, you must establish a business address/location within your Licensed Service Area. (**Franchise Agreement, Section 2.1.1**.) In determining whether a location will be approved, we will consider the population density and other relevant demographics as well as the distance from other franchise locations and the number of additional franchises that may be established in the general area in the future. We will advise you whether your proposed location is approved or disapproved within 30 days of the date we receive written notice of your proposed location. We do not provide assistance with conforming the premises to local ordinances and building codes or obtaining any required permits, and/or constructing, remodeling, or decorating the premises. If you do not submit a site for the location of your business that is approved by us, your franchise may be terminated.

### **Typical Length of time Before Operation**

We estimate that you will open your Franchise Business within 60 to 120 days of signing the Franchise Agreement. You will not be permitted to open your business until you have satisfactorily completed the Initial Training Program. (**Franchise Agreement, Section 7.1**), provided proof of required insurance (**Franchise Agreement, Section 7.4**) and obtained necessary licenses/permits. The factors that affect the time between the signing of the Franchise Agreement and opening of the Franchise Business include obtaining an appropriate Franchise Location, obtaining required licenses and permits, obtaining third-party financing (if necessary), the successful completion of training, obtaining necessary tools and equipment, procuring promotional materials, completing the hiring and training of any support staff and your ability to adequately service the Franchised Business. You may begin operating your Franchised Business only after we give our written approval for you to do so. (**Franchise Agreement, Section 2.2**).

### **Training**

Our Initial Training Program will last approximately 5 days. You or your owner (if you are an entity) will generally attend the Initial Training Program at a time we designate at our principal offices in Chester, NJ or another place we designate. (**Franchise Agreement, Section 6.1**). If either you or your owner does not, in our judgment, successfully complete the training course, we may terminate the Franchise Agreement. (**Franchise Agreement, Section 10.2.2**). You will receive no compensation or reimbursement for services or expenses for your participation in training. You must pay for all of the expenses of your personnel and you to attend any training program, including travel, lodging, car rentals, meals and the wages of any person attending training. (**Franchise Agreement, Section 6.1.3**). The Initial Training Program is provided to Franchisee for its Owners, employees and independent contractors at no charge for the life of the franchise provided i) you are in good standing under the Franchise Agreement by being current in the payment of all fees and are otherwise fully compliant with your contractual obligations and requirements/specifications as identified in the Manuals; and ii) we approve of the training candidate. (**Franchise Agreement, Section 6.1.1**) We may provide, at our option, additional training programs for

you and your employees at locations designated by us and/or online, for an additional fee. (**Franchise Agreement, Section 6.1.2**) Under certain circumstances, including but not limited to, new Products and Service offerings being added to the System or your unsatisfactory performance of its obligations, we may require you or your employees to attend additional training courses from time to time and to pay us an Additional Training Fee, which will in no event be less than \$500 per attendee.

As of the date of this Franchise Disclosure Document, our current Initial Training Program, which may be periodically changed, is as follows:

### **TRAINING PROGRAM**

| <b>Subject</b>                                       | <b>Hours of Classroom Training</b> | <b>Hours of On-the-Job Training</b> | <b>Location*</b>       |
|--|------------------------------------|-------------------------------------|------------------------|
| Welcome and Overview – Brand and Culture             | 1                                  | 0                                   | Online and Chester, NJ |
| Pricing  | 1                                  | 0                                   | Online and Chester, NJ |
| Software, Systems and Scheduling                     | 3                                  | 0                                   | Online and Chester, NJ |
| Marketing, Networking, Lead Generation, Social Media | 4                                  | 0                                   | Online and Chester, NJ |
| Equipment, Vehicles and Vendors                      | 1                                  | 0                                   | Online and Chester, NJ |
| Administrative                                       | 2                                  | 0                                   | Online and Chester, NJ |
| Finance and Reporting                                | 2                                  | 0                                   | Online and Chester, NJ |
| Hands on Training                                    | 0                                  | 20                                  | Online and Chester, NJ |
| Operations, Equipment, Products, and Vendors         | 7.5                                | 0                                   | Online and Chester, NJ |
| Environmental, Insurance, and Safety                 | 1                                  | 0                                   | Online and Chester, NJ |

\*Please Note: Location of training is conditional upon local, state or federal guidelines prohibiting in-person congregation due to health, safety or security concerns.

The training program will be conducted approximately 6 times per year, as needed. The training will be conducted by Eddie Zite, Paul Ferrara, Samantha Dreger, Joe Eible, Christian Clavadetscher, and other personnel as determined, who will have a minimum of one-year experience relevant to the subjects they are teaching.

**Edwin Zite** – Our Vice President of Training since December 2021 and our predecessor’s Vice President of Training from 2017 to December 2021. Construction management since 1996. Has operated a business of the same type being franchised since 2016.

**Paul Ferrara** – Our Chief Executive Officer since December 2021 and our predecessor’s CEO from July 2020 to December 2021 and our predecessor’s Chief Operating Officer from 2019 to 2020. Experience in franchising, strategic alliance marketing, and business development since 2007.

**Samantha Dreger** – Our Chief Marketing Officer since May 2022. Experience in marketing since 2002.

**Joseph Eible** – Our Vice President of Operations since November 2022 and our Director of Franchise Support from December 2021 to November 2022. Mr. Eible served as our predecessor’s Director of Franchise Support from June 2019 to December 2021. Experience in technology and business development since 2012.

**Christian Clavadetscher** – Our Business Coach since January 2022 and Director of Franchise Development from February 2020 to January 2021. Franchising experience since April 2015. Has operated a business of the same type being franchised since 2021.

You must complete your initial training at least 10 days before you begin operation of the Franchised Business.

Our primary instructional materials consist of our Manuals. We may also require your owner (if you are an entity) and you to attend refresher courses and additional training courses, and may charge a fee for this, which will in no event be less than \$500 per attendee. (**Franchise Agreement, Section 6.1.2**). You will also have to pay all of your and your owner’s expenses to attend any refresher or additional training course. (**Franchise Agreement, Section 6.1.3**)

Computer skills are necessary for the operation and marketing of the Franchised Business. You must become proficient in the use of the Windows and Microsoft software programs on your own. If this is not done before the start of training, the ability to learn external programs and functions may be delayed.

We may make available other training programs for you and your employees. You will not be required to attend these programs. (**Franchise Agreement, 6.1.2**)

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**ITEM 12**  
**TERRITORY**

**Licensed Service Area**

Under the Franchise Agreement, you will conduct and operate the Franchised Business from an office located within a specific Licensed Service Area (“LSA”). You and we will agree upon a geographic territory before you sign the Franchise Agreement and your LSA will be described on Schedule 1 to the Franchise Agreement. You may obtain up to three contiguous LSAs under a single Franchise Agreement. You are responsible to independently evaluate any geographic territory in which you are interested and satisfy yourself as to its appropriateness. You must establish a location for the Franchised Business (“Franchise Location”) within your LSA (or in one of your contiguous LSAs, if you obtain more than one contiguous LSA), subject to our approval. If you choose to lease space to accommodate the Franchised Business, the lease must be no longer in duration than the Term of the Franchise. If you choose to have a home-office and live outside your LSA, you must establish a business address/location within your LSA, which includes at least a physical address (not a P.O. Box) and a telephone number within the LSA.

The size of your LSA will typically be defined by contiguous zip codes and be based on general population of approximately 300,000-350,000 individuals (according to the most recent U.S. Census data available at the time you and we sign the Franchise Agreement). You may not conduct the Franchised Business in another franchisee’s Licensed Service Area. In the event you receive business from outside your LSA, you must refer the business to the franchisee who licenses the applicable Licensed Service Area.

So long as the Franchise Agreement is in force and effect and you are not in default, neither we nor our affiliates will locate, operate, or grant a franchise for the PatchMaster Business in your LSA. Except as limited above in this Item 12, we and our affiliates retain all rights with respect to PatchMaster Businesses, the Marks, the sale of similar or dissimilar products and services and any other activities we deem appropriate whenever and wherever we desire, including (1) the right to own or operate, or license others to own or operate PatchMaster Businesses anywhere outside of your LSA; (2) the right to operate or license others the right to operate similar businesses or any other businesses under trademarks or service marks other than the Marks in any location, both inside or outside of your LSA; (3) the right to operate or license others to operate businesses that are not the same as a PatchMaster Businesses under the Marks in any location, both inside or outside of your LSA; and (4) the right to offer any products or services (including the products and services you offer through your Franchised Business) through other channels of distribution (including the Internet, social media, print catalogues and direct marketing media) both inside and outside of your LSA. We are not required to pay you if we exercise any of the rights specified above inside your LSA. If you fail to remain materially compliant with the Franchise Agreement, you may lose any protection to the LSA. In this event, we may grant another PatchMaster franchise within your LSA within 10 days’ written courtesy notice by e-mail.

You cannot relocate your office without obtaining our prior approval. We do not grant any right of first refusal or similar rights to acquire additional franchises. To be eligible to relocate, you must be in good standing under your Franchise Agreement and you must satisfy our then current franchise placement and demographics criteria, as expressed in the Manuals.

You are not permitted to market, advertise, or solicit business or customers outside of your LSA including through other channels of distribution, such as Internet, social media, print catalogues and direct marketing media. You must operate your Franchised Business and provide Services only to customers located within the LSA. Conducting the Franchised Business in another franchisee’s LSA will result in a fine of \$5,000 per occurrence payable to us. This penalty is in addition to the potential for termination of the Franchise Agreement. However, you may provide Services to customers located outside of your LSA

so long as you obtain our prior written consent and the customers are not located in the protected territory of another PatchMaster Business; however, if you generate more than ten percent (10%) of your revenue from an area outside of your LSA, we may require that you purchase the additional area. You have no territorial protection in any area outside of your LSA, and upon the establishment of a PatchMaster Business in an area outside of your LSA, you may only continue servicing a customer in that area if you maintain a maintenance agreement with that customer.

### **Minimum Sales Quota**

We have the right to annually evaluate the financial performance of your Franchised Business. As previously disclosed, we have unrestricted access to your Computer System, including unrestricted access to view and pull reports from your QuickBooks Online account. In order for you to retain the rights to the LSA, beginning in your 3<sup>rd</sup> year, and every year thereafter, you must annually generate a minimum of \$100,000 in Gross Revenue per LSA. If you fail to reach this minimum business growth requirement, we reserve the right to either reduce the size of your LSA or to terminate the Franchise Agreement by written notice to you. If you obtained more than one LSA under your Franchise Agreement and are not reaching the minimum business growth requirement in one of them, we may either terminate that LSA or terminate the Franchise Agreement by written notice to you.

Except as provided above, continuation of your franchise or territorial rights does not depend on your achieving a certain sales volume, market penetration, or other contingency. You must also pay the monthly Minimum Royalty Fee. See Item 6.

### **Marketing Requirements and Restrictions**

You must use your best efforts to affect the best possible distribution and sale of the PATCHMASTER Products and Services, and to solicit potential customers for the Franchised Business within your LSA.

You shall not market, advertise or solicit business outside your LSA. All marketing representations must include a list or description of your LSA.

### **Competition**

You will not receive an exclusive territory.

You may face competition from other franchisees, from outlets that we or an affiliate owns, or from other channels of distribution or competitive brands that we control.

We reserve the right to compete with franchisees with National Accounts. We are not currently in the business of conducting wall surface repair and related services to residential and commercial customer that are associated with the Franchised Business, and therefore we will not accept business generated within your LSA. Our affiliates abide by same territorial restrictions.

Neither we nor any affiliate currently operates or have formulated any plans or policies to establish or operate or franchise others to operate, any business that offers services similar to or competitive with those to be offered for sale by your Franchised Business under different trade names or trademark, or of selling other services or products utilizing the Marks, but we retain the right to do so.

We and our affiliates have the right, now and in the future, to purchase, merge, acquire, or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the



location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as PatchMaster Businesses operating under the Marks or any other marks following our purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which you acknowledge may be within or near your LSA).


We and our affiliates may sell ourselves, our assets, our proprietary marks (including the Marks) and/or our system (including the System) to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations or entities, or be acquired by another corporation or entity; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, you will, in the Franchise Agreement, expressly and specifically waive any claims, demands or damages arising from or related to the loss of our name, Marks, other proprietary marks (or any derivation of those marks), the System, other systems and/or the loss of association with or identification as a franchisee under this Agreement. If we assign our rights in the Franchise Agreement, nothing in this disclosure document or in the Franchise Agreement will be deemed to require us to remain in the drain cleaning business. You have no options, rights of first refusal or similar rights to acquire additional franchises.

### **National Accounts**

We may establish national accounts with companies to service their needs throughout their systems nationwide ("National Accounts"). Nothing will prohibit us or our affiliates from doing business within the LSA for National Accounts. A National Account includes those customers, with more than one location covered by an agreement for services, which are not located solely in the area of one franchisee. To participate in such National Accounts, you may need to satisfy certain eligibility criteria. If you are eligible to service these National Accounts and are interested in doing so, we may require you to follow particular terms and conditions for each customer related to the Products and Services that will be provided. If you obtain an account that is considered a National Account, you must refer it to us and it will be treated as a National Account; however, we reserve the absolute right to reject any such account for any reason. National Accounts shall be negotiated solely by us or our affiliates, even if you procure the National Account. All National Accounts will be considered our property and you will have no claim to them. If one or more locations of a National Account fall within your LSA, we will first offer you the opportunity to provide services on the terms and conditions that we have established with such National Account. You are not required to service a National Account, and if you do not accept such offer in the manner and within the time period that we specify, we have the right to service the account ourselves, or may authorize other PatchMaster Business, to provide such services. However, the decision to accept or reject you as a provider of services for the National Account ultimately rests with the National Account.

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

As a Franchisee, you are licensed to use and display the trademark PATCHMASTER and related Marks using it for the duration of the Franchise Agreement only for the operation of the Franchised Business. You may not license or sublicense any trademarks, service marks, trade names, logotypes or commercial symbols owned by us, or our affiliates. We may require you to use this name with other words or symbols. We may also permit you to use other trademarks owned or licensed by us in the operation of your Franchised Business. By Marks, we mean trade names, trademarks, service marks, logos and other commercial symbols used to identify your Franchised Business. The following trademarks are registered on the Principal Register of the United States Patent and Trademark Office ("USPTO") and were assigned to us from our predecessor:

| TRADEMARK   | REGISTRATION/SERIAL NUMBER | REGISTRATION/FILING DATE |
|---|----------------------------|--------------------------|
| PATCHMASTER   | 5,287,704                  | September 12, 2017       |
|  | 5,575,560                  | October 2, 2018          |

No renewal filings are yet due in connection with these registrations. We have filed all required affidavits of use and incontestability at the time specified by law.

We also claim common law rights in other marks and logos that we have developed; however, we have not applied for registration of these marks.

If our right to use the trademark is challenged, you may be required to change to an alternative trademark, which may increase your expenses. You must follow our rules when you use these trademarks. You are prohibited from using any of our trademarks as part of your corporate, partnership, limited liability company or other entity name or with any prefix, suffix, or other modifying words, terms, designs, or symbols. You may not use our trademarks for the sale of an unauthorized product or service or in a manner not authorized in writing by us.

We are not aware of any currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any pending infringement, opposition or cancellation or any pending material litigation involving the principal trademarks. There are no agreements currently in effect that significantly limit our rights to use or license the use of the principal trademarks that are material to the franchise, nor are there any prior superior rights or infringing uses actually known to us that could materially affect your use of the licensed trade name, trademarks, or service marks.

We are aware that some individuals/entities have used the tradename PatchMaster in their drywall repair businesses that pre-dates our use of the Mark. None of these individuals/entities have filed a federal trademark registration and to our knowledge are only using the tradename in their local markets and not nationally. Before choosing to franchise the PatchMaster concept, we strongly encourage you to search your local market to determine if there is a PatchMaster presence by individuals/entities other than us. Other than this limited knowledge, we have not conducted an exhaustive search of users of names that may be the same or similar to our Marks and we may not be able to prevent their continued use of these words, particularly in cases where their use predates our federal trademark and service mark registrations. There may be similar uses to our Marks of which we are unaware that could arise from prior users. No agreements limit our right to use or license the use of our trademarks.

You do not acquire any ownership of these trademarks or any right to goodwill attributed to them. You acknowledge that we own these trademarks and that they are valid trademarks. You may not challenge our ownership of the trademarks or to assist anyone else in doing so. You also may not challenge our right to use and license the use of the trademarks or to assist anyone else in doing so. You also may not acquire any similar or identical trademarks.

You must promptly notify us if you learn about an infringement of the Marks or a challenge to your use of them. We may take the action we decide is appropriate to protect and defend the Marks and

the system. If we institute litigation or elect to defend an action, you must cooperate in any action if requested by us.

We are not required to protect your right to use the Marks or to protect you against claims of infringement or unfair competition arising out of your use of the Marks. We may, but are not obligated by the Franchise Agreement to participate in your defense in any administrative or judicial proceeding involving our Marks, or to indemnify you for costs and expenses you incur if you are a party in any action or proceeding involving our Marks. We have the sole right, but no obligation, to control any litigation involving our Marks and to compromise or settle any claim, in our discretion, at our sole cost and expense, using attorneys of our own choosing, and you must cooperate fully in defending any claim and you may participate, at your own expense, in the defense or settlement. You may not make any demand against any alleged infringer, prosecute any claim or settle or compromise any claim by a third party without our prior written consent. You agree in the Franchise Agreement not to contest, directly or indirectly, our ownership, right, title or interest in our Marks, or contest the sole right of to register, use, or license others to use those Marks.

Periodically, in the Manuals or in directives or supplemental bulletins, we may add to, delete, or modify any or all of the Marks.

You must modify, replace or discontinue the use of a trademark if we so require. You must pay for your costs of compliance (e.g., changing signs, destroying or recalling advertising and promotional items). If we require you to change, revise, or substitute different marks for use in identifying your franchise, we will reimburse you up to \$5,000 for actual, itemized costs to signage and marketing materials directly related to the name change, revision or substitution. To receive this reimbursement, you must deliver to us receipt that substantiate reimbursable expenses.

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

You do not receive the right to use an item covered by a patent, but you can use the proprietary information we provide to you periodically for the operation of your Franchised Business including our operations manual and other written materials. Although we have not filed an application for copyright registration, do not currently have any pending patent applications, and do not currently own any rights in, or licenses to patents or copyrights that are material to the franchise, we claim copyright protection for the all Manuals, artistic designs, word combinations and other marketing, operations and training materials that we license you to use, other proprietary information and publications we own or have acquired under license from a third party, and everything concerning operating procedures. All of this is our proprietary intellectual property.

There are no infringing uses actually known to us that could materially affect your use of the copyrights, trade secrets, processes, methods, procedures, or other proprietary information described above. There are no agreements currently in effect that limit our rights to use or license the above-mentioned copyrights in any manner.

You must notify us if you learn about an infringement of or challenge to your use of these copyrighted materials. We may take the action we believe appropriate if a third party is infringing on any of our copyrights.

We will provide you with information that is confidential, proprietary, and constitutes trade secrets. Examples of this type of information include knowledge of the system and the technology, concepts or results relating to related technology, sources and suppliers of equipment, and, in general, methods,

techniques, formulas, formats, specifications, standards, procedures, know-how, information systems, forms of agreement and actual agreements used in connection with the Franchised Business, and the entire contents of the Manuals. You must maintain the absolute confidentiality of all such information during and after the term of the Franchise Agreement. You also must not use any such information in any other business or in any manner not specifically authorized or approved in writing by us, or make copies of such information, or divulge such information to any other person except as permitted by us. You must obtain a confidentiality agreement (in a form provided by us, which form, among other provisions, will designate us as a third-party beneficiary of such covenants with the independent right to enforce them) from any other person involved in your Franchised Business who will have access to any confidential information or trade secrets.

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

You must devote full time and effort to the active management and operation of the Franchised Business. If you are a corporation or other entity, an Owner (as that term is defined in the Franchise Agreement) must directly supervise the business. You may hire a full-time manager for the Franchised Business only if you obtain our prior written consent. In this event, you must continue to actively oversee the operations of the Franchised Business and supervised the manager. Any manager must complete the Initial Training Program to our satisfaction and must sign a confidentiality and non-competition agreement in a form acceptable to us before he or she begins managing the Franchised Business. We can supply you with a model confidentiality and non-competition agreement that you can use; however, it is your responsibility to work with your own local legal counsel to ensure that any contract you use complies with the law of your particular state.

If you are a corporation or other entity, each of your Owners must sign the Personal Guaranty in the form attached to the Franchise Agreement. We may also require any person involved in assisting you to fulfill your obligations under the Franchise Agreement who will have access to any of our confidential information or trade secrets to sign a confidentiality agreement in a form acceptable to us. Your officers, directors, executives, members, managers, shareholders, partners, employees, and owners must sign a non-competition agreement in a form acceptable to us. If your spouse is not an owner of the business entity and you do not live in a community property or tenancy by the entirety state, your spouse need not sign a personal guarantee.

You are not required to grant an equity interest to any employee or manager.

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

As described in this Item and in Item 8 and Item 12, the Products and Services you offer in connection with the Franchised Business are restricted as are the customers to whom you may sell (in your Licensed Service Area).

You must offer and sell only those Products and Services we specify or approve. You must offer the approved Products and Services in the manner we require and only in your Licensed Service Area. You have discretion to offer certain optional Products and Services that we may designate in the Manuals. You may not offer any Products and Services that are not approved by us without first obtaining our written consent, which will be exercised using reasonable business judgment. In operating the Franchised Business, you must only use the type of tools, equipment and supplies we approve.

You may not offer any Products and Services through alternative channels of distribution without our prior written approval. We have the right without limitation to change and add to the types of Products and Services offered through the Franchised Business. Some changes may require you to purchase new equipment in order to sell the new items. You agree to immediately cease offering discontinued Products and Services upon notice. If any applicable law has certain restrictions or preconditions on offering any Products and Services, you must comply.

You can use only stationery, advertising and promotional materials, reports and forms with the Marks and colors authorized by us.

You are prohibiting from marketing, advertising, competing for business or promoting the Franchised Business or otherwise soliciting customers outside your LSA. For a description of your rights in connection with your territory, see Item 12 of this Disclosure Document.

For a description of your restrictions on Approved Suppliers, see Item 8 of this Disclosure Document.

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

**THE FRANCHISE RELATIONSHIP**

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

| <b>PROVISION</b>                                  | <b>SECTION IN FRANCHISE AGREEMENT</b> | <b>SUMMARY</b>   |
|---|---------------------------------------|--|
| a. Length of the franchise term                   | Section 3.1                           | Term is 10 years from the Effective Date of the Franchise Agreement  |
| b. Renewal or extension of the term               | Section 3.2; 3.4                      | You have no right to a renewal term. If you meet the requirements described below, you may be eligible for a renewal franchise agreement for a successive term. If you do not sign a renewal agreement prior to your expiration but continue to operate as a PATCHMASTER franchisee, at our option, your Franchise Agreement may be treated as either: (i) expired and a breach of the Franchise Agreement; or (ii) continue on a month-to-month basis until either party provides notice to the other of its intent to terminate this extended period or the parties enter into a renewal agreement.  |
| c. Requirements for franchisee to renew or extend | Section 3.2                           | Provide us 180 days' notice prior to the expiration of your current Term; you must pay the \$2,500 renewal agreement fee and sign the then-current Franchise Agreement being offered to new franchisees, which may contain materially different terms and conditions than your original agreement; agree on the LSA, which is subject to change, be in compliance with the franchise agreement, mandatory specifications, standards and operating procedures, and marketing programs; comply with any additional training or modernization requirements; sign a general release. If all conditions are satisfied and if we have discontinued offering new or renewal franchises in the state |

| PROVISION  | SECTION IN FRANCHISE AGREEMENT | SUMMARY   |
|--|--------------------------------|---|
|  |                                | where your franchise is located, we may elect to renew your existing agreement upon the same terms and conditions or offer to extend the term of the existing agreement on a month-to-month basis for as long as we believe is necessary.   |
| d. Termination by franchisee                           | Section 10.1                   | If we are in material breach and fail to cure within 60 days after notice, and you are in full compliance with the franchise agreement. Any termination for our failure to perform obligations before you open for business must be done within 30 days of the date you open for business. You may terminate the franchise agreement on any grounds available under applicable law.   |
| e. Termination by franchisor without cause             | None                           | Not Applicable.   |
| f. Termination by franchisor with cause                | Sections 10.2; 10.3            | We can terminate if you default or if events described in (g) and (h) below occur.  |
| g. "Cause" defined – curable defaults                  | Section 10.3                   | <p>You have 15 days to cure the following: failure to make timely payments or submit reports; jeopardizing the goodwill or reputation of the franchisor including unauthorized use of Marks; or failure to comply with your obligations to promote and manage the business as identified in Section 7 of the Franchise Agreement.</p> <p>You have 30 days to cure any other default under the Franchise Agreement.</p>  |
| h. "Cause" defined – non-curable defaults              | Section 10.2                   | <p>Non-curable defaults by you: insolvency or assignment for creditors, bankruptcy; material misrepresentation or omission in application or report; indicted by grand jury or felony convictions or repeated conduct that reflects unfavorably on us; unauthorized assignment; breach of other agreement with us; fails to operate business for 7 consecutive days without our approval; fail to successfully complete the initial training program; violates territory boundaries after previously receiving 1 prior written notice of violation; under-report gross revenues by 3%; violate any federal, state or local law or regulation; violation of non-compete covenants; fail to attend first conference that occurs after you commence operations of the Franchised Business without our approval; you repeatedly conduct yourself in an unprofessional manner after receiving 2 prior written notices; receipt of 2 or more notices of default in any 12 month period;</p> |
| i. Franchisee's obligations on termination/non-renewal | Section 11; 6.2.3              | <p>Obligations include: pay all amounts owed to us; cease identifying yourself as affiliated with the System or the Marks, including cancelling all associated telephone numbers and internet directory listings; cease using Marks and proprietary information; return all materials and the Manuals; cancel all fictitious or assumed names relating to the Marks; keep all information associated with the Franchised Business confidential; comply with any other requirements in the</p>   |

| <b>PROVISION</b>  | <b>SECTION IN FRANCHISE AGREEMENT</b> | <b>SUMMARY</b>   |
|---|---------------------------------------|--|
|   |                                       | Manuals; discontinue use of proprietary software and refrain for a period of 18 months following the transfer, expiration or termination of the Franchise Agreement from use of any generic version of the same software system as was used with the Franchised Business, and others (see (r) below).  |
| j. Assignment of contract by franchisor                         | Section 9.1                           | No restriction on our right to assign.   |
| k. "Transfer" by franchisee—definition                          | Section 9.2                           | Includes transfer of rights under Franchise Agreement, transfer of your Franchised Business or its assets, and transfer of equity or interest in you.  |
| l. Franchisor approval of transfer by franchisee                | Section 9.2                           | We must approve any assignment or transfer.  |
| m. Conditions for franchisor approval of transfer               | Section 9.2                           | You must give us prior written notice describing the terms of the transfer at least 60 days in advance of the proposed Transfer; you must be in good standing; the sale and purchase agreement between the parties must not damage the goodwill of the System, proposed transferee must meet our standards; you and your principals must sign a general release of us; proposed transferee obtained all requisite licenses and consents; proposed transferee must sign the then-current form of Franchise Agreement and guaranty; proposed transferee must expressly assume your obligations under the Franchise Agreement in writing; pay a transfer fee (currently \$10,000); the proposed transferee or the individual designated by the proposed transferee to manage the day-to-day operations of the Franchised Business must satisfactorily complete the initial training program; either you or the transferee have agreed to implement any modernization requirements |
| n. Franchisor's right of first refusal to acquire your business | Section 9.3                           | We can match any offer for a proposed transfer subject to the process and conditions stated in this Section of the Franchise Agreement.  |
| o. Franchisor's option to purchase your business                | None                                  | Our only option to purchase the Franchised Business is through a right of first refusal. See (n) above.  |
| p. Death or disability of franchisee                            | Section 9.4                           | Within 6 months after death or proven disability, heirs or legal representatives may take over or assign to a third party the interest of the disabled or deceased person, subject to the transferee's satisfaction of the prerequisites for approving other assignees, as described in (m) above.   |
| q. Non-competition covenants during the term of the franchise   | Section 11.8                          | You and your owners and their family members (who live in the same household) may not divert business from the Franchised Business. Nor shall such persons offer or sell drywall repair services or products or services or products that are part of the System or be involved in a Competitive Business, defined as any business where that offers or sells drywall repair services or products or where five percent (5%)   |

| <b>PROVISION</b>  | <b>SECTION IN FRANCHISE AGREEMENT</b>           | <b>SUMMARY</b>   |
|---|---|--|
|   |   | or more of its sales include services similar to that offered by the Franchised Business or that are part of the system.   |
| r. Non-competition covenants after the franchise is terminated or expires | Section 11.8; 12.10                             | No competing business for 18 months after termination or expiration (including assignment) within 25 miles of your LSA, within 25 miles of the LSA of any other franchisee as existing at the time of termination or expiration. For 18 months you cannot solicit or service customers of the Franchise Business or current customers of any PatchMaster franchisee. In addition to our right to pursue legal measures to enforce the contract and all other rights, remedies, penalties, and charges, if you breach the covenants not to compete or they are not enforceable in your state and you continue to operate, you must pay to us: (1) a deferred training fee in the amount of \$15,000; and (2) liquidated damages in an amount equal to thirty percent (30%) of Franchisee's average annual Gross Revenue over the Franchisee's preceding three (3) years (or for such shorter period if Franchisee has not been under a Franchise Agreement for a full three (3) year period). |
| s. Modification of the agreement  | Section 6.2.2; 6.3.2, 7.3.5; 11.8.5; 13.3; 13.5 | Generally, no modifications except in writing signed by both parties, the System and the Manuals are subject to change; a court may also modify an unenforceable provision to the extent necessary to make it enforceable.   |
| t. Integration/merger clause  | Section 13.5                                    | Only the terms of the Franchise Agreement and any addendum are binding. Any representations or promises outside of the Disclosure Document and the Franchise Agreement may not be enforceable. (subject to applicable state law). Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.  |
| u. Dispute resolution   | Section 12                                      | Most disputes between the parties shall first be submitted to good faith discussions by mediation; waiver of jury trial; recovery limited to actual damages sustained. (subject to applicable state law)   |
| v. Choice of forum  | Section 12.2                                    | New Jersey in the county in which our principal place of business is located, which is currently Morris County, New Jersey (subject to applicable state law)   |
| w. Choice of law  | Section 12.1                                    | New Jersey law applies, except the Lanham Act shall also apply to provisions concerning trademarks, trade names, service marks, slogans, copyrights, designs, emblems, logos, trade dress, trade secrets and commercial symbols. (subject to applicable state law)   |

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

We do not use any public figure to promote its franchises.



**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 franchise you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance of a particular Location or under particular circumstances.

The following financial performance representation is based on historical data concerning the franchise system's outlets. The following representation includes four separate sections, with tables and footnotes exhibiting information concerning: (1) rankings for franchisees' 2022 average and median annual gross sales; (2) rankings for franchisees' 2022 average and median annual gross sales based on the number of active territories in which the franchisees operate; (3) rankings for franchisees' 2022 average and median gross sales per territory (4) rankings for franchisees' 2022 average and median revenue per job; and (5) rankings for franchisees' 2022 gross profit and related information.

Tables 1, 2, and 3 state average and median annual gross sales for the calendar year 2022 for different subsets of U.S. PATCHMASTER franchisees. The "gross sales" include a total of all sales made during the reporting period not including any returns, discounts, or rebates as reported to us. The tables show information based on tertile rankings and Tables 1 and 2 also show information for top-10% and bottom-10% rankings.

This information was compiled from monthly gross sales reports submitted to us by the franchisees. This statement has not been audited and we have not undertaken to independently verify the accuracy of the information submitted to us by the franchisees. A total of 26 U.S. franchisees are included in Table 1, Table 2, Table 3, and Table 4 of this financial performance representation. A total of 7 U.S. franchisees are included in Table 5. The number of franchisees excluded in each category is shown in the notes below the tables.

The number of franchisees included in this financial performance representation does not correlate with the number of franchised units in the Item 20 tables, since this financial performance is based on franchisees and not single franchised units; a number of franchisees license multiple franchise units, which are reported together.

The estimated population ("POP") in each franchisee's territory varies and is based on the size of territory each franchisee decided to purchase. The range of POP for the franchisees included in each subset is disclosed in notes below the chart. The information on POP has been taken from US census figures for each franchisee and is not necessarily the same as of the date of signing of the franchise agreement by the franchisee and us. Information on POP in the charts includes POP of existing franchisees that have a license for at least one (1) Licensed Service Area. (see Item 12).

The averages and medians do not include revenue from (a) any franchisees operating less than one year, whether (i) the franchisee began operations after January 1, 2022 and, therefore, did not operate for a full year, or (ii) the franchisee's franchise was not yet opened, terminated, expired or transferred prior to December 31, 2022 and therefore the franchisee did not operate for the full year period and (b) any franchisees (i) from whom we did not receive monthly sales reports, or (ii) for whom we do not have complete POP statistics, for all of the 12 months up through December 31, 2022.

**Table 1**  
**Ranking**  
**Average and Median Annual Gross Sales of U.S. PatchMaster Franchisees**  
For the Twelve Months Ending December 31, 2022

| Ranking by Average Gross Sales | Year | Total Franchisees | Average Gross Sales (US\$) | # (and %) of Franchisees at or above Average | Median Gross Sales (US\$) | # (and %) of Franchisees at or above Median |
|--------------------------------|------|-------------------|----------------------------|--|---------------------------|---|
| Top 10% (Note 1)               | 2022 | 3                 | \$809,131                  | 1 (33%)                                      | \$720,303                 | 2 (67%)                                     |
| 1st Tertile (Note 2)           | 2022 | 8                 | \$595,047                  | 4 (50%)                                      | \$581,235                 | 4 (50%)                                     |
| 2nd Tertile (Note 3)           | 2022 | 9                 | \$238,398                  | 5 (56%)                                      | \$238,453                 | 5 (56%)                                     |
| 3rd Tertile (Note 4)           | 2022 | 9                 | \$117,487                  | 4 (44%)                                      | \$116,628                 | 5 (56%)                                     |
| Bottom 10% (Note 5)            | 2022 | 3                 | \$69,963                   | 2 (67%)                                      | \$75,451                  | 2 (67%)                                     |
| All Franchisees (Note 6)       | 2022 | 26                | \$306,283                  | 9 (35%)                                      | \$234,366                 | 13 (50%)                                    |

**NOTE 1**

The lowest gross sales in this subset were \$630,152; the highest gross sales in this subset were \$1,076,938. The lowest Population in this subset were 539,700 (comprising 2 LSAs); the highest population in this subset were 2,146,878 (comprising 8 LSAs).

**NOTE 2**

The lowest gross sales in this subset were \$350,338; the highest gross sales in this subset were \$1,076,938. The lowest Population in this subset were 539,700 (comprising 2 LSAs); the highest population in this subset were 2,146,878 (comprising 8 LSAs).

**NOTE 3**

The lowest gross sales in this subset were \$171,492; the highest gross sales in this subset were \$344,276. The lowest Population in this subset were 249,807 (comprising 1 LSA); the highest population in this subset were 893,702 (comprising 3 LSAs).

**NOTE 4**

The lowest gross sales in this subset were \$51,733; the highest gross sales in this subset were \$165,100. The lowest Population in this subset were 251,292 (comprising 1 LSA); the highest population in this subset were 600,910 (comprising 2 LSAs).

**NOTE 5**

The lowest gross sales in this subset were \$51,733; the highest gross sales in this subset were \$82,704. The lowest Population in this subset were 251,292 (comprising 1 LSA); the highest population in this subset were 539,649 (comprising 3 LSAs).

**NOTE 6**

The lowest gross sales in this subset were \$51,733; the highest gross sales in this subset were \$1,076,938. The lowest Population in this subset were 249,807 (comprising 1 LSA); the highest population in this subset were 2,146,878 (comprising 8 LSAs).

In computing the numbers and tertile rankings for Table 2, a total of 38 franchises were excluded: 17 franchises were excluded because they began operations after January 1, 2022; 19 franchises were excluded because we did not receive sufficient monthly sales reports during the reporting period; and 2 franchises were excluded because their franchise was terminated, expired or transferred prior to December 31, 2022.

**Table 2**  
**Ranking**  
**Average and Median Annual Gross Sales of U.S. PatchMaster Franchisees Based on Sales per Territory**  
For the Twelve Months Ending December 31, 2022

The following is a statement of average and median annual gross sales for calendar year 2022 for U.S. PatchMaster franchisees based on sales per territory and shown by the rankings subsets from the first Table 1 Average Gross Sales table, above. This information was compiled from data reported by franchisees in the required business management software that Franchisor can access. This statement has not been audited and we have not undertaken to independently verify the accuracy of the information submitted to us by the franchisees.

|                         |   |    |   |           |           |     |
|-------------------------|---|----|---|-----------|-----------|-----|
|                         |   |    |   |           |           |     |
| Top 10%<br>(Note 1)     | 3 | 15 | 5 | \$161,826 | \$134,617 | 3.6 |
| 1st Tertile<br>(Note 2) | 8 | 34 | 4 | \$140,011 | \$143,649 | 3.5 |

|                         |    |    |   |           |           |     |
|-------------------------|----|----|---|-----------|-----------|-----|
|                         |    |    |   |           |           |     |
| 2nd Tertile<br>(Note 3) | 9  | 17 | 2 | \$126,211 | \$115,139 | 2.2 |
| 3rd Tertile<br>(Note 4) | 9  | 17 | 2 | \$62,199  | \$76,596  | 1.9 |
| Bottom 10%<br>(Note 5)  | 3  | 7  | 2 | \$29,984  | \$27,568  | 2.3 |
| Total<br>(Note 6)       | 26 | 68 | 3 | \$117,108 | \$106,299 | 2.5 |

**NOTE 1**

The lowest average gross sales per territory in this subset were \$126,030; the highest average gross sales per territory in this subset were \$360,151. 1 out of 3 or 33% of the franchisees in the subset attained or surpassed the stated average gross sales per territory and 2 out of 3 or 67% attained or surpassed the stated median gross sales per territory.

**NOTE 2**

The lowest gross sales in this subset were \$67,029; the highest gross sales in this subset were \$360,151. 4 out of 8 or 50% of the franchisees in the subset attained or surpassed the stated average and 4 out of 8 or 50% attained or surpassed the stated median.

**NOTE 3**

The lowest gross sales in this subset were \$79,593; the highest gross sales in this subset were \$282,710. 4 out of 9 or 44% of the franchisees in the subset attained or surpassed the stated average and 5 out of 9 or 55% attained or surpassed the stated median.

**NOTE 4**

The lowest gross sales in this subset were \$25,150; the highest gross sales in this subset were \$156,622. 5 out of 9 or 55% of the franchisees in the subset attained or surpassed the stated average and 5 out of 9 or 55% attained or surpassed the stated median.

**NOTE 5**

The lowest gross sales in this subset were \$25,150; the highest gross sales in this subset were \$51,733. 1 out of 3 or 33% of the franchisees in the subset attained or surpassed the stated average and 2 out of 3 or 67% attained or surpassed the stated median.

**NOTE 6**

The lowest gross sales in this subset were \$25,150; the highest gross sales in this subset were \$360,151. 11 out of 26 or 42% of the franchisees in the subset attained or surpassed the stated average and 13 out of 26 or 50% attained or surpassed the stated median.

**Table 3**  
**Ranking**  
**Average and Median Annual Gross Sales of U.S. PatchMaster Franchisees Based on Territory Size**  
For the Twelve Months Ending December 31, 2022

The following is a statement of average and median annual gross sales for calendar year 2022 for U.S. PatchMaster franchisees based on territory size 1-Territory, 2-Territory, and 3 or more-Territory subsets. This information was compiled from data reported by franchisees in the required business management software that Franchisor can access. This statement has not been audited and we have not undertaken to independently verify the accuracy of the information submitted to us by the franchisees.

|                                      |    |     |           |           |           |           |
|--------------------------------------|----|-----|-----------|-----------|-----------|-----------|
|                                      |    |     |           |           |           |           |
| 1 Territory<br>(Note 1)              | 5  | 1.0 | \$164,627 | \$156,622 | \$164,627 | \$156,622 |
| 2 Territories<br>(Note 2)            | 13 | 2.0 | \$267,042 | \$204,498 | \$133,521 | \$102,249 |
| 3 or more<br>Territories<br>(Note 3) | 8  | 1.6 | \$458,583 | \$476,961 | \$99,153  | \$103,127 |
| Total<br>(Note 4)                    | 26 | 2.6 | \$306,283 | \$234,366 | \$117,108 | \$89,610  |

**NOTE 1**

The lowest gross sales in this subset were \$51,733; the highest gross sales in this subset were \$282,710. 2 out of 5 or 40% of the franchisees in the subset attained or surpassed the stated average and 3 out of 5 or 60% attained or surpassed the stated median.

**NOTE 2**

The lowest gross sales in this subset were \$116,628; the highest gross sales in this subset were \$720,303. 4 out of 13 or 28% of the franchisees in the subset attained or surpassed the stated average and 7 out of 13 or 53% attained or surpassed the stated median.

**NOTE 3**

The lowest gross sales in this subset were \$75,451; the highest gross sales in this subset were \$1,076,938. 4 out of 8 or 50% of the franchisees in the subset attained or surpassed both the stated average and median.

**NOTE 4**

The lowest gross sales in this subset were \$51,733; the highest gross sales in this subset were \$1,076,938. 9 out of 26 or 35% of the franchisees in the subset attained or surpassed the stated average and 13 out of 26 or 50% attained or surpassed the stated median.

**Table 4**  
**Tertile Ranking**  
**STATEMENT OF AVERAGE AND MEDIAN REVENUE PER JOB**  
**FOR CALENDAR YEAR 2022**

The following is a statement of average and median revenue per job for calendar year 2022 for U.S. PatchMaster franchisees based on the tertile rankings subsets from the first Table 1 Average Gross Sales table, above. This information was compiled from data reported by franchisees in the required business management software that Franchisor can access. This statement has not been audited and we have not undertaken to independently verify the accuracy of the information submitted to us by the franchisees.

**Average and Median Job Size of U.S. PatchMaster Franchisees**  
For the Twelve Months Ending December 31, 2022

| Tertile Ranking by Average Gross Sales | Year | Total Franchisees | Average Job Size (US\$) | # (and %) of Franchisees at or above Average | Median Job Size (US\$) | # (and %) of Franchisees at or above Median |
|--|------|-------------------|-------------------------|--|------------------------|---|
| 1st Tertile (Note 1)                   | 2022 | 2022              | 8                       | \$1,461                                      | 5 (63%)                | \$1,603                                     |
| 2nd Tertile (Note 2)                   | 2022 | 2022              | 9                       | \$1,186                                      | 4 (44%)                | \$1,145                                     |
| 3rd Tertile (Note 3)                   | 2022 | 2022              | 9                       | \$1,176                                      | 5 (56%)                | \$1,260                                     |
| All Franchisees (Note 4)               | 2022 | 2022              | 26                      | \$1,335                                      | 12 (46%)               | \$1,296                                     |

**NOTE 1**

The lowest average job size in this subset was \$1,000; the highest average job size in this subset was \$2,006. The lowest POP in this subset were 539,700 (comprising 2 LSAs); the highest POP in this subset were 2,146,878 (comprising 6 LSAs).

**NOTE 2**

The lowest average job size in this subset was \$733; the highest average job size in this subset was \$2,047. The lowest POP in this subset were 249,807 (comprising 1 LSA) ; the highest POP in this subset were 893,702 (comprising 3 LSAs).

**NOTE 3**

The lowest average job size in this subset was \$812; the highest average job size in this subset was \$1,702. The lowest POP in this subset were 251,292 (comprising 1 LSA); the highest POP in this subset were 600,910 (comprising 2 LSAs).

**NOTE 4**

The lowest average job size in this subset was \$733; the highest average job size in this subset was \$2,047. The lowest POP in this subset were 249,807 (comprising 1 LSA); the highest POP in this subset were 2,146,878 (comprising 6 LSAs).

In computing the numbers and tertile rankings for Table 2, a total of 38 franchises were excluded: 17 franchises were excluded because they began operations after January 1, 2022; 19 franchises were excluded because we did not receive sufficient monthly sales reports during the reporting period; and 2 franchises were excluded because their franchise was terminated, expired or transferred prior to December 31, 2022.

Franchisees including in this compilation are located in the following states: Alaska, Arizona, Florida, Georgia, Indiana, Louisiana, Massachusetts, North Carolina, New York, Ohio, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, and Wisconsin. Most of these franchisees operate in multiple franchise territories.

You should carefully consider these and other factors in evaluating this information and in making any decision to purchase a franchise. Further, we urge you to consult with appropriate financial, business, and legal advisors in connection with the use of any of the information contained in this financial performance representation and in estimating potential revenue from a PatchMaster Franchised Business.

**Table 5**  
**STATEMENT OF GROSS PROFIT**  
**FOR CALENDAR YEAR 2022**

The following is a statement of gross profit and related information for calendar year 2022 for U.S. PatchMaster franchisees based on information compiled from data reported by franchisees to us. A total of 7 U.S. franchisees reported sufficient gross profit and related information to us to include in Table 5. The number of franchisees excluded is shown in the notes below the tables. This statement has not been audited and we have not undertaken to independently verify the accuracy of the information submitted to us by the franchisees.

**Gross Profit of U.S. PatchMaster Franchisees**  
For the Twelve Months Ending December 31, 2022

| Category                        | Amount           | % of Income  | Amount           | % of Income  |
|---------------------------------|------------------|--------------|------------------|--------------|
| Total Income <sup>1</sup>       | <b>\$466,964</b> |              | <b>\$433,632</b> |              |
| Labor Expenses                  | \$157,762        | 38.3%        | 145,051          | 33.1%        |
| Material Expenses               | \$62,861         | 11.8%        | 33,061           | 9.2%         |
| Cost of Goods Sold              | \$200,145        | 46.9%        | 213,234          | 42.4%        |
| <b>Gross Profit<sup>2</sup></b> | <b>\$266,819</b> | <b>53.1%</b> | <b>208,646</b>   | <b>57.6%</b> |

**NOTE 1**

In this table, the lowest Total Income amount was \$158,945; the highest Total income amount was \$1,081,705. 3 out of 7 outlets, or 42%, attained or surpassed the stated average Total income amount and 4 out of 7 outlets, or 57%, attained or surpassed the median Total Income amount.

**NOTE 2**

In this table, the lowest Gross Profit amount was \$50,106 and the lowest Gross Profit percentage was 31.5%; the highest Gross Profit amount was \$622,918 and the highest Gross Profit percentage was 66.5%. 3 out of 7 outlets, or 42%, attained or surpassed the stated average Gross Profit amount and 4 out of 7 outlets, or 57%, attained or surpassed the median Gross Profit amount. 4 out of 7 outlets, or 57%, attained or surpassed both the stated average and median Gross Profit percentage.

**NOTE 3**

The outlet in the table with the most years of service had 5.2 years of service. The outlets with the least years of service had 1.8 years of service. The average years of service for the outlets in this table was 3.7 years. The median years of service for the outlets in this table was 4.9 years. 4 out of 7, or 57%, attained or surpassed the stated average and median years of service. 17 franchises were excluded because they began operations after January 1, 2022; 51 franchises were excluded because we did not receive sufficient monthly sales reports during the reporting period; and 2 franchises were excluded because their franchise was terminated, expired or transferred prior to December 31, 2022.

**NOTE 4**

Gross Profit means Total Sales minus costs of goods sold which included labor and materials expenses such as salaries and wages, payroll expense, contractors payments, rental equipment, etc. Total Sales refers to the total sales and income from the franchise during the 2022 reporting period. The Gross Profit calculations and numbers outlined in the table above do not reflect profits or margins calculated by comparing sales to all operating expenses; certain standard operational expenses outside of the costs of goods sold and labor and materials expenses as outlined are not reflected in the table above, such as the ongoing fees payable to us, such royalties and minimums, marketing contributions, technology fees, software fees, and other operating expenses such as automotive expenses, marketing expenses, office supplies, professional fees, and other typical operating expenses. You will be expected to pay the royalty fee, marketing contributions, technology fees, and software fees required in your franchise agreement.

Written substantiation for the financial performance representation presented above will be made available to a prospective franchisee on reasonable request.

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



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

**TABLE NO. 1**  
**SYSTEM-WIDE OUTLET SUMMARY**  
**FOR YEARS 2020 TO 2022**

| Col. 1                 | Col. 2 | Col. 3                           | Col. 4                         | Col. 5     |
|------------------------|--------|----------------------------------|--------------------------------|------------|
| Outlet Type            | Year   | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
| <b>Franchised</b>      | 2020   | 37                               | 61                             | +24        |
|                        | 2021   | 61                               | 92                             | +31        |
|                        | 2022   | 92                               | 105                            | +13        |
| <b>Affiliate-Owned</b> | 2020   | 10                               | 15                             | +3         |
|                        | 2021   | 15                               | 14                             | -1         |
|                        | 2022   | 14                               | 18                             | +4         |
| <b>Total Outlets</b>   | 2020   | 47                               | 76                             | +27        |
|                        | 2021   | 76                               | 106                            | +30        |
|                        | 2022   | 106                              | 123                            | +17        |

**TABLE NO. 2**  
**TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**  
**(OTHER THAN FRANCHISOR OR AN AFFILIATE)**  
**FOR YEARS 2020 TO 2022**

| STATE                 | YEAR | NUMBER OF TRANSFERS |
|-----------------------|------|---------------------|
| <b>Alabama</b>        | 2020 | 0                   |
|                       | 2021 | 3                   |
|                       | 2022 | 0                   |
| <b>Florida</b>        | 2020 | 0                   |
|                       | 2021 | 1                   |
|                       | 2022 | 1                   |
| <b>Maryland</b>       | 2020 | 0                   |
|                       | 2021 | 2                   |
|                       | 2022 | 0                   |
| <b>New Jersey</b>     | 2020 | 0                   |
|                       | 2021 | 1                   |
|                       | 2022 | 0                   |
| <b>North Carolina</b> | 2020 | 2                   |
|                       | 2021 | 1                   |
|                       | 2022 | 0                   |
| <b>Pennsylvania</b>   | 2020 | 1                   |
|                       | 2021 | 0                   |
|                       | 2022 | 0                   |
| <b>South Dakota</b>   | 2020 | 0                   |

| STATE         | YEAR         | NUMBER OF TRANSFERS |
|---------------|--------------|---------------------|
|               | 2021         | 1                   |
|               | 2022         | 0                   |
|               | <b>Texas</b> | 0                   |
|               | 2020         | 0                   |
|               | 2021         | 2                   |
|               | 2022         | 1                   |
| <b>Totals</b> | 2020         | 3                   |
|               | 2021         | 11                  |
|               | 2022         | 2                   |

\* In 2021, a franchisee in Alabama never opened and transferred three units to Nevada (2) and Ohio (1); a Florida franchise transferred to owner in North Carolina; a Maryland franchisee transferred two units to franchisees in Arizona and New York; and a Texas franchisee transferred two units to franchisees in Massachusetts and Connecticut.

**TABLE NO. 3  
STATUS OF FRANCHISED OUTLETS  
FOR YEARS 2020 TO 2022**

| Col. 1<br>State | Col. 2<br>Year | Col. 3<br>Outlets at<br>Start of Year | Col. 4<br>Outlets<br>Opened | Col. 5<br>Terminations | Col. 6<br>Non-<br>Renewals | Col. 7<br>Reacquired by<br>Franchisor | Col. 8<br>Ceased Operations<br>Other Reasons | Col. 9<br>Outlets at End of<br>the Year |
|-----------------|----------------|---------------------------------------|-----------------------------|------------------------|----------------------------|---------------------------------------|--|---|
| Alabama         | 2020           | 0                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 0                                       |
|                 | 2021           | 0                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 0                                       |
|                 | 2022           | 0                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 0                                       |
| Alaska          | 2020           | 1                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 1                                       |
|                 | 2021           | 1                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 1                                       |
|                 | 2022           | 1                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 1                                       |
| Arizona         | 2020           | 3                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 3                                       |
|                 | 2021           | 3                                     | 4                           | 0                      | 0                          | 0                                     | 0  | 3                                       |
|                 | 2022           | 7                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 7                                       |
| California      | 2020           | 2                                     | 2                           | 0                      | 0                          | 0                                     | 0  | 4                                       |
|                 | 2021           | 4                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 4                                       |
|                 | 2022           | 4                                     | 2                           | 0                      | 0                          | 0                                     | 0  | 6                                       |
| Colorado        | 2020           | 1                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 1                                       |
|                 | 2021           | 1                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 1                                       |
|                 | 2022           | 1                                     | 1                           | 0                      | 0                          | 0                                     | 0  | 2                                       |
| Connecticut     | 2020           | 0                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 0                                       |
|                 | 2021           | 0                                     | 2                           | 0                      | 0                          | 0                                     | 0  | 2                                       |
|                 | 2022           | 2                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 2                                       |
| Florida         | 2020           | 6                                     | 2                           | 0                      | 0                          | 0                                     | 2  | 6                                       |
|                 | 2021           | 6                                     | 3                           | 0                      | 0                          | 0                                     | 1  | 8                                       |
|                 | 2022           | 8                                     | 2                           | 0                      | 0                          | 0                                     | 0  | 10                                      |

| Col. 1<br>State | Col. 2<br>Year | Col. 3<br>Outlets at<br>Start of Year | Col. 4<br>Outlets<br>Opened | Col. 5<br>Terminations | Col. 6<br>Non-<br>Renewals | Col. 7<br>Reacquired by<br>Franchisor | Col. 8<br>Ceased Operations<br>Other Reasons | Col. 9<br>Outlets at End of<br>the Year |
|-----------------|----------------|---------------------------------------|-----------------------------|------------------------|----------------------------|---------------------------------------|--|---|
| Georgia         | 2020           | 0                                     | 3                           | 0                      | 0                          | 0                                     | 0  | 3                                       |
|                 | 2021           | 3                                     | 0                           | 0                      | 0                          | 0                                     | 1  | 2                                       |
|                 | 2022           | 2                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 2                                       |
| Indiana         | 2020           | 1                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 1                                       |
|                 | 2021           | 1                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 1                                       |
|                 | 2022           | 1                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 1                                       |
| Louisiana       | 2020           | 0                                     | 2                           | 0                      | 0                          | 0                                     | 0  | 2                                       |
|                 | 2021           | 2                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 2                                       |
|                 | 2022           | 2                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 2                                       |
| Maryland        | 2020           | 0                                     | 4                           | 0                      | 0                          | 0                                     | 0  | 4                                       |
|                 | 2021           | 4                                     | 0                           | 0                      | 0                          | 0                                     | 2  | 2                                       |
|                 | 2022           | 2                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 2                                       |
| Massachusetts   | 2020           | 2                                     | 1                           | 0                      | 0                          | 0                                     | 0  | 3                                       |
|                 | 2021           | 3                                     | 2                           | 0                      | 0                          | 0                                     | 0  | 5                                       |
|                 | 2022           | 5                                     | 1                           | 0                      | 0                          | 0                                     | 0  | 6                                       |
| Michigan        | 2020           | 2                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 2                                       |
|                 | 2021           | 2                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 2                                       |
|                 | 2022           | 2                                     | 1                           | 0                      | 0                          | 0                                     | 0  | 3                                       |
| Minnesota       | 2020           | 0                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 0                                       |
|                 | 2021           | 0                                     | 2                           | 0                      | 0                          | 0                                     | 0  | 2                                       |
|                 | 2022           | 2                                     | 0                           | 0                      | 0                          | 0                                     | 2**  | 0                                       |
| Missouri        | 2020           | 0                                     | 1                           | 0                      | 0                          | 0                                     | 0  | 1                                       |
|                 | 2021           | 1                                     | 1                           | 0                      | 0                          | 0                                     | 0  | 2                                       |
|                 | 2022           | 2                                     | 1                           | 0                      | 0                          | 0                                     | 0  | 3                                       |
| Nevada          | 2020           | 0                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 0                                       |
|                 | 2021           | 0                                     | 3                           | 0                      | 0                          | 0                                     | 0  | 3                                       |
|                 | 2022           | 3                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 3                                       |
| New Jersey      | 2020           | 6                                     | 1                           | 0                      | 0                          | 0                                     | 0  | 7                                       |
|                 | 2021           | 7                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 7                                       |
|                 | 2022           | 7                                     | 0                           | 0                      | 0                          | 0                                     | 2  | 5                                       |
| New York        | 2020           | 0                                     | 1                           | 0                      | 0                          | 0                                     | 0  | 1                                       |
|                 | 2021           | 1                                     | 6                           | 0                      | 0                          | 0                                     | 0  | 7                                       |
|                 | 2022           | 7                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 7                                       |
| North Carolina  | 2020           | 2                                     | 1                           | 0                      | 0                          | 0                                     | 0  | 3                                       |
|                 | 2021           | 3                                     | 4                           | 0                      | 0                          | 0                                     | 1  | 6                                       |
|                 | 2022           | 6                                     | 0                           | 0                      | 0                          | 0                                     | 1  | 5                                       |
| Ohio            | 2020           | 0                                     | 1                           | 0                      | 0                          | 0                                     | 0  | 1                                       |
|                 | 2021           | 1                                     | 1                           | 0                      | 0                          | 0                                     | 0  | 2                                       |
|                 | 2022           | 2                                     | 1                           | 0                      | 0                          | 0                                     | 0  | 3                                       |
| Oklahoma        | 2020           | 0                                     | 0                           | 0                      | 0                          | 0                                     | 0  | 0                                       |

| Col. 1<br>State | Col. 2<br>Year | Col. 3<br>Outlets at<br>Start of Year | Col. 4<br>Outlets<br>Opened | Col. 5<br>Termi-<br>nations | Col. 6<br>Non-<br>Renewals | Col. 7<br>Reacquired by<br>Franchisor | Col. 8<br>Ceased Operations<br>Other Reasons | Col. 9<br>Outlets at End of<br>the Year |
|-----------------|----------------|---------------------------------------|-----------------------------|-----------------------------|----------------------------|---------------------------------------|--|---|
|                 | 2021           | 0                                     | 1                           | 0                           | 0                          | 0                                     | 0  | 1                                       |
|                 | 2022           | 1                                     | 0                           | 0                           | 0                          | 0                                     | 0  | 1                                       |
| Pennsylvania    | 2020           | 9                                     | 0                           | 0                           | 0                          | 0                                     | 0  | 9                                       |
|                 | 2021           | 9                                     | 0                           | 0                           | 0                          | 0                                     | 0  | 9                                       |
|                 | 2022           | 9                                     | 0                           | 0                           | 0                          | 0                                     | 0  | 9                                       |
| South Carolina  | 2020           | 1                                     | 0                           | 0                           | 0                          | 0                                     | 0  | 1                                       |
|                 | 2021           | 1                                     | 2                           | 0                           | 0                          | 0                                     | 0  | 3                                       |
|                 | 2022           | 3                                     | 1                           | 0                           | 0                          | 0                                     | 1  | 3                                       |
| South Dakota    | 2020           | 1                                     | 0                           | 0                           | 0                          | 0                                     | 0  | 1                                       |
|                 | 2021           | 1                                     | 0                           | 0                           | 0                          | 0                                     | 0  | 1                                       |
|                 | 2022           | 1                                     | 0                           | 0                           | 0                          | 0                                     | 0  | 1                                       |
| Tennessee       | 2020           | 0                                     | 1                           | 0                           | 0                          | 0                                     | 0  | 1                                       |
|                 | 2021           | 1                                     | 0                           | 0                           | 0                          | 0                                     | 0  | 1                                       |
|                 | 2022           | 1                                     | 0                           | 0                           | 0                          | 0                                     | 0  | 1                                       |
| Texas           | 2020           | 0                                     | 4                           | 0                           | 0                          | 0                                     | 0  | 4                                       |
|                 | 2021           | 4                                     | 5                           | 0                           | 0                          | 0                                     | 2  | 7                                       |
|                 | 2022           | 7                                     | 9                           | 0                           | 0                          | 0                                     | 0  | 16                                      |
| Utah            | 2020           | 0                                     | 0                           | 0                           | 0                          | 0                                     | 0  | 0                                       |
|                 | 2021           | 0                                     | 2                           | 0                           | 0                          | 0                                     | 0  | 2                                       |
|                 | 2022           | 2                                     | 0                           | 0                           | 0                          | 0                                     | 0  | 2                                       |
| Virginia        | 2020           | 0                                     | 0                           | 0                           | 0                          | 0                                     | 0  | 0                                       |
|                 | 2021           | 0                                     | 0                           | 0                           | 0                          | 0                                     | 0  | 0                                       |
|                 | 2022           | 0                                     | 0                           | 0                           | 0                          | 0                                     | 0  | 0                                       |
| Wisconsin       | 2020           | 0                                     | 2                           | 0                           | 0                          | 0                                     | 0  | 0                                       |
|                 | 2021           | 2                                     | 0                           | 0                           | 0                          | 0                                     | 0  | 2                                       |
|                 | 2022           | 2                                     | 0                           | 0                           | 0                          | 0                                     | 0  | 2                                       |
| <b>Totals</b>   | 2020           | 37                                    | 26                          | 0                           | 0                          | 0                                     | 2  | 61                                      |
|                 | 2021           | 61                                    | 38                          | 0                           | 0                          | 0                                     | 7  | 92                                      |
|                 | 2022           | 92                                    | 19                          | 0                           | 0                          | 0                                     | 6  | 105                                     |

\* Franchisee in Alabama never opened and transferred three units to Nevada(2) and Ohio(1). Florida franchise transferred to owner in North Carolina. Maryland franchisee transferred two units to franchisees in Arizona and New York. Texas franchisee transferred two units to franchisees in Massachusetts and Connecticut.

\*\* A Minnesota franchisee relocated to territory in Texas.

**TABLE NO. 4  
STATUS OF AFFILIATE OWNED OUTLETS  
FOR YEARS 2020 TO 2022**

| Col. 1<br>State   | Col. 2<br>Year | Col. 3<br>Outlets<br>at Start<br>of the<br>Year | Col. 4<br>Outlets<br>Opened | Col. 5<br>Outlets<br>Reacquired<br>From<br>Franchisee | Col. 6<br>Outlets<br>Closed | Col. 7<br>Outlets<br>Sold To<br>Franchisee | Col. 8<br>Outlets<br>at End of<br>the Year |
|-------------------|----------------|---|-----------------------------|---|-----------------------------|--|--|
| New<br>Jersey     | 2020           | 3   | 0                           | 0   | 0                           | 0  | 3  |
|                   | 2021           | 3   | 0                           | 0   | 0                           | 0  | 3  |
|                   | 2022           | 3   | 0                           | 2   | 0                           | 0  | 5  |
| North<br>Carolina | 2020           | 5   | 0                           | 0   | 0                           | 0  | 5  |
|                   | 2021           | 5   | 1                           | 0   | 0                           | 0  | 6  |
|                   | 2022           | 6   | 0                           | 1   | 0                           | 0  | 7  |
| South<br>Carolina | 2020           | 0   | 0                           | 0   | 0                           | 0  | 0  |
|                   | 2021           | 0   | 0                           | 0   | 0                           | 0  | 0  |
|                   | 2022           | 0   | 0                           | 1   | 0                           | 0  | 1  |
| Utah              | 2020           | 7   | 0                           | 0   | 0                           | 0  | 7  |
|                   | 2021           | 7   | 0                           | 0   | 0                           | 2  | 5  |
|                   | 2022           | 5   | 0                           | 0   | 0                           | 0  | 5  |
| Totals U.S.       | 2020           | 10  | 0                           | 0   | 0                           | 0  | 15   |
|                   | 2021           | 15  | 1                           | 0   | 0                           | 2  | 14   |
|                   | 2022           | 14  | 0                           | 4   | 0                           | 0  | 18   |

\* 2 New Jersey franchised units became affiliated units in 2022.

**TABLE NO. 5  
PROJECTED OPENINGS AS OF  
MARCH 1, 2023 through DECEMBER 31, 2023**

| STATE         | FRANCHISE<br>AGREEMENTS<br>SIGNED BUT<br>OUTLET NOT<br>OPENED | PROJECTED NEW<br>FRANCHISED<br>OUTLETS IN THE<br>NEXT FISCAL<br>YEAR | PROJECTED NEW<br>COMPANY-OWNED<br>OUTLETS IN THE<br>NEXT FISCAL YEAR |
|---------------|---|--|--|
| California    | 0   | 1  | 0  |
| Colorado      | 2   | 2  | 0  |
| Florida       | 2   | 1  | 0  |
| Georgia       | 0   | 1  | 0  |
| Massachusetts | 0   | 1  | 0  |
| Missouri      | 1   | 0  | 0  |
| New Jersey    | 2   | 2  | 0  |
| New Mexico    | 0   | 1  | 0  |
| New York      | 0   | 1  | 0  |

| <b>STATE</b>   | <b>FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED</b> | <b>PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR</b> | <b>PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR</b> |
|----------------|--|---|--|
| North Carolina | 2  | 2   | 0  |
| Pennsylvania   | 2  | 0   | 0  |
| South Carolina | 1  | 1   | 0  |
| Texas          | 0  | 1   | 0  |
| Tennessee      | 0  | 0   | 0  |
| Virginia       | 2  | 2   | 0  |
| Washington     | 0  | 1   | 0  |
| <b>Total</b>   | <b>14</b>  | <b>17</b>   | <b>0</b>   |

A list of names, addresses and phone numbers of franchisees as of our last fiscal year end is attached to this Franchise Disclosure Document as Exhibit D.

A list of franchisees who were terminated, cancelled, or not renewed or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during our last fiscal year or who have not communicated with us within the 10 weeks of the issuance date of this Franchise Disclosure Document is attached to the Franchise Disclosure Document as Exhibit E.

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

During the last 3 years, we have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with Franchisor except that they may not disclose any confidential information.

There are no independent trademark-specific franchisee organizations associated with the franchise system being offered that have asked to be included in this Disclosure Document.

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

Attached as **Exhibit A** to this Disclosure Document are our audited Financial Statements as of December 31, 2022 and 2021. We have not been in business for three or more years and cannot include all financial statements required of this item. Our fiscal year-end is December 31.

**ITEM 22**  
**CONTRACTS**

The following agreements are attached to this Disclosure Document:

- Exhibit B: Franchise Agreement with the following Schedules:**
1. Data Sheet
  2. Personal Guaranty
  3. State Specific Addendum
  4. Confirmation of Additional Terms and Representations Addendum
- Exhibit F: Renewal and Release Agreement**

**ITEM 23**  
**RECEIPTS**

The Receipt of Final Form Franchise Agreement and the Receipt of Franchise Disclosure Document (one copy for you and one copy for us) are found at the end of the exhibits to this Franchise Disclosure Document.

**EXHIBIT A**  
**FINANCIAL STATEMENTS**





**PATCHMASTER™**  
THE DRYWALL REPAIR SPECIALISTS

**PATCHMASTER FRANCHISE, LLC**

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2022 AND 2021



# PATCHMASTER FRANCHISE, LLC

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*Independent Auditor's Report*

To the Members  
PatchMaster Franchise, LLC  
Somerville, New Jersey

We have audited the accompanying financial statements of PatchMaster Franchise, LLC, which comprise the balance sheet as of December 31, 2022 and 2021, and the related statements of operations, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PatchMaster Franchise, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Basis for Opinion*

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

*Responsibilities of Management for the Financial Statements*

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

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

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

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

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

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

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

***Restrictions on Use***

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon for any other purpose.

Kezas <sup>1</sup>/<sub>3</sub> Dunlay

St. George, Utah  
March 27, 2023

# PATCHMASTER FRANCHISE, LLC

## BALANCE SHEETS

As of December 31, 2022 and 2021

|  | 2022         | 2021         |
|--|--------------|--------------|
| <b>Assets</b>                            |              |              |
| <b>Current assets</b>                    |              |              |
| Cash and cash equivalents                | \$ 497,286   | \$ 181,932   |
| Accounts receivable, net                 | 320,681      | 241,084      |
| Prepaid expenses                         | -            | 5,709        |
| Deferred contract costs                  | 333,920      | 404,200      |
| Operating notes receivable, current      | 31,437       | 36,980       |
| Total current assets                     | 1,183,324    | 869,905      |
| <b>Non-current assets</b>                |              |              |
| Operating notes receivable, non-current  | 34,019       | 73,973       |
| Equipment, net                           | 13,238       | 5,364        |
| Right of use asset                       | 78,073       | -            |
| Intangible assets                        | 4,227,019    | 4,227,019    |
| Total non-current assets                 | 4,352,349    | 4,306,356    |
| Total assets                             | \$ 5,535,673 | \$ 5,176,261 |
| <b>Liabilities and Member's Equity</b>   |              |              |
| <b>Current liabilities</b>               |              |              |
| Accounts payable                         | \$ 106,818   | \$ 20,805    |
| Credit card liability                    | 35,299       | 8,760        |
| Accrued liabilities                      | 205,828      | 233,938      |
| Deferred revenue                         | 452,175      | 542,075      |
| Operating lease liabilities, current     | 22,978       | -            |
| Total current liabilities                | 823,098      | 805,578      |
| <b>Non-current liabilities</b>           |              |              |
| Operating lease liabilities, non-current | 58,293       | -            |
| Total non-current liabilities            | 58,293       | -            |
| Total liabilities                        | 881,391      | 805,578      |
| <b>Member's equity</b>                   |              |              |
| Total liabilities and member's equity    | 4,654,282    | 4,370,683    |
|  | \$ 5,535,673 | \$ 5,176,261 |

The accompanying notes are an integral part of the financial statements.

**PATCHMASTER FRANCHISE, LLC**  
**STATEMENTS OF OPERATIONS**  
For the Years Ended December 31, 2022 and 2021

|                                      | 2022         | 2021      |
|--------------------------------------|--------------|-----------|
| Operating revenue                    |              |           |
| Initial franchise fees               | \$ 1,199,555 | \$ -      |
| Royalties                            | 794,168      | \$ 23,732 |
| Marketing fees                       | 162,050      | 5,050     |
| Technology fees                      | 136,825      | 9,875     |
| Other revenue                        | 4,061        | -         |
| Total revenue                        | 2,296,659    | 38,657    |
| Operating expenses                   |              |           |
| Professional fees                    | 139,746      | 15,950    |
| Commissions                          | 603,900      | -         |
| Marketing and advertising            | 356,017      | 1,749     |
| Other operating expenses             | 889,508      | 17,019    |
| Total operating expenses             | 1,989,171    | 34,718    |
| Operating income                     | 307,488      | 3,939     |
| Non-operating income (expense)       |              |           |
| Bad debt                             | (182)        | -         |
| Total non-operating income (expense) | (182)        | -         |
| Net income                           | \$ 307,306   | \$ 3,939  |

The accompanying notes are an integral part of the financial statements.

**PATCHMASTER FRANCHISE, LLC**  
**STATEMENTS OF MEMBER'S EQUITY**  
 For the Years Ended December 31, 2022 and 2021

|                                    |                            |
|------------------------------------|----------------------------|
| Balance as of December 18, 2021    | \$ -                       |
| Member contributions               | 4,366,744                  |
| Net income                         | 3,939                      |
| Balance as of December 31, 2021    | <u>4,370,683</u>           |
| Adoption of ASC 842, <i>Leases</i> | (1,636)                    |
| Member distributions               | (22,071)                   |
| Net income                         | 307,306                    |
| Balance as of December 31, 2022    | <u><u>\$ 4,654,282</u></u> |

The accompanying notes are an integral part of the financial statements.

**PATCHMASTER FRANCHISE, LLC**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2022 and 2021

|   | <u>2022</u>       | <u>2021</u>       |
|---|-------------------|-------------------|
| Cash flow from operating activities:  |                   |                   |
| Net income  | \$ 307,306        | \$ 3,939          |
| Adjustments to reconcile net income to net cash provided by operating activities: |                   |                   |
| Depreciation  | 3,370             | 240               |
| Bad debt  | 182               | -                 |
| Changes in operating assets and liabilities:                                      |                   |                   |
| Accounts receivable   | (79,779)          | (64,652)          |
| Prepaid expenses  | 5,709             | 7,702             |
| Deferred contract costs   | 70,280            | -                 |
| Notes receivable  | 45,497            | -                 |
| Right of use asset  | 23,422            | -                 |
| Accounts payable  | 86,013            | 20,805            |
| Credit card liability   | 26,539            | 8,760             |
| Accrued liabilities   | (28,110)          | 24,063            |
| Deferred revenue  | (89,900)          | -                 |
| Operating lease liability   | (21,860)          | -                 |
| Net cash provided by operating activities   | <u>348,669</u>    | <u>857</u>        |
| <br>Cash flows from investing activities  |                   |                   |
| Purchase of property and equipment  | (11,244)          | -                 |
| Net cash used in investing activities   | <u>(11,244)</u>   | <u>-</u>          |
| <br>Cash flows from financing activities:   |                   |                   |
| Member contributions  | -                 | 181,075           |
| Member distributions  | (22,071)          | -                 |
| Net cash provided by financing activities   | <u>(22,071)</u>   | <u>181,075</u>    |
| <br>Net change in cash and cash equivalents                                       | 315,354           | 181,932           |
| <br>Cash at the beginning of the year   | 181,932           | -                 |
| Cash at the end of the year   | <u>\$ 497,286</u> | <u>\$ 181,932</u> |
| <br>Supplementary disclosures of cash flows                                       |                   |                   |
| Cash paid for interest  | \$ -              | \$ -              |
| Non-cash financing and investing activities                                       |                   |                   |
| Member contribution of assets   | \$ -              | \$ 4,937,619      |
| Assumption of liabilities   | \$ -              | \$ (751,950)      |

The accompanying notes are an integral part of the financial statements.



**PATCHMASTER FRANCHISE, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

(1) Nature of Business and Summary of Significant Accounting Policies

*(a) Nature of Business*

PatchMaster Franchise, LLC (the "Company") was formed on November 17, 2021 as a Delaware Limited Liability Company and began operations on December 18, 2021. The principal function of the Company is to maintain the operations for the PatchMaster system of drywall repair franchises.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

*(b) Accounting Standards Codification*

The Financial Accounting Standards Board ("FASB") has issued the FASB Accounting Standards Codification ("ASC") that became the single official source of authoritative U.S. generally accepted accounting principles ("GAAP"), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

*(c) Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

*(d) Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of December 31, 2022 and 2021, the Company had cash and cash equivalents of \$497,286 and \$181,932, respectively.

The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

*(e) Accounts Receivable*

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalty fees, marketing fees, and technology fees. These accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of outstanding amounts. Management regularly evaluates individual customer's receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. As of December 31, 2022 and 2021, the Company had net receivables of \$320,681 and \$241,084, respectively. As of December 31, 2022 and 2021, the Company had an allowance for uncollectible accounts of \$55,706.

*(f) Long-Lived Assets*

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the difference between the carrying amount of the asset and the fair value of the asset.

**PATCHMASTER FRANCHISE, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

*(g) Revenue Recognition*

The Company's revenues consist of fees from franchised locations operated by conventional franchisees. Revenues from franchisees consist of initial franchise fees, royalties based on a percentage of gross revenues, technology fees, and marketing fees.

Upon inception, the Company adopted ASC 606, *Revenue from Contracts with Customers*. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. The Company evaluates all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial fee and ongoing royalties, marketing fees, and technology fees, and the Company's performance obligations.

Upon evaluation of the five-step process, the Company has determined royalties, marketing fees, and technology fees from locations operated by a franchisee, which are based on a percentage of gross revenue, are recognized at the time the underlying sales occur. In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. These pre-opening services include the following:

- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

The Company has determined that the fair value of pre-opening services exceeds the initial fees received; as such, the initial fees are allocated to the pre-opening services, which are recognized as revenue upon commencement of operations.

*(h) Leasing*

The Company adopted ASC 842, *Leases* as of January 1, 2022, using the modified retrospective method. The Company has an operating lease for office space, which required adjustments to record the right-of-use asset and lease liability as of the date of implementation. Upon adoption, the Company recorded a right-of-use asset of \$101,495 and a lease liability of \$103,131. The net effect on the Company's equity on January 1, 2022 was a reduction of \$1,636. The lease liability reflects the present value of the Company's estimated future minimum lease payments over the lease term, discounted using a collateralized incremental borrowing rate. The impact of ASC 842 is non-cash in nature and does not affect the Company's cash flows.

The Company has made an accounting policy election not to recognize right-of-use assets and lease liabilities that arise from any of its short-term leases. All leases with a term of 12 months or less at commencement, for which the Company is not reasonably certain to exercise available renewal options that would extend the lease term past 12 months, will be recognized on a straight-line basis over the lease term.

**PATCHMASTER FRANCHISE, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

*(i) Income Taxes*

The entity is structured as a limited liability company (LLC) under the laws of the State of Delaware. A limited liability company is classified as a partnership for federal and state income tax purposes and, accordingly, the income or loss of the Company will be included in the income tax returns of the members. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under Accounting Standards Codification ("ASC") Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the members rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2022, the 2021 tax year was subject to examination.

*(j) Advertising Costs*

The Company expenses advertising costs as incurred. Advertising expenses for the years ended December 31, 2022 and 2021 were \$356,017 and \$1,749, respectively.

*(k) Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, long term notes receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

(2) Acquisition of PatchMaster Franchise System

On December 17, 2021, the Company's sole member acquired the PatchMaster franchise system in an asset purchase agreement. On December 18, 2021, in return for a 100% membership interest position in the Company, the Company's sole member contributed the following assets and liabilities to the Company:

|   |           |                  |
|---|-----------|------------------|
| Cash and cash equivalents               | \$        | 181,075          |
| Accounts receivable, net                |           | 176,432          |
| Prepaid expenses                        |           | 13,411           |
| Deferred contract costs (See Note 6)    |           | 404,200          |
| Operating notes receivable (See Note 3) |           | 110,953          |
| Equipment, net                          |           | 5,604            |
| Intangible assets (See Note 4)          |           | 4,227,019        |
| Accrued expenses (see Note 5)           |           | (209,875)        |
| Deferred revenue (See Note 6)           |           | (542,075)        |
|   | <u>\$</u> | <u>4,366,744</u> |

The Company's sole member retained ownership and complete control over the existing franchise agreements acquired from the predecessor. During the period ended December 31, 2021, the Company's sole member assigned certain economic interests from these franchise agreements to the Company, including royalty fees, technology fees, and marketing fees.

**PATCHMASTER FRANCHISE, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

(3) Operating Lease

The Company is the lessee in an operating lease for office space. The lease expires in 2026, with the option to renew. As the Company adopted ASC 842 on January 1, 2022, there are no right of use assets or operating lease liabilities as of December 31, 2021. As of December 31, 2022, the Company recorded a right of use asset of \$78,073. As of December 31, 2022, the Company had the following operating lease liability:

|  |                  |
|--|------------------|
|  | 2022             |
| Operating lease liability, current     | \$ 22,978        |
| Operating lease liability, non-current | 58,293           |
|  | <u>\$ 81,271</u> |

As of December 31, 2022, the maturities of the Company's lease liability were as follows:

|      |                                 |               |
|------|---------------------------------|---------------|
|      | For the year ended December 31, |               |
| 2023 | \$                              | 22,978        |
| 2024 |                                 | 24,154        |
| 2025 |                                 | 25,390        |
| 2026 |                                 | 8,749         |
|      | <u>\$</u>                       | <u>81,271</u> |

(4) Operating Notes Receivable

The Company accepts promissory notes as part of its initial franchise sales. These notes are generally paid monthly over 3 years at 5% interest. As of December 31, 2022 and 2021, the Company's operating notes receivable were as follows:

|   |                  |                   |
|---|------------------|-------------------|
|   | 2022             | 2021              |
| Operating notes receivable, current     | \$ 31,437        | \$ 36,980         |
| Operating notes receivable, non-current | 34,019           | 73,973            |
|   | <u>\$ 65,456</u> | <u>\$ 110,953</u> |

(5) Intangible Assets

As of December 31, 2022 and 2021, the Company's intangible assets consisted of the following:

|           |                     |                     |
|-----------|---------------------|---------------------|
|           | 2022                | 2021                |
| Goodwill  | \$ 3,707,019        | \$ 3,707,019        |
| Tradename | 520,000             | 520,000             |
|           | <u>\$ 4,227,019</u> | <u>\$ 4,227,019</u> |

In accordance with ASC 350, Intangibles—*Goodwill and Other*, the Company has determined that the goodwill and tradename are indefinite lived. As such, the assets will not be subject to depreciation; rather, management will regularly evaluate the intangible assets for indications of impairment. As of December 31, 2022 and 2021, there were no indications of impairment.

(6) Accrued Liabilities

The Company's accrued liabilities consist of commissions payable to brokers and accrued advertising costs. As of December 31, 2022 and 2021, the Company's accrued liabilities are \$205,828 and \$233,938, respectively.

**PATCHMASTER FRANCHISE, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2022 and 2021

(7) Franchise Agreements

The Company's franchise agreements generally provide for a payment of initial fees as well as continuing royalties. Under the franchise agreement, franchisees are granted the right to operate a location using the Patch Master system for a period of five years. Under the Company's revenue recognition policy, franchise fees and any corresponding commissions are recognized when the franchisee begins operations. For any franchisees that have not yet begun operations as of year-end, the Company defers both the revenues and commissions. All locations that are expected to begin operations within the following year are categorized as current, while all others are classified as non-current. As of December 31, 2022 and 2021, the Company has the following deferred contract costs and deferred revenue, all of which is classified as current:

|                         | 2022       | 2021       |
|-------------------------|------------|------------|
| Deferred contract costs | \$ 333,920 | \$ 404,200 |
| Deferred revenue        | \$ 452,175 | \$ 233,938 |

(8) Commitments and Contingencies

(a) Litigation

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is "probable" and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible," disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(b) COVID-19

On March 11, 2020, the World Health Organization classified the outbreak of a new strain of the coronavirus ("COVID-19") as a pandemic. The COVID-19 outbreak in the United States began in mid-March 2020 and has continued through 2022 and subsequent to the fiscal year end. It is continuing to disrupt supply chains and affect production and sales across a range of industries. Management believes the pandemic has had a material effect on the Company's operations, reducing revenue from both new and existing franchisees. The extent of the impact of COVID-19 on the Company's future operational and financial performance continues to evolve and will depend on certain ongoing developments, including the duration and spread of the outbreak, impact on the Company's customers and vendors all of which are uncertain and cannot be reasonably estimated. At this point, the full extent to which COVID-19 may impact the Company's future financial condition or results of operations is uncertain.

(9) Subsequent Events

Management has reviewed and evaluated subsequent events through March 27, 2023, which is the date the financial statements were issued.

# PATCHMASTER FRANCHISE, LLC

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021



# PATCHMASTER FRANCHISE, LLC

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### *Independent Auditor's Report*

To the Members  
PatchMaster Franchise, LLC  
Somerville, New Jersey

We have audited the accompanying financial statements of PatchMaster Franchise, LLC, which comprise the balance sheet as of December 31, 2021, and the related statements of operations, member's equity, and cash flows for the period then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PatchMaster Franchise, LLC as of December 31, 2021, and the results of its operations and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

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

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

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

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

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



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

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

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

***Restrictions on Use***

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon for any other purpose.

Kezas <sup>3</sup>/<sub>1</sub> Dunlay

St. George, Utah  
April 8, 2022

**PATCHMASTER FRANCHISE, LLC**  
**BALANCE SHEET**  
As of December 31, 2021

| <b>Assets</b>                           |              |
|---|--------------|
| <b>Current assets</b>                   |              |
| Cash and cash equivalents               | \$ 181,932   |
| Accounts receivable, net                | 241,084      |
| Prepaid expenses                        | 5,709        |
| Deferred contract costs                 | 404,200      |
| Operating notes receivable, current     | 36,980       |
| Total current assets                    | 869,905      |
| <b>Non-current assets</b>               |              |
| Operating notes receivable, non-current | 73,973       |
| Equipment, net                          | 5,364        |
| Intangible assets                       | 4,227,019    |
| Total assets                            | \$ 5,176,261 |
| <b>Liabilities and Member's Equity</b>  |              |
| <b>Current liabilities</b>              |              |
| Accounts payable                        | \$ 20,805    |
| Credit card liability                   | 8,760        |
| Accrued liabilities                     | 233,938      |
| Deferred revenue                        | 542,075      |
| Total current liabilities               | 805,578      |
| Total liabilities                       | 805,578      |
| Member's equity                         | 4,370,683    |
| Total liabilities and member's equity   | \$ 5,176,261 |

The accompanying notes are an integral part of the financial statements.

**PATCHMASTER FRANCHISE, LLC**  
**STATEMENT OF OPERATIONS**  
For the period from December 18, 2021 to December 31, 2021

|                           |                 |
|---------------------------|-----------------|
| Operating revenue         |                 |
| Royalties                 | \$ 23,732       |
| Marketing fees            | 5,050           |
| Technology fees           | <u>9,875</u>    |
| Total revenue             | <u>38,657</u>   |
| <br>                      |                 |
| Operating expenses        |                 |
| Professional fees         | 15,950          |
| Marketing and advertising | 1,749           |
| Other operating expenses  | <u>17,019</u>   |
| Total operating expenses  | <u>34,718</u>   |
| Net income                | <u>\$ 3,939</u> |

The accompanying notes are an integral part of the financial statements.

**PATCHMASTER FRANCHISE, LLC**  
**STATEMENT OF MEMBER'S EQUITY**  
For the period from December 18, 2021 to December 31, 2021

|                                 |                     |
|---------------------------------|---------------------|
| Balance as of December 18, 2021 | \$ -                |
| Member contributions            | 4,366,744           |
| Net income                      | 3,939               |
| Balance as of December 31, 2021 | <u>\$ 4,370,683</u> |

The accompanying notes are an integral part of the financial statements.

**PATCHMASTER FRANCHISE, LLC**  
**STATEMENT OF CASH FLOWS**  
For the period from December 18, 2021 to December 31, 2021

|   |                   |
|---|-------------------|
| Cash flow from operating activities:  |                   |
| Net income  | \$ 3,939          |
| Adjustments to reconcile net income to net cash provided by operating activities: |                   |
| Depreciation  | 240               |
| Changes in operating assets and liabilities:                                      |                   |
| Accounts receivable   | (64,652)          |
| Prepaid expenses  | 7,702             |
| Accounts payable  | 20,805            |
| Credit card liability   | 8,760             |
| Accrued liabilities   | 24,063            |
| Net cash provided by operating activities   | <u>857</u>        |
| Cash flows from financing activities:   |                   |
| Member contributions  | 181,075           |
| Net cash provided by financing activities   | <u>181,075</u>    |
| Net change in cash and cash equivalents   | 181,932           |
| Cash at the beginning of the year   | <u>-</u>          |
| Cash at the end of the year   | <u>\$ 181,932</u> |
| Supplementary disclosures of cash flows   |                   |
| Cash paid for interest  | <u>\$ -</u>       |
| Non-cash financing and investing activities                                       |                   |
| Member contribution of assets and liabilities:                                    |                   |
| Accounts receivable, net  | \$ 176,432        |
| Prepaid expenses  | 13,411            |
| Deferred contract costs   | 404,200           |
| Operating notes receivable  | 110,953           |
| Equipment, net  | 5,604             |
| Intangible assets   | 4,227,019         |
| Accrued expenses  | (209,875)         |
| Deferred revenue  | \$ (542,075)      |

The accompanying notes are an integral part of the financial statements.

**PATCHMASTER FRANCHISE, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

(1) Nature of Business and Summary of Significant Accounting Policies

*(a) Nature of Business*

PatchMaster Franchise, LLC (the "Company") was formed on November 17, 2021 as a Delaware Limited Liability Company and began operations on December 18, 2021. The principal function of the Company is to maintain the operations for the PatchMaster system of drywall repair franchises.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

*(b) Accounting Standards Codification*

The Financial Accounting Standards Board ("FASB") has issued the FASB Accounting Standards Codification ("ASC") that became the single official source of authoritative U.S. generally accepted accounting principles ("GAAP"), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

*(c) Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

*(d) Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included within cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions. As of December 31, 2021, the Company had cash and cash equivalents of \$181,932.

*(e) Accounts Receivable*

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalty fees, marketing fees, and technology fees. These accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of outstanding amounts. Management regularly evaluates individual customer's receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. As of December 31, 2021, the Company had net receivables of \$241,084. As of December 31, 2021, the Company had an allowance for uncollectible accounts of \$55,706.

*(f) Long-Lived Assets*

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the difference between the carrying amount of the asset and the fair value of the asset.

**PATCHMASTER FRANCHISE, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

*(g) Revenue Recognition*

The Company's revenues consist of fees from franchised locations operated by conventional franchisees. Revenues from franchisees consist of initial franchise fees, royalties based on a percentage of gross revenues, technology fees, and marketing fees.

Upon inception, the Company adopted ASC 606, *Revenue from Contracts with Customers*. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. The Company evaluates all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial fee and ongoing royalties, marketing fees, and technology fees, and the Company's performance obligations.

Upon evaluation of the five-step process, the Company has determined royalties, marketing fees, and technology fees from locations operated by a franchisee, which are based on a percentage of gross revenue, are recognized at the time the underlying sales occur. In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. These pre-opening services include the following:

- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

The Company has determined that the fair value of pre-opening services exceeds the initial fees received; as such, the initial fees are allocated to the pre-opening services, which are recognized as revenue upon commencement of operations.

*(h) Income Taxes*

The entity is structured as a limited liability company (LLC) under the laws of the State of Delaware. A limited liability company is classified as a partnership for federal and state income tax purposes and, accordingly, the income or loss of the Company will be included in the income tax returns of the members. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under Accounting Standards Codification ("ASC") Topic 740, *Accounting for Uncertainty in Income Taxes*. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the members rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2021, no tax years were subject to examination.

**PATCHMASTER FRANCHISE, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

*(i) Recently Issued Accounting Pronouncements*

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)", which requires lessees to recognize assets and liabilities for leases with lease terms greater than twelve months in the statement of financial position. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The update is effective for fiscal years beginning after December 15, 2021. The Company is in the process of evaluating the impact that this new guidance will have on its financial statements.

*(j) Advertising Costs*

The Company expenses advertising costs as incurred. Advertising expenses for the period from December 18, 2021 to December 31, 2021 was \$1,749.

*(k) Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, long term notes receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

*(l) Concentration of Risk*

The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

**(2) Acquisition of PatchMaster Franchise System**

On December 17, 2021, the Company's sole member acquired the PatchMaster franchise system in an asset purchase agreement. On December 18, 2021, in return for a 100% membership interest position in the Company, the Company's sole member contributed the following assets and liabilities to the Company:

|   |           |                  |
|---|-----------|------------------|
| Cash and cash equivalents               | \$        | 181,075          |
| Accounts receivable, net                |           | 176,432          |
| Prepaid expenses                        |           | 13,411           |
| Deferred contract costs (See Note 6)    |           | 404,200          |
| Operating notes receivable (See Note 3) |           | 110,953          |
| Equipment, net                          |           | 5,604            |
| Intangible assets (See Note 4)          |           | 4,227,019        |
| Accrued expenses (see Note 5)           |           | (209,875)        |
| Deferred revenue (See Note 6)           |           | (542,075)        |
|   | <u>\$</u> | <u>4,366,744</u> |

The Company's sole member retained ownership and complete control over the existing franchise agreements acquired from the predecessor. During the period ended December 31, 2021, the Company's sole member assigned certain economic interests from these franchise agreements to the Company, including royalty fees, technology fees, and marketing fees.



**PATCHMASTER FRANCHISE, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

(3) Operating Notes Receivable

The Company accepts promissory notes as part of its initial franchise sales. These notes are generally paid monthly over 3 years at 5% interest. As of December 31, 2021, the Company held notes receivable of \$110,953, of which \$36,980 was current and \$73,973 was non-current.

(4) Intangible Assets

As of December 31, 2021, the Company's intangible assets consisted of the following:

|           | <b>2021</b>  |
|-----------|--------------|
| Goodwill  | \$ 3,707,019 |
| Tradename | 520,000      |
|           | \$ 4,227,019 |

In accordance with ASC 350, Intangibles—*Goodwill and Other*, the Company has determined that the goodwill and tradename are indefinite lived. As such, the assets will not be subject to depreciation; rather, management will regularly evaluate the intangible assets for indications of impairment. During the period ended December 31, 2021, there were no indications of impairment.

(5) Accrued Liabilities

The Company's accrued liabilities consist of commissions payable to brokers and accrued advertising costs. As of December 31, 2021, the Company's accrued liabilities are \$233,938.

(6) Franchise Agreements

The Company's franchise agreements generally provide for a payment of initial fees as well as continuing royalties. Under the franchise agreement, franchisees are granted the right to operate a location using the Patch Master system for a period of five years. Under the Company's revenue recognition policy, franchise fees and any corresponding commissions are recognized when the franchisee begins operations. For any franchisees that have not yet begun operations as of year-end, the Company defers both the revenues and commissions. All locations that are expected to begin operations within the following year are categorized as current, while all others are classified as non-current. As of December 31, 2021, the Company has deferred contract costs and deferred revenue of \$404,200 and \$542,075, respectively, all of which is classified as current.

(7) Commitments and Contingencies

(a) *Litigation*

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is "probable" and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible," disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

**PATCHMASTER FRANCHISE, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

*(b) COVID-19*

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. Management believes the pandemic has had a material effect on revenues from both new and existing franchisees. The future extent of the impact of COVID-19 on the Company’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Company’s ongoing financial condition or results of operations is uncertain.

**(8) Subsequent Events**

Management has reviewed and evaluated subsequent events through April 8, 2022, which is the date the financial statements were issued.

**EXHIBIT B**

**FRANCHISE AGREEMENT WITH SCHEDULES**

**PATCHMASTER FRANCHISE, LLC**

**FRANCHISE AGREEMENT**

**PATCHMASTER FRANCHISE, LLC**

**FRANCHISE AGREEMENT  
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**SCHEDULES**

1. Data Sheet
2. Personal Guaranty of Payment and Performance
3. State Specific Addendum
4. Confirmation of Additional Terms and Representations Addendum

**PATCHMASTER FRANCHISE, LLC**  
**FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (this “**Agreement**”) is made by and between PatchMaster Franchise, LLC a Delaware limited liability company (“**Franchisor**”), and Franchisee as identified on the Data Sheet (“**Data Sheet**”) attached as Schedule 1 (“**you**” or “**Franchisee**”), with reference to the following facts:

A. Franchisor has the right to license the use of certain trademarks, trade names, service marks, designs, emblems, logos, graphics, slogans, copyrights, trade dress, trade secrets, Confidential Information, commercial symbols and other indicia of origin including, but not limited to, the mark “**PatchMaster**” and any and all revisions, modifications and additions thereto.

B. Franchisor has developed a System for the ownership and operation of a PatchMaster business that provides wall surface repair and related services to residential and commercial clients (the “**PatchMaster Business**”).

C. Franchisor desires to grant, and Franchisee wishes to obtain, the right and license to operate an independently owned and operated PatchMaster Business (the “**Franchised Business**”) using the Marks, the Manuals and Confidential Information in strict accordance with the System within a Licensed Service Area described on the Data Sheet.

**NOW, THEREFORE, IT IS AGREED**

**1 DEFINED TERMS.** For purposes of this Agreement, the terms below have the following definitions:

**1.1** “**Default**” or “**default**” shall mean any breach of, or failure to comply with, any of the terms or conditions of an agreement between Franchisee and Franchisor including failure to comply with mandatory specifications in the Manuals.

**1.2** “**Entity**” shall mean any limited liability company, partnership, trust, association, corporation, or other entity that is not an individual as set forth on the Data Sheet.

**1.3** “**Gross Revenue**” includes the total revenues, receipts, and dollar volume from the sale of all products, services and merchandise sold and booked in connection with the Franchised Business, whether under any of the Marks or otherwise. Gross Revenue is calculated on an accrual basis regardless of whether Franchisee has collected payment. Gross Revenue excludes sales taxes added to the sales price and collected from the customer. Third-party fees and payments and uncollected funds are not excluded from Gross Revenue.

**1.4** “**Manuals**” shall mean any collection of written, video, audio and/or software media (including materials distributed electronically), regardless of title and consisting of various subparts and separate components, all of which Franchisor or its authorized representatives produce and that contain System Standards and recommendations for the Franchised Business, all of which Franchisor may change from time to time.

**1.5** “**Marks**” means the trademarks, trade names, service marks, designs, emblems, logos, graphics, slogans, copyrights, trade dress, trade secrets, commercial symbols and other indicia of origin including, but not limited to, any logo and the mark “**PATCHMASTER**” and any and all revisions, modifications and additions thereto, whether or not recorded or registered with the United States Patent and Trademark Office or any other local, state, federal or foreign agency, registrar or body.

**1.6** “**Owner**” means any person or entity who, now or hereafter, directly or indirectly owns an interest in the franchisee when the franchisee is a corporation, limited liability company, or a similar entity other than a

partnership entity. If the franchisee is a partnership entity, then each general partner is an Owner, regardless of the percentage of ownership interest. If the franchisee is one or more individuals, each individual is an Owner of the franchisee. Your Owner(s) are identified on the Data Sheet. Every time there is a change in the persons who are your Owners, you must, within 10 days from the date of each such change, update the Data Sheet. As used in this Agreement, any reference to Owner includes all Owners.

**1.7** “**Reporting Period**” shall mean the monthly calendar period from the 1<sup>st</sup> of the month to the last day of the month (unless we designate otherwise).

**1.8** “**Products and Services**” shall mean those products and services authorized by Franchisor to be sold to consumers and businesses in connection with the Franchised Business and associated with the PATCHMASTER marks, which shall include but not be limited to providing wall surface repair and related services to residential and commercial clients. Franchisor reserves the right to update the list of Products and Services.

**1.9** “**System**” shall mean Franchisor’s confidential and proprietary business systems, techniques, strategies, procedures, and formats for marketing, promoting, training, and operating a PatchMaster Business as Franchisor may modify from time to time.

**1.10** “**System Standards**” shall mean specifications, standards, policies, and procedures required to operate the Franchised Business as memorialized in the Manual or otherwise in writing.

**1.11** “**Transfer**” shall mean any voluntary, involuntary, direct or indirect assignment, sale, division, encumbrance, hypothecation, mortgage, pledge or other transfer by Franchisee of any interest in this Agreement, in the Franchised Business, or its assets or of the ownership of Franchisee, if Franchisee is a corporation, partnership, limited liability company, or other Entity

**2 FRANCHISE APPOINTMENT.** The following provisions control with respect to the license granted hereunder:

**2.1 Grant of Franchise.**

**2.1.1** Franchisor hereby grants and Franchisee accepts a license to use the Marks and System to offer Products and Services within the area identified by certain contiguous zip/postal codes on the Data Sheet (“**Licensed Service Area**” or “**LSA**”) subject to the terms and conditions of this Agreement. As long as Franchisee is materially compliant with this Agreement, Franchisor will not grant another franchise location in the Licensed Service Area during the Term.

(1) Should the boundaries of any such postal codes change for any reason, Franchisee’s Licensed Service Area shall be deemed to be the same geographic boundaries as those Licensed Service Area for those postal codes on the Agreement Effective Date identified on the Data Sheet. The Franchisee must establish a location for the Franchised Business (“**Franchise Location**”) within the Licensed Service Area as identified on the Data Sheet, subject to approval by Franchisor. If Franchisee chooses to lease space to accommodate the Franchised Business, Franchisee must ensure the lease term shall not be longer than this Agreement’s Term. If Franchisee chooses to have a home-office and lives outside its Licensed Service Area, Franchisee must establish a business address/location within its Licensed Service Area, which includes at least a physical address (not a P.O. Box).

(2) Franchisor reserves the right to require Franchisee, upon written notice, not to conduct the Franchised Business, offer any Products and Services associated with the Franchised

Business, or to market, advertise, or solicit business outside of Franchisee's LSA. Franchisee shall not conduct the Franchised Business or offer any Products and Services associated with the Franchised Business in another franchisee's Licensed Service Area. Franchisee shall not market, advertise or solicit business in another franchisee's Licensed Service Area. All marketing representations must include a list or description of your LSA as approved by Franchisor. In the event Franchisee receives business from in another franchisee's Licensed Service Area, Franchisee must refer the business to the franchisee who licenses the applicable Licensed Service Area.

(3) Every advertisement of services must indicate that the Franchisee is an "Independently Owned and Operated Franchise" and "Not All Services Available at Every Location." Franchisees are prohibited from mass marketing the pricing or discounts of their services without prior written approval. For this purpose, "Mass Marketing" shall be defined as intentional proactive communications directly to multiple contacts via telephone, emails, or internet, which shall include website, social media posts and broadcast text messages and emails for the express purpose of generating business.

(4) Franchisee must use the national telephone number provided by Franchisor for all advertising/promotional purposes.

(5) Each territory violation, which includes but is not limited to, conducting the Franchised Business in another franchisee's LSA will result in a fine of the greater of \$5,000 per occurrence or 50% of revenue generated from such infringing activity payable to Franchisor, due upon demand. Franchisor may distribute all or a portion of this amount to the franchisee whose LSA was violated. This penalty is in addition to, not in lieu of, Franchisor's right to terminate Franchisee for said conduct. Further, if Franchisor receives a complaint regarding Franchisee encroaching upon another franchisee's territory, any confidentiality that may attach to records, reports or forms pursuant to Section 5.6 contained herein is deemed waived by Franchisee, including such records, reports, or forms regarding Franchisee's alleged territory violation.

**2.1.2** Franchisor's selection or acceptance of Franchisee's Franchise Location shall not be construed to insure or guarantee profitable operation of the Franchised Business by Franchisee or any specific amount of gross revenue from the Franchised Business. Franchisor makes no warranty, representation, or guaranty of any kind with respect to the success, gross revenues or profitability of the Franchised Business. Franchisee acknowledges and agrees that the gross revenue of the Franchised Business can vary significantly, based on a variety of factors such as increased competition, Franchisee's individual effort, different product offerings, changes in population or demographics, and location, among others, and that Franchisor shall have no responsibility therefor.

**2.1.3** In consideration of Franchisor's agreement to grant the franchise, Franchisee at all times shall use its best efforts to promote and increase the sales and service of the Franchised Business and promote the System overall and to affect the widest and best possible distribution and services associated with the Franchised Business. Under no circumstances shall Franchisee sublicense, sublease, subcontract or enter any management agreement for the right to operate a PatchMaster Business or to use the System.

**2.1.4** Franchisor may add new, additional or ancillary lines of products or services ("Ancillary Business") to the System and require Franchisee to incorporate such new products or services into the Franchised Business.

**2.1.5 *Minimum Business Growth.*** In order for you to retain the rights to the LSA, beginning in the 3<sup>rd</sup> year of the Term, and every year thereafter, you must annually generate a minimum of \$100,000 in Gross Revenue in each LSA ("**Minimum Growth Requirements**"). If you fail to achieve the Minimum



Growth Requirement in any year during the Term (after the 2<sup>nd</sup> year of the Term), we reserve the right to either reduce the size of your LSA or to terminate this Agreement by written notice to you. If you obtained more than one LSA and are failing to reach the minimum business growth requirement in one of them, we may either terminate that LSA or terminate this Agreement by written notice to you.

**2.2 Commencement of Operations.** Franchisee agrees to commence operations for the Franchised Business no later than the “**Business Start Date**” as identified on the Data Sheet. You must receive our written approval before commencing operations of the Franchised Business. For purposes of this Agreement, Franchisee’s fiscal year shall begin on the first day of January and end on the last day of December for so long as this Agreement remains in effect.

**2.3 Non-exclusivity; Franchisor’s Reservation of Rights.**

**2.3.1** The license granted herein is limited to the right to develop, operate, and market the Franchised Business within the Licensed Service Area subject to Franchisee remaining in compliance with this Agreement.

**2.3.2** Should Franchisee fail to remain materially compliant with this Agreement (violations of Sections 10.2 and 10.3 of this Agreement), Franchisee shall lose any exclusivity that may otherwise attach by way of the Licensed Service Area. In this event, Franchisor may grant another PatchMaster franchise within Franchisee’s Licensed Service Area upon ten (10) days’ written courtesy notice by e-mail.

**2.3.3** Further, the license granted herein does not include:

- (1) Any right to sell products or services associated with or identified by the Marks at any location outside the Licensed Service Area;
- (2) Any right to sell products or services associated with or identified by the Marks through any other channels or methods of distribution, including the Internet (or any other existing or future form of electronic commerce);
- (3) Any right to sell products or services other than the Products and Services associated with the Marks that are approved and designated by Franchisor;
- (4) Any right to sell Products and Services associated with or identified with the Marks to any person or entity for resale or further distribution, except as we may designate in writing; or
- (5) Any right to exclude, control or impose conditions on our development of future franchised, company or affiliate-owned PatchMaster Businesses at any time or at any location regardless of the proximity to the Licensed Service Area.

**2.3.4** Franchisor retains all rights that are not expressly granted to Franchisee under this Agreement. Further, Franchisor may, among other things, on any terms and conditions that Franchisor deems advisable, without compensation to any franchisee, and without granting Franchisee any rights therein:

- (1) Own, acquire, establish and/or operate, and license others to establish and operate, a PatchMaster Business at any location outside of the Licensed Service Area.
- (2) Own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks or other systems, whether such businesses are the same,

similar, or different from the Franchised Business, at any location, whether inside or outside of Licensed Service Area.

(3) Own, acquire, establish and/or operate, and license others to establish and operate businesses, whether inside or outside of the Licensed Service Area, that:

a) Produce, license, distribute and market PATCHMASTER branded products, clothing, souvenirs, and novelty items through any outlet (regardless of its proximity to the Franchised Business) including retail and department stores and through any distribution channel, at wholesale or retail, including by means of the Internet, mail order catalogs, direct mail advertising and other distribution methods; and

b) License additional Products and Services under the Marks in the Licensed Service Area.

(4) Own, acquire, establish and/or operate and grant others the right to develop, own, operate and issue franchises and licenses to others to develop, own and operate other methods and channels of distribution under different marks and branding or utilizing the Marks and the System, including, without limitation, toll-free telephone numbers, domain names, URLs, on-line computer networks and services, the Internet, kiosks, carts, concessions, satellite units, other mobile, remote, limited service or non-permanent facilities or other retail operations.

**2.3.5** Franchisor's affiliated entities (with common ownership) that you are required to use as an Approved Supplier for certain products and services may sell the same exact products and services to businesses that compete with you.

**2.3.6** Although under no obligation to do so, Franchisor may from time to time establish certain national accounts with companies ("National Accounts"). Participation for such National Accounts may require Franchisee satisfy certain eligibility criteria. If Franchisee is eligible to service these National Accounts and is interested in doing so, Franchisee will be required to sign a separate National Account Service Agreement for each customer identifying the conditions under which Products and Services will be provided.

### **3** **TERM**

**3.1** **Initial Term**. The Initial Term shall be a period of ten (10) years from the Agreement Effective Date ("Term"), unless sooner terminated in accordance with the provisions of this Agreement.

**3.2** **Renewal Term**. Franchisee shall have no option for a renewal term or any other renewal rights as pertains to the Franchised Business. In the event Franchisor elects to offer Franchisee a renewal term, Franchisee must sign Franchisor's then-current franchise agreement, which may contain terms and conditions materially different than this Franchise Agreement ("**Renewal Agreement**"). If Franchisor chooses to offer Franchisee a Renewal Agreement based on its sole reasonable discretion, all of the following conditions must be fulfilled:

**3.2.1** Franchisee shall provide Franchisor with a Notice of Intent of its desire to be considered for a Renewal Agreement 180-days prior to the expiration of the Term.

**3.2.2** Franchisee shall pay \$2,500 as a "**Renewal Agreement Fee**" at the time Franchisee executes the Renewal Franchise Agreement.

**3.2.3** Franchisee has been throughout the Term, and at the expiration of the Term, still is, in full compliance with this Agreement, and all other agreements between Franchisee and Franchisor.

**3.2.4** At Franchisee's sole expense, Franchisee or Franchisee's manager may be required to attend marketing, operations and/or another training program as determined by Franchisor in its sole discretion.

**3.2.5** Franchisee can demonstrate its participation and engagement in the PatchMaster franchise system to Franchisor's satisfaction (e.g., marketing, operations, and training programs; meetings/conferences) and has represented the PATCHMASTER brand in a professional and courteous manner.

**3.2.6** Franchisee has complied with any requirements regarding modernization or refurbishment of the Franchise Location as may be necessary for the Franchised Business to conform to the standards then applicable to new PatchMaster franchises.

**3.2.7** Franchisee executes and delivers a general release of Franchisor, and its respective officers, shareholders, directors, employees, agents, representatives, and affiliates in a form acceptable to Franchisor.

**3.2.8** Franchisor and Franchisee shall have agreed on Franchisee's Licensed Service Area (which is subject to change from that identified in this Agreement).

**3.2.9** Franchisee shall sign and return to Franchisor any documents necessary for the Renewal Agreement within 20 days after Franchisor has delivered them to Franchisee, including a new franchise agreement in its then-current form.

**3.3 Waiver of Consideration for Renewal Agreement.** If Franchisee fails to perform any of the acts, or deliver the Notice of Intent required pursuant to the provisions of Section 3.2.1 above in a timely fashion, such failure shall (1) be deemed an election by Franchisee not to be considered for a Renewal Agreement, and (2) cause this Agreement to terminate at the end of Initial Term or Renewal Term, as the case may be and require Franchisee to comply with all post-termination obligations as otherwise contained in this Agreement.

**3.4 Holdover Period.** If Franchisee fails to enter into a Renewal Agreement prior to the expiration of this Agreement and continues to accept the benefits of this Agreement after the expiration of this Agreement, then at Franchisor's option, this Agreement may be treated either as (i) expired as of the date of expiration with Franchisee then operating a franchise without the right to do so and in violation of Franchisor's rights; or (ii) continued on a month-to-month basis ("**Holdover Period**") until one party provides the other with written notice of such party's intent to terminate the Holdover Period, in which case the Holdover Period will terminate thirty (30) days after receipt of the notice to terminate the Holdover Period. In the latter case, all of Franchisee's obligations shall remain in full force and effect during the Holdover Period as if this Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement will be deemed to take effect upon termination of the Holdover Period unless the Holdover Period comes to a close with the parties' execution of a renewal franchise agreement. If Franchisee enters into a Renewal Agreement after the date of expiration of this Agreement, in addition to the Renewal Agreement Fee, Franchisee must pay a late renewal agreement processing fee in the amount of Five Hundred Dollars (\$500.00).

**3.5 Notice Required by Law.** If Applicable Law requires Franchisor to give notice to Franchisee prior to the expiration of the Initial Term or Renewal Term, as the case may be, this Agreement shall remain in effect on a month-to-month basis until Franchisor has given the notice required by such Applicable Law. If Franchisor is not offering new franchises, is in the process of revising, amending or renewing its form of franchise

agreement or disclosure document, or is not lawfully able to offer Franchisee its then-current form of franchise agreement, at the time Franchisee delivers its Notice of Intent, Franchisor may, in its discretion, (1) offer to renew this Agreement upon the same conditions set forth in Section 3.2 of this Agreement (as applicable), or (2) offer to extend the Initial Term or Renewal Term, as the case may be, on a month-to-month basis for as long as it deems necessary or appropriate so that it may lawfully offer its then-current form of franchise agreement or disclosure document.

**4 FEES AND PAYMENTS.**

**4.1 Initial Franchise Fee.** In consideration of the right, and franchise granted by this Agreement, Franchisee shall pay to Franchisor prior to or concurrently with Franchisee’s execution of this Agreement the Initial Franchise Fee identified on the Data Sheet. The Initial Franchise Fee shall be deemed fully earned by Franchisor upon Franchisor’s execution of this Agreement by both parties, and such Initial Franchise Fee shall not be refundable, in whole or part, at any time or under any circumstances. The Initial Franchise Fee is in addition to the periodic Royalty Fee and Marketing Contribution payable pursuant to this Agreement and to any other fees or payments which Franchisee may incur or owe to Franchisor from time to time under this Agreement or any other agreements. This Initial Franchise Fee is not applicable to Renewal Agreements.

**4.2 Royalty Fee.** In addition to the Initial Franchise Fee and in further consideration of the rights and entitlements granted under this Agreement during the full term of this Agreement, or any Holdover Period, Franchisee must pay Franchisor a “**Royalty Fee**” that is the greater of: i) the minimum monthly royalty fee payable pursuant to Section 4.2.1 below; or ii) the percentage of Gross Revenue (“Percentage Royalty Fee”) identified in the table below. Royalty Fee payments received by Franchisor under this Agreement shall be under no restriction whatsoever, but shall be considered general funds of Franchisor to be used for any and all purposes as Franchisor solely determines.

| Total Year-to-Date Gross Revenue generated by Franchisee during current calendar year: | ... | Monthly Percentage Royalty Fee payable (as a percentage of previous month’s Gross Revenue) |
|--|-----|--|
| \$0 - \$150,000  | ... | 9% of month’s Gross Revenue  |
| \$150,001 - \$250,000  | ... | 8½ % of month’s Gross Revenue  |
| \$250,001 - \$500,000  | ... | 8% of month’s Gross Revenue  |
| \$500,001 - \$1,000,000  | ... | 7½% of month’s Gross Revenue   |
| \$1,000,001 - \$1,500,000  | ... | 7% of month’s Gross Revenue  |
| \$1,500,001 - \$2,500,000  | ... | 6% of month’s Gross Revenue  |
| \$2,500,000 and over   | ... | 5% of month’s Gross Revenue  |

For example purposes only and not as any indication of Gross Revenue levels Franchisee should expect to achieve, should Franchisee generate Gross Revenue of \$350,000 during a calendar year, the monthly Royalty Fee payable by Franchisee during that year shall equal:

- 9% of the first \$150,000 in Gross Revenue;
- 8½ % of the Gross Revenue between \$150,001 - \$250,000; and
- 8% of the final Gross Revenue between \$251,000 - \$350,000 in Gross Revenue.

Should Franchisee cross one of the Gross Revenue thresholds defined above during a calendar month, the monthly Royalty Fee payable by Franchisee for that month shall equal the sum of the amount of Gross Revenue left in the first applicable threshold multiplied by the applicable percentage PLUS the amount of Gross Revenue in the next applicable threshold multiplied by the applicable percentage. In other words, Franchisee MUST pay

the applicable Royalty Fee percentage on the full amount of each Gross Revenue threshold before Franchisee can use the reduced Royalty Fee percentage in the next applicable threshold.

**4.2.1. Minimum Royalty Fee.** Beginning on the Minimum Effective Date, as identified on the Data Sheet, and continuing for so long as this Agreement is in effect, Franchisee agrees to pay to Franchisor a minimum monthly Royalty Fee in the amount identified on the Data Sheet ("**Minimum Royalty Fee**"). If the Minimum Royalty Fee is greater than the amount that would otherwise be due as calculated using the Percentage Royalty Rate identified above, Franchisee will remit the Minimum Royalty Fee along with the required reporting data. The use of "**Royalty Fee**" in this Agreement shall be inclusive of the Minimum Royalty Fee. Any increase in the Minimum Royalty Fee becomes effective on the anniversary of the Agreement effective Date.

**4.3 Marketing Contribution.** Franchisee must pay Franchisor a monthly marketing contribution in an amount up to three percentage (3%) of Gross Revenue ("**Marketing Contribution**"). As of the Effective Date identified on the Data Sheet, Franchisor collects only 1% of Gross Revenue as the Marketing Contribution; however, Franchisor may increase the Marketing Contribution amount, up to 3% of Gross Revenue, at any time and from time to time upon 30 days' notice to Franchisee. These fees are not held by Franchisor in trust and become Franchisor's property to be spent in accordance with the below provisions.

**4.3.1** Franchisor, without seeking or obtaining agreement with Franchisee, and not as a condition to the grant or acceptance of the Franchised Business or rights hereunder, but strictly as a unilateral expression of intention and of business policy designed to enhance the competitive effectiveness and general public acceptance of the PatchMaster name and business, shall use the marketing fund ("**Marketing Fund**") as it shall, in its sole discretion, deem beneficial for the brand, including the development and implementation of PatchMaster marketing, advertising and promotional programs to enhance the competitive effectiveness and general public acceptance of the PatchMaster name and service.

**4.3.2** Franchisee's marketing contributions are deposited into our general operating account and are commingled with our general operating funds. An accounting of the marketing contribution deposits constitutes the "Marketing Fund." Franchisor has no affirmative obligation to provide Franchisee with an accounting of receipts or disbursements of these funds; however, upon Franchisee's specific written request, Franchisor will provide an annual unaudited statement of the financial condition of the Marketing Fund.

**4.3.3** The Marketing Fund is not a trust or escrow account, and Franchisor has no fiduciary obligation to franchisees with respect to the Marketing Fund; provided, however, Franchisor will make a good faith effort to expend such fees in a manner that it determines is in the general best interests of the entire PatchMaster System. Franchisor undertakes no obligation in using such funds to make expenditures for Franchisee that are equivalent or proportionate to any franchisee's contribution, or to ensure that any particular franchisee benefits directly or proportionately from the placement of advertising or promotional efforts. Franchisor does not have to spend any amount on marketing, advertising, promotion, or field work in Franchisee's area.

**4.3.4** Franchisor intends to use the Marketing Fund to build the reputation, awareness, value and acceptance of the PatchMaster name and Marks and the services associated therewith and to provide marketing, advertising and promotional materials and services to benefit the entire PatchMaster System. Franchisor shall direct all marketing programs financed by the Marketing Fund with sole discretion over all aspects of the fund's usage, including, but not limited to, the creative concepts, materials, services, programs, endorsements, types of media and geographic allocation of media placement. Marketing Fund expenses may include, but not be limited to: i) website development, content creation, social media, and marketing materials; ii) assisting franchisees in implementing marketing, advertising, and promotional

tools and programs, which may include field visits, annual PatchMaster Brand conference/regional meeting costs attendant to marketing efforts or other targeted or system-wide marketing efforts at Franchisor's discretion; and iii) payments to Franchisor for the expense of administering the Marketing Fund, including administrative costs, overhead, accounting expenses and salaries and benefits paid to Franchisor's employees engaged in the marketing, advertising and promotion functions or as an allocation for certain Corporate Services as described below.

**4.3.5** The Marketing Fund shall pay reasonable costs of administration, including administrative costs, overhead and salaries that Franchisor may incur related to the fund's purpose. Specifically, we have the right to use part of the Marketing Fund for joint or collective advertising campaigns with related, affiliated companies. Marketing Fund costs for formulation and development of advertising, marketing, promotional and public relations materials will include marketing staff compensation, travel expenses, and a proportionate share of the compensation for our senior management who devote time and render services for advertising, marketing and/or promotional purposes or the administration of the Marketing Fund. The Marketing Fund may compensate us or our affiliated entities for out-of-pocket costs and for reasonable expenses incurred for rent, overhead, accounting, collection, reporting, legal, human resources, finance, operations, management and other services (collectively "Corporate Services"), which we or our affiliated entities provide to, or which relate to the administration of or services provided to, the Marketing Fund and its programs. We and our affiliated entities may provide certain products and/or services to the Marketing Fund, including the Corporate Services outlined above, which would otherwise be provided by unaffiliated third parties, and we and our affiliates will be entitled to compensation by the Marketing Fund for such products and/or services. Any products and/or services provided by us or our affiliates will be provided at a cost comparable to those costs that the Marketing Fund would otherwise incur if the products or services were obtained from unaffiliated third parties. In those cases where Corporate Services costs are shared, we and our affiliates determine how much of the overall expenses incurred for Corporate Services for a calendar year are reasonably attributable to marketing, promotional and advertising services. These expenses are allocated based on revenue, headcount, usage and similar bases, as we deem appropriate for the specific Corporate Service. We have the right to periodically modify the allocation process and the methodology described in this paragraph.

**4.4 RightTrack Startup Package.** Franchisor will use funds paid toward the "RightTrack Startup Package" to assist Franchisee to purchase items to establish the Franchised Business. The amounts paid are not refundable. Franchisee agrees to pay Franchisor the fee associated with this Package as identified on the Data Sheet by the date identified on the Data Sheet.

**4.5 Incentive Programs.** Franchisor may offer certain incentive programs that discount certain fees from time to time subject to certain criteria. To the extent any of these incentive programs are implemented, Franchisee will receive notice of such incentives. Any such incentive program is completely at the sole discretion of Franchisor and may be implemented, changed, or discontinued at any time.

**4.6 Technology Fee.** Franchisee must pay Franchisor a reasonable monthly technology fee in the current amount which is identified on the Data Sheet ("**Technology Fee**") beginning on the Business Start Date. The Technology Fee includes technology development, maintenance, and usage, which may include certain required software (currently Office 365), telephone number, and scheduling and invoicing software, all of which are currently necessary to operate the Franchised Business. Franchisor reserves the right to increase the Technology Fee identified in the Data Sheet upon sixty (60) days/notice based on the evolving technology needs of the Franchised Business as determined in Franchisor's sole discretion using reasonable business judgment. Examples of software programs that the Technology Fee may support include customer relationship management software, Office 365, or other comparable programs. The tools, software and programs offered through the Technology Fee are subject to change at Franchisor's sole discretion.

**4.7 Territory Change Fee.** Franchisor reserves the right to require Franchisee to pay a “Territory Change Fee” of up to \$1,000 if it seeks to change its territory and such request is approved.

**4.8 Ancillary Business Costs.** In the event Franchisor adds any additional lines of products or services to the System constituting an Ancillary Business, Franchisee agrees to assume the initially start-up and related costs associated with implementing such Ancillary Business per each LSA. The initial start-up cost for each Ancillary Business added to the System shall not exceed \$25,000 per LSA within the Term.

**4.9 Other Fees.** Franchisor reserves the right to require Franchisee to purchase from Franchisor specific products or services, or to reimburse Franchisor for certain purchases including, but not limited to, call center and scheduling services, telephone and web lead services.

**4.10 Payments.** Payments for Royalty Fees, Marketing Contributions, Technology Fees, and any other fees owed to Franchisor will be due no later than the 10<sup>th</sup> of the month for the preceding Reporting Period and will be paid by debiting Franchisee’s bank account through electronic funds transfer (“EFT”). Additionally, Franchisee authorizes Franchisor to charge ANY AND ALL fees due, including Meeting Registration Fees, to any credit card submitted and retained on file by Franchisor. Franchisee shall execute whatever authorization forms Franchisor may require from time to time to permit Franchisor to make required payments by electronic transfer of funds or debit of Franchisee’s account or to charge a credit card. Franchisee is responsible for updating such information as necessary (e.g. expiration dates, preferred credit card), and at Franchisor’s request from time to time.

**4.10.1** For all delinquent payments and delays in reporting, Franchisee shall pay a late payment fee of Ten Dollars (\$10.00) per day (“Late Fee”) for each day the payment or report remains delinquent, to compensate Franchisor for costs incurred when payments or reports are received late. Franchisee shall pay interest of 18% (compounded daily) per year, or the maximum amount permitted by law, retroactive to the first day the payment on any amounts owed to Franchisor that are paid after the due date. To the extent Franchisee fails to submit reports when due, in addition to Late Fees, Franchisor may calculate amounts due based on Franchisee’s average monthly Gross Revenue as determined by Franchisor for the preceding eighteen (18) month period as provided in Section 12.11 herein. The provisions in this paragraph shall not constitute a waiver by Franchisor of any other remedies available to it for Franchisee’s failure to make timely payments.

**4.10.2** If there are insufficient funds in Franchisee’s bank account from which to pay the fee when due, a credit card is rejected, or for any reason Franchisor does not receive its fees by the due date, Franchisee shall be responsible for a \$50 delinquent fee payment. Additionally, to the extent any payments are delinquent, Franchisor reserves the right to assess an interest rate of the lesser of 18% (compounded daily) per year or the maximum permitted by law, while such payments are outstanding to compensate Franchisor for costs incurred when payments or reports are received late.

**4.10.3** Franchisee shall not delay, withhold or set-off any payments or contributions due under this Agreement against any monetary or other claim Franchisee may have against Franchisor for any reason whatsoever.

**4.10.4** Any and all amounts identified as payable pursuant to this Agreement are exclusive of any applicable taxes. Accordingly, if applicable, all payments by Franchisee to Franchisor shall include an amount equal to any taxes mandated by law including, but not limited, sales taxes, excise taxes, use taxes, withholding taxes and similar taxes imposed on the fees payable by Franchisee to Franchisor hereunder and on services or goods furnished to Franchisee by Franchisor, regardless of whether such law imposes the obligation to pay such taxes on Franchisor or Franchisee.

**4.10.5** Any time Franchisee is more than seven (7) days late paying the Royalty Fee or Marketing Contribution, submitting any required reports, or paying any invoice for goods or services that Franchisee buys from Franchisor or its affiliates, Franchisor has the unrestricted right to suspend any support, products or services that Franchisor provides Franchisee until the delinquent payment is brought current. Franchisee agrees that the suspension of support, products or services while Franchisee is more than seven (7) days delinquent shall not be a breach of this Agreement. Franchisee understands that, despite Franchisor's right to charge interest and late fees and suspend support and services, Franchisor is not required to permit or tolerate any late payments or reports, and reserves the right, any time, under any circumstances, and in its sole discretion, to notify Franchisee of default and to terminate this Agreement pursuant to Section 10.

(1) Franchisee understands that if Franchisor accepts one or more late payments from Franchisee or other franchisees, it does not mean Franchisor will tolerate any additional late payments from Franchisee or other franchisees in the future, and Franchisor does not under any circumstances waive any of its rights, including the right to declare a default and terminate the Agreement. Franchisor reserves the right to address each delinquent payment differently as Franchisor believes is in its best business interest, including different treatment of different franchisees. Any payments made on delinquent accounts may be applied by Franchisor as it deems appropriate regardless of Franchisee's direction to apply a particular payment to a particular obligation.

(2) Franchisor reserves the right to collect all or a portion of Franchisee's past due Royalty Fees, Marketing Contributions, and all other fees (including interest/late fees) by adding such amount to the monies due for Franchisee's purchases of products from Franchisor and/or its affiliates or Required or Approved Suppliers. All monies collected by Franchisor's affiliates and Required or Approved Suppliers that are allocated to Franchisee's past due Royalty Fees and Marketing Contributions shall be remitted to Franchisor directly on Franchisee's account.

## **5 REPORTING AND RECORD-KEEPING.**

**5.1 Reports.** Franchisee shall submit to Franchisor, at the time each monthly payment of the Royalty Fee and Marketing Contribution are due, a true, accurate and complete statement/report of Gross Revenue (as defined in Section 1) in a format specified, approved or provided by Franchisor as identified in the Manuals or otherwise in writing. To the extent Franchisee fails to submit reports when due, in addition to late fees, Franchisor may calculate amounts due based on Franchisee's average monthly Gross Revenue as determined by Franchisor for the preceding eighteen (18) months (or shorter period if Franchisee's Term has been shorter). The provisions in this paragraph shall not constitute a waiver by Franchisor of any other remedies available to it for Franchisee's failure to make timely payments.

**5.2 Records.** Franchisee shall maintain full, complete, and accurate books and records for the Franchised Business. The books and records shall clearly and accurately show Gross Revenue as defined herein. Franchisee must keep all books and records and submit reports as Franchisor periodically requires, including but not limited to a profit plan, balance sheet and statement of profit and loss, statement of cash flows, records of prices and special sales, check registers, purchase records, invoices, sales summaries and inventories, sales tax records and tax returns, payroll records, cash disbursement journals and general ledgers ("**Financial Records**"), all of which accurately reflect the operations and condition of Franchised Business and accurately maintained at least quarterly. Franchisee must certify all records and reports to be true and correct. Franchisee must compile, keep, and submit to Franchisor the books, records, and reports according to reporting formats, bookkeeping, and accounting methodologies and time schedules that Franchisor establishes from time to time in the Manuals or otherwise in writing. Franchisee also must preserve and retain the books, records, and reports for not less than 36 months.



**5.3 Accounting Software.** Franchisee shall be required to purchase and utilize accounting software as determined by Franchisor (currently QuickBooks Online). Franchisee's Financial Records for the Franchised Business as contained in this software database or elsewhere will be fully accessible by Franchisor; Franchisee agrees to provide necessary consent as may be required.

**5.4 Inspection of Records.** Franchisee must allow Franchisor, or its duly authorized representative, electronic and manual access to inspect and verify any and all Financial Records relating to the Franchised Business. If Financial Records indicate that there has been any underpayment of Royalty Fees, Marketing Contributions or any other fees based on Gross Revenue as finally adjusted and reconciled, Franchisee shall pay to Franchisor, at the time of submitting such statement, the amount of any such underpayment plus all late fees as authorized by this Agreement. Payment and acceptance of such amounts shall not waive or prejudice any right of Franchisor to exercise any other remedy of this Agreement, including termination in accordance with Section 10 of this Agreement. Any over payment shall be credited to Franchisee's account.

**5.5 Audit of Records.** Franchisor shall be entitled at any time to have Franchisee's books and records examined or audited at Franchisor's expense and Franchisee shall cooperate fully with the parties making such examination or audit on behalf of Franchisor. Franchisee shall promptly pay to Franchisor or Franchisor shall credit to Franchisee's account, as the case may be, any under or overpayment of fees revealed by the examination or audit.

**5.5.1** If an inspection, examination or audit is performed due to Franchisee's failure to submit statements of Gross Revenue or to maintain books and records as prescribed herein, or in the event that the Gross Revenue reported by Franchisee for any period of twelve (12) consecutive months are more than three percent (3%) below the actual Gross Revenue of Franchisee for such period as determined by any such examination or audit, or in the event the examination or audit reveals one or more violations by Franchisee of any territory boundary restriction, then in addition to any other remedies Franchisor may have available at law or in equity, Franchisee shall within fifteen (15) days following notice, pay to Franchisor the full cost of such examination or audit (including, without limitation, professional fees, travel and room and board expenses ("Audit Expenses")) as well as all additional amounts of fees and late charges shown to be due. Further, Franchisor shall have the right to conduct further periodic audits and evaluations of Franchisee's books and records as it deems reasonably deem necessary for up to 3 years thereafter and any further audits and evaluations will require Franchisee solely be responsible for all Audit Costs directly related thereto. Payment and acceptance of such amounts shall not waive or prejudice any right of Franchisor to exercise any other remedy of this Agreement, including termination in accordance with Section 10 of this Agreement.

**5.6 Confidentiality of Records.** Any and all reports, forms and records accessible to Franchisor regarding the Franchised Business shall be kept confidential; except for (1) any information that is required to be disclosed in Franchisor's disclosure document under applicable law or for Franchisor's use of financial information in preparation of a financial performance representation to be used in Franchisor's disclosure document (without specifically identifying Franchisee); (ii) for use in an aggregated data format for system-wide distribution; (iii) to identify brand/system rankings for awards or otherwise; (iv) any information required to be disclosed by Franchisor pursuant to a subpoena, order or other legal requirement of any court, tax authority or governmental agency; and (v) unless otherwise noted in this Agreement, such as in the event of an allegation of a territory violation or the sale of a franchisee's territory. Franchisee also acknowledges that the description of its LSA territory (such as through postal codes, mapping software and population demographics) is not confidential and will be shared with other franchisees and third parties.

## 6 FRANCHISOR'S OBLIGATIONS

### 6.1 Training

#### 6.1.1 **Prior to Commencement of Franchised Business.**

(1) **Initial Training Program.** Franchisor shall provide Franchisee (and its Owners and/or employees and independent contractors) the Initial Training Program at no charge for the life of the franchise provided i) Franchisee is in good standing under the Franchise Agreement by being current in the payment of all fees and is otherwise fully compliant with your contractual obligations and requirements/specifications as identified in the Manuals; and ii) Franchisor approves of the training candidate. The Initial Training Program shall occur at the time designated by Franchisor at Franchisor's principal offices in or at such other location as Franchisor shall designate and/or by webinar or other online training method. This initial training program will cover operations, marketing, financial reporting requirements, equipment, brand requirements and standards, and Products and Service offerings ("**Initial Training Program**").

(2) **Successful Completion of Training.** The grant of the Franchised Business herein is conditioned upon successful completion of the Initial Training Program training by Franchisee or its Owner within at least 30 days before commencing operation of the Franchised Business. If during the course of the Initial Training Program or within fifteen (15) days thereafter Franchisor concludes that Franchisee has not exhibited the aptitude, abilities, or personal characteristics necessary or desirable to operate the Franchised Business in accordance with the standards and procedures of the System and as a Franchisee of Franchisor, Franchisor may, in its sole discretion and judgment, terminate this Agreement and all rights hereunder, where permitted by applicable law, by giving notice to Franchisee Upon termination of this Agreement, Franchisee shall abide by Section 11 hereof. This includes, among other things, that Franchisee agrees to maintain strictly the confidentiality of all information received relating to the PatchMaster System and not to use in the operation of a Competitive Business (as defined in Section 11), any trade secrets, Confidential Information, copyrighted works or proprietary materials obtained from Franchisor in the course of the training program or otherwise.

**6.1.2 Additional Training.** Franchisor may provide, at its option, additional training programs for Franchisees and their employees at locations designated by Franchisor and/or on-line, for an additional fee ("Additional Training Fee"). Under certain circumstances, including but not limited to, new Products and Service offerings being added to the System or Franchisee's unsatisfactory performance of its obligations, Franchisor may require Franchisee or its Owner to attend additional training courses from time to time and to pay Franchisor an Additional Training Fee.

**6.1.3 Training Expenses.** Franchisee shall be responsible for all expenses that Franchisee or its Owner or that any attendees incur in connection with the Initial Training Program and any additional training programs, including, without limitation, travel, lodging, meals and other living expenses.

**6.2 Manuals.** Franchisor will loan to Franchisee during the Term of the franchise one copy of the Manuals for the Franchised Business or make available to Franchisee an electronic copy through an internet portal or otherwise. The Manuals contain mandatory and suggested specifications, standards and procedures prescribed from time to time by Franchisor for PatchMaster Businesses and information relative to other obligations of Franchisee hereunder. All specifications, standards, operating procedures and rules in the Manuals, or otherwise communicated to Franchisee in writing, shall constitute obligations under this Agreement as if fully set forth in this Agreement.

**6.2.1** Franchisee shall keep confidential the contents of the Manuals both during the Term of this Agreement and subsequent to its transfer, expiration or termination. Franchisee shall prevent unauthorized use or disclosure of the Manuals and all Confidential Information.

**6.2.2** Franchisor shall have the right from time to time to add to, and otherwise modify, the Manuals to reflect changes in authorized Products and Services, the System, and specifications, standards and operating procedures of a PatchMaster Business and certain fees associated therewith. All modifications to the Manuals shall be binding upon Franchisee upon being mailed, e-mailed, made available for download from Franchisor's website, or franchise internet/intranet portal, or otherwise delivered to Franchisee. Franchisee shall accept, implement and adopt any such modifications at Franchisee's own cost. Franchisee shall keep its copy of the Manuals current, and the master copy maintained by Franchisor at its principal office shall be controlling in the event of a dispute relative to the contents of the Manuals.

**6.2.3** The Manuals are, and shall remain, the sole property of Franchisor. Franchisee shall promptly return the Manuals to Franchisor upon termination or expiration of this Agreement. If Franchisee loses, misplaces, or otherwise no longer has possession of the Manuals, Franchisee shall be required to compensate Franchisor for its loss.

**6.3** **Ongoing Franchisor Support.** Provided that Franchisee is in good standing under this Agreement, is current in payment of all fees and is in compliance with all of Franchisor's other contractual obligations, Franchisor shall provide the following continuing services for the benefit of Franchisee during the Term:

**6.3.1** **Promotion.** Use the Marketing Fund to develop and implement from time to time promotional programs and marketing efforts to enhance the competitive effectiveness and general public acceptance of the Marks as further described in Section 4.3 of this Agreement. Make available from time to time marketing and sales promotion materials for purchase from third-party vendors.

**6.3.2** **System Improvements.** Furnish to Franchisee from time to time any and all improvements and additions to the System implemented at Franchisor's sole discretion that are circulated generally to all other Franchisees.

**6.3.3** **Telephone Numbers.** Franchisor will assign to Franchisee a national telephone number. Franchisee must advertise this number exclusively for the Franchised Business. Franchisor will also provide Franchisee a mobile telephone number that Franchisee is to use exclusively for the Franchised Business. Franchisee authorizes Franchisor to contact Franchisee by text message. Message and data rates may apply.

**6.3.4** **Assistance.** Be available to provide assistance to Franchisee during regular business hours of Monday – Friday from 9:00am to 5:00pm EST subject to standard holidays with respect to the operation and management of the Franchised Business, and make available to Franchisee the benefits of Franchisor's information, advice, expertise and know-how. Franchisor reserves the right to change support hours and/or close its office at its discretion due to holidays, inclement weather, force majeure, or other events or unforeseen circumstances.

**6.3.5** **Other Support.** Provide, at the option of Franchisor, assistance and support through email, e-newsletters, social media groups and/or intranet portal or other communication means. Any use of such support will be subject to Franchisee abiding by any applicable rules and guidelines. Franchisee also agrees that it will regularly review communications from Franchisor and will be deemed on notice of all information contained therein. Any software made available to Franchisee or support made available

for such software by Franchisor or any third party is done so at Franchisor's option and as an accommodation to Franchisee and shall not be deemed an obligation of Franchisor. Franchisor makes no representation, warranty or guaranty as to the reliability, timeliness, quality, suitability or particular functionality of any software system, except if otherwise agreed in writing by Franchisor and Franchisee in a written software agreement.

**6.3.6 Meeting/Conference.** Franchisor, at its option, may hold an annual conference and/or regional meetings for the benefit of its franchisees and the building the integrity and goodwill associated with the PatchMaster Brand. Such meetings/conference may contain information and training to addresses marketing, operations and/or technical issues. If such meetings/conference is held, Franchisee is required to attend and pay the related Meeting Registration Fee as identified in Section 7.3.9.

**6.3.7 Necessary Limitations of Services.** All services and information provided by Franchisor for the benefit of Franchisee, including but not limited to, marketing and operational advice, suggestions or recommendations are to be used by Franchisee at its own risk. Because any advice, suggestion or recommendation rendered is necessarily limited in scope to the extent that it may not consider local custom, practice, law or other nuance, Franchisor is unable to make any warranty or representation, either express or implied, with respect to the accuracy, reliability or completeness of the information provided or the result of the use of the information provided. Franchisee shall use its own judgment and as necessary rely on the advice of applicable professionals (e.g. accounting, legal, etcetera).

**6.3.8 Force Majeure.** Franchisor will not be liable for loss or damage, or deemed in breach of this Agreement, if its failure to perform its obligations results from any of the following cause:

- a. telecommunications and utilities interruptions (including loss of Internet and electrical service), computer malfunctions (including malfunctioning computer hardware and software and peripherals), extreme weather and climatic conditions (including hurricanes, cyclones, and flooding), transportation shortages or inadequate supply of equipment, merchandise, labor, material, or energy;
- b. war, acts of terrorism, strikes, riots, acts of God, such as natural disasters including hurricane, flooding, storms, explosions, infestations, epidemic or pandemic (specifically including COVID-19 or any similar or future related health issue)
- c. any cause beyond its control.

Any onsite services or delay in performance resulting from any of said causes extends the time for performance accordingly or excuses performance, in whole or in part, as may be reasonable. Without limiting the generality of the foregoing, Franchisee acknowledge that services involving, or depending upon, computers or the internet may be unreliable and that service interruptions thus will occur even in the exercise of the greatest care. Accordingly, the Parties disclaim any representations, warranties, and covenants-express or implied-that the services it is obligated to perform that involve, or depend upon, using computers, software, or the Internet will be provided free from interruption or malfunction.

**7 FRANCHISEE OBLIGATIONS.** In the interest of maintaining the integrity, force, quality, image, and goodwill associated with the Marks of Franchisor, Franchisee agrees to the following:

**7.1 Required Training.** Franchisee and any manager must attend the Initial Training Program and complete it to Franchisor's satisfaction prior to commencing the operations of the Franchised Business or managing the operations of the Franchised Business, as the case may be.

**7.2 Promotion of the PatchMaster Business.** Franchisee agrees to conduct business during all normal business hours, as designated in the Manuals, during the Term of this Agreement and to promote at all

times the sale of the Products and Services available through the Franchised Business, as prescribed in the Manuals, using its best efforts to develop and enlarge Franchisee's market for such Products and Services.

**7.2.1** Franchisee may in its own right and at its own expense advertise and promote the Franchised Business, provided that all such advertising and promotional materials, including, but not limited to, any print, radio, television, electronic, social site naming, directory listings, print or online citations or listings, or other media forms that may become available in the future shall ("**Local Marketing Collateral**"), prior to use or publication, be submitted to and approved in writing by Franchisor in the interest of maintaining the integrity, force, quality, image, and goodwill associated with the Marks of Franchisor. If Franchisor does not respond within 14 days after submission of the proposed Local Marketing Collateral, it will be deemed not approved. Franchisor will not unreasonably withhold approval of any Local Marketing Collateral; provided the materials are current, in good condition, in good taste and accurately depict the Marks and the Products and Services. Notwithstanding Franchisor's approval of any Local Marketing Collateral, Franchisee is solely responsible for all content of any Local Marketing Collateral and shall fully indemnify Franchisor for same.

**7.2.2** Franchisee is responsible for ensuring that all directory listings and advertisements are associated with Franchisee's Licensed Service Area. For paid directory listings and advertisements, Franchisee, with Franchisor approval, must designate one (1) town within the Franchisee's Licensed Service Area, as an identifier that must also be used on all advertising and promotional materials (i.e. "Town name and surrounding areas"). If Franchisee operates in non-contiguous LSAs, then Franchisee must designate one town within *each* LSA as an identifier for each LSA.

**7.2.3** All Local Marketing Collateral prepared by Franchisee shall be completely accurate and truthful, shall conform to all applicable laws and regulations relating to consumer advertising, and shall give notice that the Franchised Business is an independently owned and operated franchise. Franchisee shall indemnify and hold Franchisor harmless for Franchisee's violation of this paragraph and the consequences of Franchisee's use of any Local Marketing Collateral. Because any Local Marketing Collateral prepared, developed or used by Franchisee in connection with the Franchised Business (whether or not approved by Franchisor as required) will contain the Marks, such Local Marketing Collateral shall become Franchisor's sole and exclusive property.

**7.2.4** Franchisor reserves the right to require Franchisee to purchase certain promotional and lead-generation products and services, including telephone and web lead services, from Franchisor or Approved Suppliers.

### **7.3 Management Responsibility and Business Conduct.**

**7.3.1 Devote Full Time to Franchised Business.** At all times during the Term of this Agreement, Franchisee shall devote full time and effort to the active management and operation of the Franchised Business, shall be responsible for the management and operation thereof, and shall act in the best interests of the Franchised Business. Franchisee may employ a full-time manager for the Franchised Business only if Franchisee obtains Franchisor's prior written consent, which consent may be withheld at Franchisor's discretion; provided, however, Franchisee shall remain active in overseeing the operations of the Franchised Business conducted under the supervision of the manager. Any manager employed by Franchisee must attend and satisfactorily complete the Initial Training Program and sign a confidentiality agreement with Franchisee in a form acceptable to Franchisor which includes covenants not to compete for the protection of Franchisee, Franchisor and the franchise system.

**7.3.2 Franchisee's Direct Participation.** Franchisee understands, acknowledges and agrees that the business results, and the financial returns and profits, if any, expected or realized from the

investment in, and the operation of, the Franchised Business, depend principally and substantially on Franchisee's direct, personal and active continuous participation in the management, administration and operation of the Franchised Business.

**7.3.3 System Standards.** In recognition of, and protection of, the integrity of the PatchMaster brand and the goodwill associated with the Marks and Franchised Business, Franchisee agrees to adhere to all System Standards.

**7.3.4 Standards of Conduct.** In all dealings with customers, the public, competitors, other franchisees and Franchisor, Franchisee will at all times give efficient and courteous service, adhere to high standards of business ethics, honesty, integrity and fair dealing, and ethical conduct and do nothing that would tend to discredit or in any manner damage the reputation and goodwill of Franchisor, the brand, Franchisee, or other PatchMaster franchisees. Further, Franchisee shall not associate the Marks, the brand, Franchisor or the Franchised Business with any political ideologies, religious or social philosophies and/or positions.

**7.3.5 System Changes.** Franchisor may, from time to time, upon notice to Franchisee, add to, subtract from or otherwise modify or change Franchisee's obligations under the System, including, without limitation, adoption of new or modified Marks, services, or new techniques relating to the promotion and marketing of the Franchised Business. Franchisee shall promptly accept and implement all such additions, modifications and changes at Franchisee's sole cost and expense. This obligation includes from time to time as Franchisor requires for Franchisee to effectuate items of modernization or refurbishment of the Franchised Business to conform to the standards for similarly situated new PatchMaster franchisees. In no event will Franchisee's modernization and/or replacement obligations exceed \$10,000 per LSA during any ten (10) year period. Each and every transfer of any interest in this Agreement or Franchisee's business governed by Section 9.2 or any Renewal Agreement covered by Section 3.2 is expressly conditioned upon Franchisee's compliance with these modernization or refurbishment requirements at the time of transfer or renewal. Franchisee acknowledges and agrees that the requirements of this section are both reasonable and necessary to ensure continued public acceptance and patronage of the PatchMaster Business.

**7.3.6 Timely Payments.** Franchisee shall make all payments and reports, and pay all debts, when due.

**7.3.7 Notice of Franchise Relationship.** Franchisee shall at all times provide notice of the franchise relationship. Franchisee shall hold itself out to the public as an independent business owner operating the business pursuant to a licensed franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to clearly disclose the franchise relationship, including without limitation, exhibiting a notice of the fact on all signs, forms, stationery, contracts, advertising and promotional materials, and other written materials, the content of which Franchisor has the right to specify. As described in Section 8.4.2 herein, Franchisee's Firm Name, and not the name of Franchisor (PatchMaster Franchise, LLC or any derivative thereof) must be used on all marketing and promotional materials and contracts.

**7.3.8 Compliance with Applicable Law.** Franchise shall conduct its business in accordance with all federal, state, local or other governmental laws, statutes, ordinances, regulations or rules applicable to the Franchised Business, whether now in force or hereinafter enacted. This shall include without limitation all laws and regulations relating to occupational hazards and health, home improvement/contractor licensing, PCI Data Security Standards, consumer protection, discrimination, employment and employee benefits, sexual harassment, worker's compensation, unemployment insurance and withholding and payment of federal and state income taxes and social security taxes, and payment of sales, use, excise, property or other taxes relating to the Franchised Business and to make all contributions that may be required or demanded under, or by virtue of, such legislation, rules or

regulations. Franchisee is required to comply with any local, state or federal guidelines regarding safety protocols including, but not limited to, those issued by the Center of Disease Control and Prevention as may pertain to pandemic or epidemic protocols. Franchisee must also comply with all manufacturer required certifications/training for specific equipment or supplies.

(1) Franchisee, at its own expense shall obtain and maintain all permits, certificates, and licenses required to engage in the Franchised Business. Franchisee, at its own expense, shall have all written materials used in the operation of the Franchised Business, including but not limited to marketing and advertising materials, forms and contracts, reviewed by an attorney to ensure compliance with all applicable state and local laws and regulations prior to the use of each such item.

(2) To the extent that Franchisee has access to or stores Personally Identifiable Information (as defined below) of its customers, Franchisee acknowledges that it shall hold such information in the strictest of confidence, and protect such information in accordance with the confidentiality provisions set forth in this Agreement, then-current industry standards applicable to such information (including but not limited to the Payment Card Industry (PCI) Data Security Standard as published by the PCI Security Standards Council) and all applicable laws and/or regulations. In addition, Franchisee shall not disclose Personally Identifiable Information without the individual's prior written consent. In the event that the individual so consents, Franchisee may disclose such Personally Identifiable Information only to the extent expressly permitted by such individual and then only in accordance with the terms of this Agreement, such consents, and applicable law. As used in this Section, "**Personally Identifiable Information**" means personal information that collectively enables the person to be identified, including without limitation, names, phone numbers, mailing addresses, credit card information, social security numbers, financial information, and login credentials (including without limitation usernames and passwords to any website, applications and/or systems).

(3) Franchisor shall have no liability for any sales, use, excise, property or other taxes of Franchisee or the Franchised Business or for Franchisee's non-compliance with any applicable law or regulation. Franchisee shall indemnify and hold Franchisor harmless for Franchisee's failure to comply with this Section 7.3.8.

**7.3.9 Annual/Regional Meeting Attendance.** Franchisee or at least one manager of Franchisee's staff shall, in every instance during the Term of this Agreement, attend Franchisor's annual/regional meeting if Franchisor holds such a meeting. The registration fee for the annual meeting shall be fixed by Franchisor at an amount not to exceed One Thousand Dollars (\$1,000.00) ("**Meeting Registration Fee**"), which amount may be adjusted annually to reflect increases in the national consumer price index.

(1) The Meeting Registration Fee shall be payable to Franchisor by Franchisee whether or not Franchisee or a manager attends the annual meeting. We reserve the right to charge the Meeting Registration Fee via monthly or other period payment or installments that are automatically paid or withdrawn from your account with other monthly or periodic fees.

(2) This provision shall not obligate Franchisor to hold an annual meeting of franchisees each year. If no conference or regional meeting is held, Franchisee shall not be obligated to pay the Meeting Registration Fee. This clause shall not be waived. If Franchisee fails to attend less than half of the annual/regional meetings held during the Term of this Agreement, Franchisor has the right to require Franchisee to attend training, in addition to any other rights and remedies available to Franchisor for Franchisee's breach of this provision.

**7.3.10 Telephone.** Throughout the term of this Agreement, Franchisee must use the national toll-free telephone number provided by Franchisor exclusively for advertising the Franchised Business. Franchisee shall provide for live answering of the telephone number for the Franchised Business in the manner set forth in the PatchMaster Manuals. Franchisee is required to use an approved call center or qualified office staff to live answer phones effective from Franchisee's Business Effective Date. Franchisee is obligated to ensure that any online or printed directories associate the telephone number with Franchisee's LSA only.

**7.3.11 Approved Supplies and Suppliers; Rebates.** Franchisee shall in the operation of the Franchised Business use only such products, equipment, software, computers, stationery, advertising and promotional materials, reports and forms that meet Franchisor's standards and specifications and use the Marks and colors as prescribed from time to time by Franchisor. All materials used must disclose the franchise relationship. Franchisee shall purchase all approved or required supplies and all online and social media marketing or anywhere else that uses our Marks from any producer, manufacturer, distributor, supplier or service designated as mandatory for use by Franchisor, which may include Franchisor or an affiliate ("**Required Supplier**") or, as applicable, any producers, manufacturers, distributors, suppliers or service providers who have been approved by Franchisor ("**Approved Supplier**"). Franchisor reserves the right to receive rebates from any Required Supplier and any Approved Supplier.

**7.3.12 Business Vehicle.** Franchisee's business vehicle(s) must have approved signage or be wrapped in the manner that Franchisor designates. The vehicle wrap and signs must be purchased from an approved supplier of Franchisor unless Franchisor issues specifications and standards for the required vehicle wrap and/or signs which may be met by other suppliers. Franchisee must maintain the vehicle(s) and wrap or signage in good repair and condition and in a neat and clean condition throughout the term of this Agreement and must expeditiously repair any damage or condition of disrepair.

1) Franchisor requires Franchisee to obtain through purchase or lease a vehicle for use in the operation of the Franchised Business that meets Franchisor's current specifications and standards. All vehicles used in the Franchised Business must be purchased from a supplier previously approved by Franchisor unless Franchisee proposes another supplier and Franchisor approves such supplier in writing prior to the lease or purchase. Franchisee shall submit to Franchisor all information reasonably requested by Franchisor concerning the proposed supplier, the vehicles and the terms of lease or purchase. In the event Franchisee receives a notice of default or termination under any lease or purchase agreement for the required vehicle or any Franchised Business vehicle is repossessed, Franchisee shall promptly notify Franchisor and provide Franchisor a copy of the notice. If any Franchise Business vehicle is repossessed or damaged beyond repair, Franchisee must obtain a replacement vehicle within thirty (30) days of repossession of the date the vehicle was no longer operational.

2) Franchisee shall ensure that, at all times, any vehicles used for the Franchised Business are properly insured, according to Franchisor's standards and/or as mandated by applicable laws and regulations, and Franchisee shall promptly obtain all required licenses and registrations and pay all license and use charges and taxes assessed on or pertaining to Franchisee's vehicle(s), and shall hold Franchisor harmless from Franchisee's failure to comply with such requirements. Franchisee shall schedule regular maintenance of its vehicles as recommended by the manufacturer and repairing all malfunctions and damage to the body promptly. Under no circumstances shall Franchisee allow a vehicle to come into the possession of anyone who is not a PATCHMASTER franchisee without first removing all the Marks.



Franchisee shall hire and use only safe and courteous drivers of its vehicles. Franchisee shall make all documentation regarding the vehicle(s) available to Franchisor upon request.

**7.3.13 Computer and Office Equipment.** Franchisee shall acquire and use in the operation of the Franchised Business such computer hardware and software as may be required by Franchisor. Franchisee shall either own, purchase or have access to a laptop or desktop computer system loaded with certain commercially available software. The computer system shall be equipped with Ethernet and USB ports and have an active e-mail account and high-speed access to the Internet. Franchisee agrees to regularly monitor said account. Franchisee shall maintain and repair the computer and all equipment and obtain any upgrades or updates Franchisor requires with respect to such equipment. Franchisee shall be required to purchase or lease certain proprietary software from Franchisor or a third party designated by Franchisor, to enter into a software license agreement with Franchisor or such third party, and to purchase ongoing support services for the proprietary software from Franchisor or a third party designated by Franchisor. Currently, required software from Required Suppliers include accounting and customer relationship management software. Franchisor reserves the right to expand required software and to access all information and data in connection with the Franchised Business produced by Franchisee's computer system. Upon termination or expiration of the Agreement, all such data remains the property of Franchisor.

**7.3.14 Maintenance of Contacts Database.** Franchisee shall at all times and exclusively use contact management software as provided by Franchisor for the Franchised Business. Franchisor reserves the right to require Franchisee to purchase such software from a third party. In this event, Franchisee must maintain a current database of information on all customers, marketing contacts and other contacts on the computer system for the Franchised Business. Said database whether provided by Franchisor or a third party shall be the sole property of Franchisor.

**7.3.15 Inspection of Franchised Business.** To determine whether Franchisee and the Franchised Business are in compliance with this Agreement, the Manuals, and any required specifications or procedures, Franchisor and its representatives shall have the right at all times and without prior notice to Franchisee to inspect Franchisee's business operations, which shall include the right to enter the office of the Franchised Business, to accompany Franchisee on providing its service, or to otherwise observe Franchisee's operation or promotion of the Franchised Business. If the office of the Franchised Business is located in Franchisee's residence, Franchisor will provide notice prior to entering and inspecting the office. Franchisor and its representatives will have the right to interview Franchisee, Franchisee's employees and subcontractors, marketing contacts and customers pertaining to matters of compliance with this Agreement and to photograph, videotape or audiotape any such interviews and/or observation of the operation of the Franchised Business with or without Franchisee's knowledge and without prior notice to Franchisee. Franchisee hereby consents to Franchisor's use of any such audio or video recording for training, marketing or any other purpose. Franchisee shall fully cooperate with Franchisor and its representatives in all respects in connection with conducting, supervising or observing any such inspection and audit provided that Franchisor's exercise of these rights will not unreasonably interfere with Franchisee's conduct of the Franchised Business. In the event that Franchisor incurs fees and costs to hire a third-party representative to inspect or observe Franchisee's operations or promotion of the Franchised Business, and said third party representative provides information to Franchisor evidencing Franchisee's violation of this Agreement, Franchisee shall reimburse Franchisor for such fees and costs upon demand.

## **7.4 Insurance for Franchised Business.**

**7.4.1** Franchisee shall obtain and at all times during the term of this Agreement maintain in force and pay the premiums for the types and coverages amount of insurance as identified in the Manuals, which will include, but not be limited to:

- 1) Commercial General Liability insurance with:
  - a) bodily injury and property coverage written on an “occurrence” policy form in an amount of at least \$1,000,000 single limit per occurrence
  - b) medical expense for any one person of at least \$5,000
  - c) products and complete operations aggregate of \$2,000,000
  - d) personal and advertising injury in the amount of at least \$1,000,000
  - e) fire damage in the amount of at least \$300,000
  - f) aggregate policy limit in the amount of at least \$2,000,000
- 2) Automobile Insurance for any owned, leased, non-owned and hired automobile coverage in an amount of not less than \$1,000,000 with \$500 deductibles for both the collision and comprehensive deductible
- 3) If Franchisee uses any employees or independent contractors to perform the Services of the Franchised Business, Franchisee must have:
  - a) Workers’ Compensation insurance as required by state law; and
  - b) Employer Liability with coverage of not less than \$1,000,000 per accident and \$1,000,000 policy limit in the aggregate
- 4) If Franchisee owns office or warehouse space, Franchisee is encouraged to have Property Insurance for the building, business/personal property and the property of others in the replacement amount of the contents of the site.

**7.4.2** All insurance policies shall be on forms, upon terms and with insurers reasonably satisfactory to Franchisor. All policies must be issued by an insurer(s) rated A- or better in Class X by Alfred M. Best and Company Inc., or comparably rated by Moody’s and/or Standard and Poor’s or similarly reliable rating services acceptable to us. Upon reasonable notice to Franchisee, Franchisor may reasonably increase the minimum liability protection requirement or decrease the maximum deductible or require different or additional limits or kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards or other relevant changes in circumstances.

**7.4.3** All insurance policies shall in all instances be considered primary non-contributory coverage and expressly protect both Franchisee and Franchisor from liability and action. Franchisor must be named in all policies as a co-insured or an additional named insured. Franchisee shall furnish to Franchisor a certified copy of the certificate with respect to each such policy, which provides that such policy shall not be canceled or modified except upon thirty (30) days prior written notice to Franchisor. If Franchisee fails to obtain or maintain in force any insurance as provided herein or to furnish the certificates required hereunder, Franchisor may, in addition to other remedies it may have, maintain or obtain such insurance and/or certificates on Franchisee’s behalf, and Franchisee shall promptly reimburse Franchisor for all premiums and other costs incurred thereby.

**7.4.4** Franchisee must provide Franchisor copies of certificates of insurance coverage evidencing compliance with this Section before the Business Start Date and upon Franchisor’s demand thereafter but no less than annually.

**7.4.5** If Franchisee engages any independent contractors to perform other services for customers of the Franchised Business, such independent contractors must be covered by Franchisee’s insurance or have in force at the time of performing such services insurance of the types and amounts of

coverage as set forth in the Manuals for all services performed. Such insurance policy must name Franchisee and Franchisor as additional insureds under the policy. Franchisee shall obtain from each such independent contractor a certified copy of the certificate of insurance evidencing such coverage prior to the date the independent contractor performs any services for the Franchised Business.

**7.4.6** Maintenance of any insurance required by this Agreement shall not relieve Franchisee of the indemnification obligation under this Agreement.

**7.4.7** Franchisee waives all rights against Franchisor and any other additional insureds and their respective agents, officers, directors, and employees for recovery of damages to the extent these damages are covered by commercial general liability, commercial excess/umbrella liability, business auto liability, workers compensation or employer's liability insurance, or professional liability insurance maintained pursuant to the requirements of this Section. Franchisee and its independent contractors, if any, agree to procure waivers of subrogation from all of its insurers providing coverage under the requirements of this Section.

**7.5 Liability and Indemnification for Franchised Business.** Franchisee alone shall be responsible for all loss or damage arising out of or relating to the operation of the Franchised Business or i) arising out of the acts or omissions of Franchisee or any of its employees, agents, servants or independent contractors in connection with services offered or rendered by Franchisee; ii) for all claims related to social media and internet usage and unauthorized marketing or advertising representations; and iii) for all claims for damage to property or for injury or death of any person or persons directly or indirectly resulting therefrom. Franchisor will in no event assume liability for, or be deemed liable hereunder, as a result of any such action, or by reason of any act or omission of Franchisee in its conduct of the Franchised Business, or any claim or judgment arising therefrom against Franchisee.

**7.5.1** Franchisee agrees, for itself and its successors and assigns, to indemnify, defend and hold harmless forever, Franchisor, its successors and assigns, affiliates, subsidiaries, and their respective officers, directors, agents, employees and representatives (collectively, "**Indemnified Parties**"), past and present, against any and all claims, judgments, damages, suits, losses, penalties, fines, expenses, costs, settlements and liabilities, which shall include, but not limited to, compensation for damages to Franchisor's reputation and goodwill; reasonable attorneys' fees (whether such fees be incurred by outside counsel or a staff attorney); court costs; expert witness fees; costs of investigation and defense; related travel and living expenses; and all other costs associated with any of the foregoing losses and expenses ("**Indemnified Expense**") of any kind or nature that hereafter may be brought or instituted against any or all of them, or their successors and assigns, by or on behalf of anyone claiming rights or injury arising directly or indirectly from, as a result of, or in connection with the operation of the Franchised Business, including but not limited to all claims and matters identified as solely Franchisee's responsibility in Section 7.5 above, whether or not the cause of such Indemnified Expense was actually or allegedly caused wholly or in part through the negligence or intentional act or omission of the Indemnified Parties or resulted from any strict liability imposed on the Indemnified Parties. Franchisee shall give Franchisor prompt notice of any such indemnity event of which it is aware, for which indemnification is required, and, at the expense and risk of Franchisee, Franchisor shall have the option to control its own defense and to select counsel of its own choosing. Franchisor may, in its sole judgment, take such actions as it seems necessary and appropriate to investigate, defend, or settle any indemnity event or take other remedial or corrective actions with respect thereof as may be, in Franchisor's sole judgment, necessary for the protection of the Indemnified Parties or the System. Such an undertaking by Franchisor of any rights or obligations attended to indemnified claims or otherwise shall, in no manner or form, diminish the obligation of Franchisee to provide the foregoing indemnity of Franchisor and the foregoing parties and to hold Franchisor and the foregoing parties harmless. The indemnities and obligations set forth in this

Agreement will continue in full force and effect subsequent to the transfer, expiration or termination of this Agreement.

**7.5.2** Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name.

**7.5.3** If Franchisee does not resolve a customer service complaint or refuses to refund a customer his/her fee and the customer contacts Franchisor, and if Franchisor believes there is a reasonable basis for the complaint, Franchisor may issue a refund of fees paid by the customer. Franchisee agrees to reimburse Franchisor for the refund paid upon demand.

**7.5.4** Franchisee shall be solely responsible for handling, managing and participating in the defense of all claims and/or lawsuits related in any way whatsoever to the Franchised Business, whether such claims arise during the term of this Agreement or after its termination or expiration. In the event Franchisee's customer asserts claims or potential claims against Franchisor, Franchisee and its agents, employees and independent contractors agree to fully cooperate with Franchisor and/or its insurer in any investigations or other efforts to defend the claims asserted.

## **8 PROPRIETARY INFORMATION.**

**8.1 Confidentiality and Trade Secrets.** Franchisee hereby acknowledges that only Franchisor can franchise the proprietary rights associated with the PatchMaster Business and all parts thereof, and of all material and information divulged to Franchisee relating to the Franchised Business. Franchisee further acknowledges that the System and the PatchMaster Business, each part thereof and in its entirety, constitutes trade secrets, confidential and proprietary business information of Franchisor that are revealed to Franchisee in trust and in confidence solely for the purpose of enabling Franchisee to establish and operate the Franchised Business. Such trade secrets, confidential and proprietary business information include, but are not limited to, information concerning the Marks; knowledge of the System; concepts or results relating to the services; supplier and material lists; customer list and contact information and data; proprietary software; forms of agreement and actual agreements; contact or service provider information or data; training; Manuals and related materials and other aids; business and accounting procedures and processes; promotional and marketing guidebooks, and other aids, business forms and accounting procedures; and, in general, methods, techniques, formulas, formats, specifications, standards, procedures, know-how, and information systems (collectively referred to as "**Confidential Information**").

**8.1.1** Franchisee acknowledges that all data pertaining to the Franchised Business, including Confidential Information, Financial Records and data contained in any database whether prepared by Franchisee or Franchisor, including, but not limited to, any data contained in contact relationship management software, belongs to Franchisor.

**8.1.2** Franchisee shall maintain the absolute confidentiality of all Confidential Information during and after the Term and shall not use any of the Confidential Information in any other business or in any manner other than with the Franchised Business. Franchisee shall not make copies of such information or divulge such information to any other person except as permitted in writing by Franchisor. Franchisee shall require any other person who will have access to any Confidential Information to sign a confidentiality agreement in a form approved by Franchisor, which form, among other provisions, shall designate Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

**8.2 Improvements to System.** As Franchisor develops, learns, or implements improvements to the System, it will so notify franchisees and authorize their use in the Franchised Business. In return and in consideration therefore, Franchisee agrees that any idea or suggested innovation or variation that may tend to enhance or improve the System and the PatchMaster Business including all writings and other original works of authorship regardless of form, including, but not limited to software programs, trademarks, copyrightable works, Internet Web page or any other document or information pertaining or relating to the Franchised Business that Franchisee discovers or otherwise becomes aware of during the Term shall be submitted to Franchisor for its evaluation for adoption and use. Franchisee agrees that all proprietary rights to such ideas, works, innovations or variations created or acquired by Franchisee or any of its employees, during the Term, shall be deemed by the parties to be works made for hire and shall belong to Franchisor. Franchisor may adopt such improvements without compensation to Franchisee, and such improvements shall thereupon become part of the System owned by Franchisor and be used by Franchisor without any restriction, which shall include being made available to other franchisees.

**8.3 Use of, and Noncompliance with, System.** Franchisee acknowledges the importance of the Confidential Information and System to the reputation and integrity of the franchise system and the goodwill associated with the Marks and the PATCHMASTER brand. In order to assure maximum uniformity of quality and service conducted by all franchisees, Franchisee agrees to follow the procedures prescribed by the PATCHMASTER Method or as otherwise may be required in the Manuals. If Franchisor notifies Franchisee of a failure to comply with any of the standards or procedures that are required and Franchisee fails to correct the non-compliance within a period of time that Franchisor requires or Franchisee subsequently fails to comply with the same standard or procedure for which Franchisee received the notice, then, in addition to any other remedies to which Franchisor shall be entitled, Franchisor reserves the right to impose a fine for such non-compliance in the amount then specified in the Manuals. This provision shall solely be deemed a fine and not an adequate remedy at law.

#### **8.4 Marks.**

**8.4.1 Ownership of Marks and Goodwill.** Franchisee's right to use the Marks is limited to the operation of the Franchised Business in the Licensed Service Area subject to the terms and conditions of this Agreement and the Manuals. Franchisee shall not contest or oppose, or assist anyone else to contest or oppose, directly or indirectly, Franchisor's ownership of the Marks, application for registration of the Marks, or registration of, or the validity or enforceability of any of the Marks. Franchisee's use of the Marks and any goodwill associated with the Marks shall inure to the exclusive benefit of Franchisor.

**8.4.2 Franchisee's Corporate/Firm Name.** Franchisee shall operate, advertise, and promote the Franchised Business and its services under a name approved in writing by Franchisor ("**Firm Name**"), and shall designate in conjunction therewith that Franchisee is an independent PatchMaster franchisee. Franchisee shall not, however, use any of the Marks (including PATCHMASTER) or any other portion thereof or similar words or colorable imitations thereof as part of any name of any corporation, partnership, limited liability company or other business Entity, or with any other prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form, or with the commercial symbols or trade dress of any other person or Entity, nor may Franchisee use any of the Marks in connection with the sale of any unauthorized products or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall not use "Patch," "Master," or "PM" as part of Franchisee's business entity name. Franchisee shall, upon request of Franchisor at any time, immediately stop the use of any such name or word in its business entity name, and shall promptly take such steps as may be necessary or appropriate in the judgment of Franchisor to remove any such name or word from Franchisee's business entity name. Franchisee's Firm Name must be used on all marketing and promotional materials and contracts. Designations for "doing business as" (d/b/a) or "operating as" (o/a) shall not contain any geographic designation, such as "PatchMaster of New Jersey."

**8.4.3 Use of the Marks.** Franchisee’s use of the Marks shall in every instance be accompanied by the registration symbol ® or the TM or SM symbol, or copyright symbol© placed in close proximity to the Marks as directed by Franchisor. In addition, any and all advertisements, brochures or other promotional materials bearing the Proprietary Marks shall contain one of the following statements: “PATCHMASTER® is a registered mark of PatchMaster Franchise, LLC.” Or “PATCHMASTER® is a registered mark and is used under license by [Franchisee to insert business entity of Franchisee].” As indicated elsewhere in this Agreement, all such materials should also provide that each PATCHMASTER franchise is independently owned and operated.

#### **8.4.4 Defense of Marks by Franchisor**

1) If Franchisee receives notice or learns of a claim, suit, demand or proceeding against Franchisee on account of any alleged infringement, unfair competition, or similar matter relating to Franchisee’s use of the Marks, Franchisee shall promptly notify Franchisor of such claim, suit, demand or proceeding. Franchisee shall have no power, right, or authority to settle or compromise any such claim by a third party without the prior written consent of Franchisor. Franchisor may, but is not required to, defend, compromise or settle any such claim at Franchisor’s cost and expense, using attorneys of its own choosing. If Franchisor decides to defend, compromise or settle any such claim, Franchisee shall cooperate fully with Franchisor in connection with the defense of any such claim. Franchisee irrevocably grants Franchisor authority and power of attorney to defend or settle all of such claims, demands, suits or proceedings as to these claims.

2) If Franchisee receives notice or is informed or learns that any third party that Franchisee believes to be unauthorized to use the Marks, is using the Marks or any variants thereof, Franchisee shall promptly notify Franchisor. Thereupon, Franchisor shall, in its sole discretion, determine whether or not it wishes to undertake any action against such third party on account of said person’s alleged infringement of the Marks. Franchisor shall have the sole authority and power to prosecute or settle such action. Franchisee shall render such assistance as Franchisor shall reasonably demand to carry out the prosecution of any such action including, but not limited to, becoming a nominal party to any legal action. Franchisee shall have no right to prosecute any claim of any kind or nature whatsoever against such alleged infringer for or on account of said alleged infringement.

**8.4.5 Substitution of Marks.** Franchisor may change, revise or substitute different Marks for use in identifying the System, if the Marks no longer can be used, or if Franchisor, in its sole discretion, determines that substitution of different Marks will be beneficial to the System. The use of the substituted Marks shall be governed by the terms of this Agreement and Franchisee shall implement such change at its sole cost and expense, and Franchisor shall not compensate Franchisee for such substitution. If Franchisor requires Franchisee to change, revise, or substitute different Marks for use in identifying the System, then Franchisor shall reimburse Franchisee up to \$5,000 for actual, itemized costs to signage and marketing materials directly related to the name change, revision, or substitution. To receive this reimbursement, Franchisee must deliver to Franchisor receipts that substantiate the reimbursable expenses.

**8.5 Copyright.** Franchisor has developed, and may further develop during the Term, Manuals and certain artistic designs, and certain other documents or word combinations designated for use by Franchisee. Franchisor retains all right, title and interest thereto as provided by copyright law to the originator of works and Franchisee is licensed to use such copyrighted materials solely in accordance with the terms of this Agreement during the Term. If Franchisee develops or suggests a change or additional component of any copyrighted work,

Franchisor may adopt such change or addition without compensation to Franchisee, and such change or addition shall thereupon become part of the System owned by Franchisor.

## **8.6 Internet Usage.**

**8.6.1** Franchisee shall not register any of the Marks on the Internet or any other computer on-line service, which shall preclude using the Marks as a domain name or as an email address unless issued through Franchisor. Franchisee shall not either directly or indirectly create, develop, maintain, and/or use its own website, blog, vlog, social network, or other on-line venue or communication on the Internet using any of the Marks, or otherwise use any of the Marks on the Internet in any other manner including for search engine advertising purposes without the prior written consent of Franchisor or as may be explicitly identified in the Manuals, if applicable.

**8.6.2** Franchisor in its sole discretion shall establish all social networking accounts on behalf of Franchisee that use the Marks. Franchisee shall not under any circumstance use the Marks on any social networking website, including but not limited to Facebook, MySpace, LinkedIn, Twitter, Instagram, TikTok or any other similar media that exploits, utilizes, displays, or otherwise makes use of any of the Marks. For any accounts that Franchisor establishes on behalf of Franchisee, Franchisee has no right, title or interest to any webpage on any of Franchisee's social networking sites including, but not limited to, all "fans", "followers", "friends" and "contacts" associated therewith which mentions, uses or refers in any way to the Marks or other intellectual property. To the extent Franchisor finds any violation of this paragraph, Franchisee shall immediately take whatever steps are necessary to fully and completely cancel or dismantle any and all such social networking account or webpage or transfer the account or webpage and all related information, including all "fans", "followers", "friends" and "contacts" associated with such accounts or webpages, to Franchisor.

**8.6.3** During the Term, Franchisee's use of the Marks or its identification of itself or its Owners with the PatchMaster Business on any personal social media forum shall not associate the Marks, the brand, Franchisor or the Franchised Business with any political ideologies, religious or social philosophies and/or positions. Nor shall Franchisee use any personal social media forum to discredit, disparage, or harm the reputation and goodwill of the Marks, other franchisees or the PATCHMASTER brand. Upon expiration, transfer or termination of this Agreement, Franchisee shall not be permitted to use the Marks or any other indicia of its former affiliation with the PATCHMASTER brand on any social media forum whatsoever.

**8.6.4** As stated in Section 7.5, Franchisee is fully responsible for indemnifying Franchisor for any acts or omissions relating to Franchisee's social media and internet usage.

**8.7 Authorization and Release.** Franchisee and its Owners authorize and grant worldwide rights in perpetuity to Franchisor and its affiliates, successors and assigns, to record Owners' words, statements and opinions as well as their likeness and image on photographs, film and/or videotape (the "Images") to use and to license others to use the Images for commercial and non-commercial purposes, including, but not limited to, publicity, marketing, advertising, training and/or sales purposes and in any manner of media whatsoever, which shall include, but not be limited to: (a) still photographs; (b) movie and sound films and video tapes; (c) electronic broadcasts consisting of television programs and commercials; (d) internal and external Internet live streaming and other on-line presentations and materials (e) graphics, logos or other collateral derived from the Images (collectively "the Works"); and (f) press releases. Franchisee/Owners release Franchisor from any and all claims and liability for damages for (i) libel, slander, invasion of privacy, right of publicity or any other claim based upon use of the Images; and (ii) any blurring, distortion, alteration, optical illusion, or use in composite form, whether intentional or otherwise, of the Images.

8.7.1 Franchisee/Owners waive any right to inspect and/or approve the finished product incorporating the Images or the use to which the Images may be applied.

Franchisee/Owners agree that Franchisor shall have exclusive ownership of all right, interest and title in and to the Images and Works including, without limitation, all copyrights therein.

## 9 ASSIGNMENT, TRANSFER AND ENCUMBRANCE

9.1 **By Franchisor.** Franchisor shall have the right to Transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal Entity without the consent of Franchisee. With respect to any assignment that results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations, and shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. In addition, Franchisee expressly affirms and agrees that Franchisor may sell its assets, the Marks, or the System; may sell its securities in a public offering or in a private placement; may merge, acquire other entities, or be acquired by another Entity; including an Entity that owns and or operates businesses that compete with the Franchised Business, and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring, each and all without the consent of Franchisee.

9.2 **By Franchisee.** The rights granted to Franchisee in this Agreement are personal and Franchisee acknowledges that Franchisor is entering into this Agreement in reliance upon and in consideration of the individual character, skill, aptitude, business ability, English language fluency, physical capacity to perform the obligations under this Agreement and financial capacity of Franchisee or, if Franchisee is an Entity, of its Owners. Accordingly, Franchisee shall not Transfer this Agreement or any interest in this Agreement or ownership of Franchisee without Franchisor's prior written consent and without offering Franchisor a right of first refusal. Any attempt at a Transfer that violates the provisions of this section shall constitute a material breach of this Agreement and shall convey no right or interest in this Agreement. If Franchisee desires or proposes to Transfer any right or interest under this Agreement to a potential person or Entity ("**Transferee**"), Franchisee shall first notify Franchisor in writing at least 60 days before the proposed Transfer, setting forth in detail all of the proposed terms and conditions of the Transfer, a copy of the proposed sale and purchase agreement between Franchisee and the proposed Transferee, the name and address of the proposed Transferee, and the consideration therefore. Franchisor shall not unreasonably withhold its consent to the Transfer for which it has not exercised its right of first refusal pursuant to Section 9.3, so long as the proposed Transfer complies with all the following pre-conditions:

9.2.1 At the time of the proposed Transfer, all outstanding obligations of Franchisee to Franchisor shall have been satisfied and the terms of the proposed sale and purchase agreement shall not purport to Transfer any intellectual property of Franchisor and shall not in Franchisor's sole discretion contain any terms or conditions that would damage the goodwill of the System.

9.2.2 The proposed Transferee and each its Owners, as the case may be, must be a United States citizen or lawful resident alien of the United States and must have sufficient literacy and fluency in the English language sufficient, in Franchisor's opinion, to communicate with employees, customers, and suppliers of Franchisor and to satisfactorily complete Franchisor's required training program and such other tests and interviews as Franchisor shall reasonably deem to be necessary or desirable. Franchisee shall provide Franchisor with such information as Franchisor may require in order to determine whether to grant such proposed Transfer.

9.2.3 The sales price of the interest to be conveyed must not be so high, or the terms of the sale so onerous, that, in the judgment of Franchisor, the proposed Transferee will be unlikely to properly maintain, operate and promote the Franchised Business and meet the proposed Transferee's financial and



other obligations to Franchisor, third party suppliers and creditors. This provision shall not create any liability to either Franchisee or the proposed Transferee on the part of Franchisor, in the event that Franchisor approves the Transfer and the Transferee experiences financial difficulties.

**9.2.4** Franchisee and its Owners shall execute a general release of Franchisor and its respective current and former officers, shareholders, directors, members, managers, employees, agents, affiliates and representatives, in a form satisfactory to Franchisor.

**9.2.5** If required by Franchisee's jurisdiction or any other governmental authority, the proposed Transferee shall be duly licensed to operate the Franchised Business, and Franchisee shall have obtained, at its or at the Transferee's expense, all requisite consents to such Transfer.

**9.2.6** The proposed Transferee shall execute the standard form of Franchise Agreement then being offered to new franchisees and other ancillary documents that Franchisor requires, the terms of which may vary from those of this Agreement. If the Transferee is an Entity, its Owners shall jointly and severally guarantee the full payment and performance of Transferee's monetary and non-monetary obligations to Franchisor and deliver to Franchisor forms of personal guaranty and subordination to the satisfaction of Franchisor.

**9.2.7** Franchisee shall pay to Franchisor a "**Transfer Fee**" in the then-current amount (currently \$10,000), plus Franchisor's out of pocket costs associated with the Transfer, including costs of attorneys' fees associated with the Transfer, on or before the Transfer; provided, however, that if Franchisor does not consent to the Transfer, Franchisor shall refund the Transfer Fee to Franchisee after deducting any expenses it incurred in connection with the proposed Transfer.

**9.2.8** Either Franchisee has or Transferee has agreed to comply with the provisions of this Agreement regarding modernization or refurbishment of the Franchised Business as may be necessary to conform to the standards then applicable to new PatchMaster franchisees.

**9.2.9** To the extent applicable, Franchisee will have paid broker or other third-party fees in connection with efforts to assign or transfer this Agreement. Depending on the nature of the contractual relationship between broker/third party and Franchisor/Franchisee, these fees shall be paid to either Franchisor or to the third-party directly.

**9.3 Right of First Refusal.** If Franchisee or any of its Owners intend to Transfer the Franchised Business for valuable consideration, a complete and accurate copy of the bona fide, signed, written offer from the potential purchaser must be delivered immediately to Franchisor. If the offeror proposes to buy any other tangible or intangible assets that do not relate to or are not used by or in the Franchised Business, the proposal for such assets or rights must be described in a separate offer that is disclosed to Franchisor, but to which this right of first refusal is not applicable. The purchase price and terms for the Transfer of the Franchise will reflect the bona fide offered price and not reflect any value for any other assets.

**9.3.1** Within thirty (30) days after Franchisee delivers a complete and accurate copy of the bona fide offer to Franchisor, Franchisor or its designee will have the option, exercisable by written notice, to purchase the interest that is the subject of the offer/ for the price and on the terms in the offer; provided, however, that (a) Franchisor may substitute cash for any in-kind payment proposed in the offer, (b) Franchisor's credit will be deemed equal to the proposed purchaser's credit, and (c) Franchisor will have not more than one hundred twenty (120) days from the option exercise date to consummate the transaction. Franchisee will promptly respond to all of Franchisor's reasonable due diligence requests. Terms and conditions for the purchase will be as similar as practicable to the offer's terms and conditions, subject to the exceptions above.

**9.3.2** Unless expressly limited in the third-party offer, Franchisor has the right to purchase the interest subject to all customary representations and warranties, closing documents, releases and indemnities as Franchisor may reasonably require, including representations and warranties as to the ownership and condition of, and title to, shares of ownership and/or assets, the validity and status of contracts and leases and the extent of any liabilities, contingent or otherwise. Franchisor also will have the option to acquire, for nominal consideration, an assignment of Franchisee's leasehold rights for the Office premises.

**9.3.3** If Franchisor does not exercise its purchase option, Franchisee or its Owners may complete the sale to the offeror on the offer's exact terms, subject to Franchisor's approval of the Transfer; provided that if there is a material change in the offer's terms, Franchisor will have an additional option to purchase during the thirty (30)-day period after Franchisee provides notice of a material change in the offer's terms.

**9.3.4** If the proposed Transfer is not supported by valuable consideration (e.g. gift, testamentary transfer, or involves the transfer of ownership to an immediate family member of an Owner, or reorganization of your entity without any change in the Owners), Franchisor will have no right of first refusal. Franchisor must approve the new Owner under Section 9.2.

**9.4 Death or Incapacity of Franchisee.** Upon Franchisee's death or Incapacity during the Term or upon the death or Incapacity of one or more Owners with 50% or more interest in Franchisee, if Franchisee is an Entity, Franchisor, on its own initiative, or upon the written request of the heirs, shall allow the heirs a period of six (6) months from the date of death or Incapacity to effectuate one of the below options. "**Incapacity**" shall mean the condition of an individual who suffers from a physical or mental impairment, or a combination of both, rendering Franchisee, or its Owner, unable to substantially perform all Franchisee's obligations and duties provided of this Agreement and in the Manuals, which is verifiable by medical findings and has continued or is reasonably certain to continue for at least three (3) months without substantial improvement that would allow such individual to perform.

**9.4.1** Demonstrate that the heirs, personal representatives or conservators of Franchisee or Owner ("**Heirs**") meet Franchisor's requirements for a Transferee set forth in this Agreement and agree to the terms of this Agreement and confirm this by signing a Transfer or assignment. At Franchisor's option, as an alternative to signing a Transfer or assignment agreement, Franchisor may require the heirs to execute the standard form of Franchise Agreement then being offered to new franchisees (modified to reflect that Franchisor shall not collect an initial franchisee fee and to reflect the remaining term and renewal term then remaining, if any, with respect to this Agreement) and any ancillary documents that Franchisor requires, the terms of which may be different from those of this Agreement; or

**9.4.2** Assign this Agreement to a third party acceptable to Franchisor that meets the prerequisites to Transfer set forth in this Agreement.

## **10 TERMINATION OF FRANCHISE AGREEMENT.**

**10.1 Termination by Franchisee for Cause.** Franchisee may terminate this Agreement prior to the expiration of the Term only if Franchisor has materially breached its obligations under Section 6.1 of this Agreement, provided, however that the conditions in this Section are fully satisfied and Franchisee is itself in full compliance with this Agreement at the time of giving such notice of termination.

**10.1.1** If Franchisee believes that Franchisor has failed to adequately provide any undertaking prior to Franchisee's commencement of operations of this Agreement, including the Initial Training Program, Franchisee must notify Franchisor in writing within thirty (30) days following the start of the

Franchised Business. Absent the timely provision of such notice to Franchisor, Franchisee shall be deemed to conclusively acknowledge that all initial training required to be provided by Franchisor was sufficient and satisfactory in Franchisee's judgment and to have waived any claim against Franchisor for such breach.

**10.1.2** For any other Franchisor obligation, Franchisee must give Franchisor a written intent to terminate for cause specifically identifying all Defaults and providing a sixty (60) day cure period from the date of delivery of said notice to permit Franchisor to cure any Defaults, except that if any Default cannot be cured within thirty (30) days, Franchisor shall be given a reasonable time to cure such Default as long as Franchisor has initiated steps necessary to cure the Default within the sixty (60) day period. If such material breach by Franchisor is not cured within the permitted cure period, Franchisee may terminate the Agreement with Franchisor for cause.

**10.1.3** A termination of this Agreement by Franchisee for any reason other than a material breach of this Agreement by Franchisor as identified in this Section 10.1 and Franchisor's failure to cure such breach within the cure period shall be deemed a termination by Franchisee without cause and a breach of this Agreement.

**10.1.4** All Obligations Upon Termination (Section 11) shall be effective and valid upon Franchisee's termination whether for cause or otherwise.

**10.2** **Termination by Franchisor with Notice and No Opportunity to Cure.** The following provisions are in addition to, and not in limitation of, any other rights and remedies Franchisor may have at law or in equity, all of which are expressly reserved. The exercise by Franchisor of any right or remedy shall not be deemed an election of remedies. This Agreement shall immediately terminate on delivery of notice of termination to Franchisee by Franchisor upon the occurrence of any of the following Defaults:

**10.2.1** Franchisee becomes insolvent or admits in writing Franchisee's inability to pay its debts as they mature, makes an assignment for the benefit of creditors, files a petition under any foreign, state or United States bankruptcy act, receivership statute, or the like or if such a petition is filed by a third party, or if an application for a receiver is made by anyone and is not resolved favorably within 90 days. Further, if Franchisee rejects the Franchise Agreement in accordance with Bankruptcy Code provisions, whether explicitly or implicitly by failing to timely assume the obligations of this Agreement, such rejection will be deemed a de facto termination as of the date of such rejection.

**10.2.2** Franchisee has made any material misrepresentation or omission in the application for appointment as a Franchisee or in any report that Franchisee submits to Franchisor during the Term pursuant to this Agreement.

**10.2.3** Franchisee or any Owner is indicted by a grand jury or convicted by a trial court of or pleads no contest to a felony or other crime or offense or engages, or is repeatedly alleged to engage, in conduct (such as fraud) that reflects materially and unfavorably upon the operation and reputation of Franchisor, the System or the Franchised Business.

**10.2.4** Franchisee attempts to make or makes an unauthorized assignment, encumbrance or other Transfer of Franchisee's rights or obligations under this Agreement, or attempts to make a Transfer without complying with all of the prerequisites to Transfer set forth in Section 9.2 of this Agreement.

**10.2.5** Franchisee is a party to any other agreement with Franchisor or its affiliates that is terminated for Franchisee's breach thereof subject to that agreement's terms, which shall include, but not be limited to, another franchise agreement associated with another franchise system.

**10.2.6** Franchisee makes any unauthorized use of the Marks or of the Confidential Information or makes any duplication or disclosure of any Confidential Information or contents of the Manuals.

**10.2.7** Franchisee violates any of the non-competition covenants of this Agreement.

**10.2.8** Franchisee fails on two (2) or more separate occasions during any 12-month period to comply with the terms of this Agreement or with any mandatory specifications, standards or operating procedures that Franchisor may prescribe from time to time, regardless of whether such failures to comply are corrected after notice is delivered to Franchisee and whether such failures to comply relate to the same or different requirements of this Agreement.

**10.2.9** Franchisee repeatedly conducts itself in an unprofessional and/or abusive manner to franchisor, other PatchMaster franchisees and/or customer(s) as determined by Franchisor in its sole but reasonable discretion and Franchisee has received two (2) prior written notices of such misconduct by Franchisor during the franchise relationship (whether under this Agreement or any prior or subsequent franchise agreement).

**10.2.10** Franchisee fails to operate the Franchised Business for 7 consecutive days without Franchisor approval.

**10.2.11** Franchisee fails to complete the Initial Training Program to Franchisor's satisfaction.

**10.2.12** Franchisee fails to adhere to any territory boundary restriction as contained in this Agreement (including conducting business in another franchisee's Licensed Service Area) after having previously received at least one (1) written notice of a territory boundary violation from Franchisor.

**10.2.13** Franchisee reports Gross Revenue of the Franchised Business for any period of twelve (12) months or longer as being less than the actual Gross Revenue for the same period by three percent (3%) or greater.

**10.2.14** Franchisee fails to conduct the Franchised Business in accordance with all applicable laws and regulations, including paying all applicable taxes. This shall not prevent Franchisee from contesting in good faith the validity or applicability of any purported legal obligation to the extent and in the manner permitted by law.

**10.2.15** Franchisee fails to attend, without Franchisor approval, the first Franchisor-offered meeting pursuant to Section 7.3.9. (annual or regional as specified by Franchisor) that occurs after Franchisee's commencement of the Franchised Business, whether such Franchised Business is a start up the business or is continuing from an assignment of an existing franchised business.

**10.3 With Notice and Opportunity to Cure.** The following provisions are in addition to, and not in limitation of, any other rights and remedies Franchisor may have at law or in equity, all of which are expressly reserved. The exercise by Franchisor of any right or remedy shall not be deemed an election of remedies.

**10.3.1** Except as otherwise provided elsewhere, this Agreement shall terminate upon Franchisee's failure to cure any default under this Agreement or the Manuals within the specified days identified below after notice thereof is delivered to Franchisee. In the event such default cannot reasonably be corrected within the days specified as deemed in Franchisor's sole but reasonable discretion, Franchisee shall undertake diligent efforts to comply and to furnish proof acceptable to Franchisor of such efforts within such period; provided, however, that in no event shall Franchisee's cure period exceed a total of 45 days.

Defaults subject to a 15-day cure period include:

1) Franchisee fails to make any payment of money owed to Franchisor when due or fails to submit to Franchisor when due any report required pursuant to this Agreement. At Franchisor's election, in lieu of or in addition to termination, Franchisor may institute legal proceedings to recoup any outstanding money owed as provided herein at Section 4.

2) Franchisee jeopardizes the goodwill of the Marks, the Franchised Business, the System, or the reputation of Franchisor including the unauthorized use of the Marks.

3) Franchisee defaults in the performance of any of the obligations assumed under Section 7 of this Agreement (except as may be specifically referred to above).

**10.3.2** Franchisee fails to perform any obligation assumed by it under this Agreement or as required in the Manuals other than those specifically referred to above and fails to cure fully such Default with 30 days following notice to Franchisee.

**10.4 No Waiver.** The description of any Default in any notice served upon Franchisee shall in no way preclude Franchisor from specifying additional or supplemental defaults in any action, hearing or suit relating to this Agreement or the termination hereof.

## **11 RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION**

**11.1 Payment of Amounts Owed to Franchisor.** Franchisee shall promptly pay to Franchisor within five (5) days after the effective date of termination or expiration of this Agreement all sums owing, including any amounts owed under any outstanding loan agreement or promissory note. Termination or expiration of this Agreement under any circumstances shall not relieve Franchisee of any debt, obligation, or liability of Franchisee to Franchisor that may have accrued hereunder.

**11.2 Disaffiliation with Franchised Business.** Franchisee shall assist Franchisor in every way possible to bring about an immediately effective, complete and orderly transfer of the Franchised Business. Franchisee specifically agrees that as between Franchisor and Franchisee, Franchisor has the sole right to and interest in all telephone numbers and directory listings associated with any Mark. Franchisee thus agrees to cooperate fully with Franchisor to assign immediately to Franchisor any and all business telephone numbers used by Franchisee and/or Franchisee's employees in connection with the Franchised Business. Such cooperation specifically includes that within five (5) days of transfer, termination or expiration of this Agreement, Franchisee must notify the telephone company and all online and other directory listing agencies, including those on the Internet, of the termination of Franchisee's right to use any telephone number and any classified or other telephone directory listing associated with the Marks and shall authorize transfer of same to franchisor or any third party designated by Franchisor.

**11.3 Marks and Proprietary Information.** After the termination or expiration of this Agreement, Franchisee shall:

**11.3.1** Immediately discontinue the use of all Marks, and any other names, marks or signs that may be confusingly similar thereto.

**11.3.2** Take affirmative steps to immediately remove all references on the Internet that identify Franchisee and its business (or former business) as being associated or affiliated with the PATCHMASTER System or Franchisor in any way whatsoever, including but not limited to directory listings, contact information

or association listings, or on any website, blog, vlog, social network or other on-line venue or communication on the Internet.

**11.3.3** Immediately cease use of any item, equipment, method, process or procedure associated with the System or any of Franchisor's Confidential Information in any other business or otherwise.

**11.3.4** Immediately discontinue and return to Franchisor all supplies and materials containing any reference to Franchisor or the Marks, and to cancel any pending advertising and discontinue future advertising, print and online, which refers to or connotes any relationship, whether current or past, between Franchisee and Franchisor.

**11.3.5** Immediately discontinue and return to Franchisor any materials created by Franchisee during the Term of this Agreement containing any Marks or other proprietary or Confidential Information of Franchisor whether copyrighted or not and whether changed, improved and further developed from time to time by Franchisee. This shall include the return to Franchisor (at Franchisee's expense) the Manuals and any other materials that have been loaned to Franchisee, including copies of, or any component thereof, in any form.

**11.3.6** Maintain the confidentiality and not disclose to any person any of the Confidential Information furnished to Franchisee pursuant to this Agreement or in connection with the operation of the Franchised Business.

**11.4 No Association with Franchisor or System.** Franchisee shall not directly or indirectly at any time or in any manner identify Franchisee, its Owner or any business with which Franchisee or its Owner is affiliated, as a current or former franchisee or licensee of Franchisor, or as otherwise associated with PatchMaster or the System, or use any license issued to Franchisor or any Mark, any imitation thereof or other indicia in any manner or for any purpose, or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with Franchisor.

**11.5 Cancel Business Names.** Franchisee shall take such action as may be required to terminate or cancel any state or jurisdictional registration or filing of any d/b/a or assumed name or trade or fictitious or equivalent name or any other registration or filing containing the Marks so as to delete the Marks and all references to anything associated with the PatchMaster Business or System.

**11.6 Software.** Franchisee shall immediately discontinue the use of all proprietary software; and to refrain for a period of eighteen (18) months following the transfer, expiration or termination of this Agreement for any reason, or the date on which Franchisee ceases to conduct the Franchised Business, whichever is later, from using any generic version of the same software system as was used with the Franchised Business, including, but not limited to, office management software.

**11.7 Other Efforts.** Comply with all further post termination requirements as may be set forth in the Manuals.

**11.8 Non-Competition Covenants.**

**11.8.1 Definitions.**

1) Unless otherwise specified, the term "**Franchisee**" as used in this section shall include, collectively and individually, all officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of franchisee, and of any corporation directly or indirectly controlling Franchisee, if Franchisee is an Entity; and the general partners and any limited partner (including any corporation and the officers, directors, and holders of a beneficial interest of five percent (5%) or more

of securities, or an Entity that controls, directly or indirectly, any general or limited partner, if Franchisee is a partnership.

2) **“Restricted Person”** shall mean Franchisee, and each of its Owners, and the respective officers, directors, and managers of each of them, and the spouse and family members who live in the same household of each of the foregoing who are individuals.

3) **“Competitive Business”** shall mean any business (or division of a business) where five percent (5%) or more of its sales include drywall repair services and products or any services or products similar to those offered by the Franchised Business or that are part of the System.

**11.8.2 Covenants.** The intention of the parties in this section is to limit Franchisee’s right to compete only to the extent necessary to protect Franchisor from unfair competition. Franchisee covenants that:

1) During the Term of this Agreement, no Restricted Person shall directly or indirectly divert or attempt to divert any business or customer of the Franchised Business to any competitor of Franchisee or otherwise.

2) During the Term of this Agreement, no Restricted Person shall, without Franchisor’s prior written consent, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal Entity, offer or sell any drywall repair services or products or any other services or products that are the same as, or substantially similar to, the services and products that are part of the System or own, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with any Competitive Business.

3) Commencing upon the date of: (i) a Transfer permitted under this Agreement, (ii) the expiration of this Agreement or (iii) the termination of this Agreement (regardless of the cause for termination), and continuing for an uninterrupted period of eighteen (18) months thereafter, no Restricted Person shall, without Franchisor’s prior written consent, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal Entity, offer or sell any drywall repair services or products or any other services or products that are the same as, or substantially similar to the services and products that are part of the System or own, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with any Competitive Business at any location (a) within a radius of twenty-five (25) miles of the Licensed Service Area described in the Data Sheet in which Franchisee’s Business is located; or (b) within any other franchisee’s Licensed Service Area whether franchised or owned by Franchisor or any affiliate of Franchisor, based on where the PatchMaster Business or its affiliated franchisees are operating as of the date of expiration or termination of this Agreement.

4) Commencing upon the date of: (i) a Transfer permitted under this Agreement, (ii) the expiration of this Agreement or (iii) the termination of this Agreement (regardless of the cause for termination), and continuing for an uninterrupted period of eighteen (18) months thereafter, no Restricted Person shall, directly or indirectly solicit or perform services for any prior customer of the Franchised Business or any customer of any other PatchMaster franchisee or an affiliate of Franchisor. Nor shall such Restricted Person solicit business from any referral source or marketing contact generated by the goodwill associated with the PatchMaster Franchised Business.

**11.8.3 Exclusive Relationship.** You acknowledge that Franchisor has granted you the right and license to operate the Franchised Business in consideration of and in reliance upon your agreement to deal exclusively with us in the wall surface repair industry. You therefore agree that, during this Agreement’s term,

neither you nor any of your shareholders or partners (if you are doing business as a corporation, limited liability company or partnership) nor any member of your immediate family shall:

- (1) have any direct or indirect, controlling or non-controlling interest as an owner - whether of record, beneficial or otherwise - in a Competitive Business (defined below), wherever located or operating;
- (2) perform services as a director, officer, manager, employee, consultant, representative or agent, or in any other capacity, for a Competitive Business, wherever located or operating;
- (3) directly or indirectly loan any money or other thing of value to, or guarantee any other person's loan to, any Competitive Business or any owner, director, officer, manager, employee or agent of any Competitive Business, wherever located or operating; or
- (4) divert or attempt to divert any actual or potential business or customer of your Business to a Competitive Business.

**11.8.4 Enforcement of Covenants.** The foregoing covenants shall be construed independently of any other covenant or provision in the Franchise Agreement. The parties hereby expressly agree that if the scope of enforceability of the provision is disputed at any time by Franchisee, a court may modify this section to the extent that it deems necessary to make such provision enforceable under applicable law. If all or any portion of a covenant is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee shall be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated and made a part of the Franchise Agreement.

1) **Compliance Period.** In the event that Franchisee engages in the activities prohibited in this section in violation of said covenant, said eighteen (18) month period of non-competition shall extend beyond the eighteen (18) month anniversary date of termination or expiration of the Agreement for a period of time equal to the duration of Franchisee's violation of said covenant, but only to the extent necessary to insure that Franchisee refrains from competition for a full eighteen (18) months period and not longer. In the event Franchisor seeks an injunction in court to enforce the covenant to compete, the time period during which competition is restrained shall not begin to run until the earlier of: (1) the date Franchisor obtains said injunction; or (2) the date Franchisee begins to comply with the covenant not to compete.

2) **Deferred Training Fee.** In the event Franchisee violates the foregoing covenants and/or any particular covenant is not enforceable in Franchisee's jurisdiction and Franchisee continues to provide services associated with the Franchised Business after the termination or expiration of this Agreement, in addition to liquidated damages or any other remedies to which Franchisor may be entitled pursuant to this Agreement, Franchisee hereby agrees that Franchisor is entitled to a deferred training fee as in an amount equal to Fifteen Thousand Dollars (\$15,000.00) ("Deferred Training Fee), the market value Franchisee received at no charge in consideration for abiding by the terms of this Agreement (including the covenants in this Section 11.9). Franchisee acknowledges that the benefit of the Initial Training Program, training materials, the licensing of certain software has an inherent value for which Franchisee has made no payment. The parties have agreed that Franchisee shall not utilize the training received, directly or indirectly, with any other person or entity or for its own enterprise within a radius of twenty-five (25) miles of franchisee's LSA or as otherwise prohibited in this Section 11.8 without payment to Franchisor of the Deferred Training Fee. Further, the parties have determined that the Deferred Training Fee would not be prohibited or void under applicable state law because its



only objective is to postpone the payment for training indefinitely until such time as Franchisee uses the training for other than the operation of the Franchised Business.

**11.8.5 Covenants to be Signed by Other Employees.** Franchisor reserves the right to require Franchisee's managers, employees, independent contractors and all other personnel receiving training from Franchisor to execute similar covenants in a form satisfactory to Franchisor.

**11.8.6 Modification of Covenants.** Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant or obligation of Franchisee set forth in the Franchise Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee shall comply with any covenant as to modified, which shall be fully enforceable.

## 12 DISPUTE RESOLUTION

**12.1 Choice of Law.** This Agreement shall be interpreted and construed under the laws of the State of New Jersey. In the event of any conflict of law, the laws of New Jersey shall prevail, without regard to the application of New Jersey of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of New Jersey, and if the Franchised Business is located outside of New Jersey and such provision would be enforceable under the laws of the state in which the Franchised Business is located, then such provision shall be interpreted and construed under the laws of that state.

**12.2 Venue.** The Parties agree that any action brought by either Party against the other in any court, whether federal or state, shall be brought within the State of New Jersey in the county in which Franchisor has its a place of business at the time the action is initiated, and the Parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

**12.3 Non-exclusivity of Remedy.** Except as explicitly stated in this Agreement, no right or remedy conferred upon or reserved to Franchisor or Franchisee is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

**12.4 Waiver; No Franchisee Right of Setoff.** In no event shall Franchisee make any claim for money damages based on any claim or assertion that Franchisor has unreasonably withheld or delayed any consent or approval under this Agreement. Franchisee waives any such claim for damages. Franchisee may not claim any such damages by way of setoff, counterclaim or defense. Franchisee's sole remedy for the claim will be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

**12.5 Mediation.** Before either Party initiates any action against the other, the Parties pledge to consider resolving the "Dispute," which shall mean any controversy or claim arising out of or relating to this Agreement, pursuant to non-binding mediation conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association, unless the Parties agree on alternative rules and a mediator within 15 days after either Party first gives notice of mediation. The party initiating the dispute will contact the other party to provide notice and to request consent to mediation. Mediation shall be conducted within the State of New Jersey in the county in which Franchisor has its principal place of business at the time the action is initiated, and shall be conducted and completed within 45 days following the date either Party first gives notice of mediation unless otherwise agreed to in writing by the Parties. The fees and expenses of the mediator shall be shared equally by the Parties. The mediator shall be disqualified as a witness, expert or counsel for either Party with respect to the Dispute and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under New Jersey and other applicable laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the Parties shall not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that

evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation.

**12.6 Disputes with Others.** Each party waives the right to assert that principles of collateral estoppel or issue preclusion prevent raising any claim or defense because either party lost a similar claim or defense in another action. Any ruling by a third-party fact finder or court in a prior proceeding in which either party was involved (such party referred to as a “Litigant”) with a third party will not prevent the Litigant from asserting similar arguments or positions in an action between the parties to this Agreement.

**12.7 WAIVER OF JURY TRIAL. EACH PARTY IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.**

**12.8 Limitation of Damages.** Except as explicitly provided in this Agreement, for any claim concerning performance or non-performance by either Party pursuant to, or in any way related to the subject matter of this Agreement, any Party’s sole liability, if any, shall be limited by actual damages. For any claim that arises out of or in connection with this Agreement, whether such claim is in contract, tort or otherwise, except as otherwise explicitly provided herein, under no circumstances shall either party be liable for indirect, exemplary, incidental, consequential, aggravated or punitive damages, including, but not limited to, loss of anticipated income, profits or savings, or loss resulting from business interruption.

**12.9 Limitation of Claims.** Except for claims against Franchisee concerning the underreporting of Gross Revenue, for non-payment of any fee due under this Agreement, intellectual property infringement/violations, claims for violation of post-termination obligations, including, but not limited to, a breach of the covenant not to compete, and for claims against Franchisee by Franchisor relating to indemnification or other third party claims or suits brought against Franchisor as a result of Franchisee’s operation of the Franchised Business, any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisee and Franchisor, or Franchisee’s operation of the Franchised Business, brought by either Party against the other, shall be commenced within one year (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred. The Parties hereby waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other and agree that if of a dispute between them each shall be limited to the recovery of any actual damages sustained by it.

**12.10 Liquidated Damages.** Because any actual or direct damages associated with Franchisee’s improper disclosure of proprietary information and/or breach of the non-competition covenants (contained herein at [Section 11.8](#)) are necessarily uncertain and/or difficult to ascertain, in the event of such a contractual breach, Franchisee hereby agrees that Franchisor is entitled to liquidated damages in an amount equal to thirty percent (30%) of Franchisee’s average annual Gross Revenue over the Franchisee’s preceding three (3) years (or for such shorter period if Franchisee has not been under a Franchise Agreement for a full three (3) year period). This remedy partially compensates Franchisor for a portion of the Initial Training Program that was provided to Franchisee at no additional cost. This provision shall be deemed a partial remedy only.

**12.11 Calculation of Damages.** If Franchisee fails to make any payment of money owed to Franchisor when due, or fails to submit to Franchisor when due any report required pursuant to this Agreement, and such default is not fully cured within fifteen (15) days after Franchisor gives notice of such default, Franchisor may commence other legal proceedings as provided herein to recoup the outstanding debt. In the event Franchisee has failed to submit timely reports upon which the outstanding debt can be properly calculated, Franchisor may calculate amounts due based on Franchisee’s average monthly Gross Revenue as determined by the preceding eighteen (18) month period. In the event Franchisor chooses to utilize this aforementioned remedy, it in no way waives the right to terminate this Agreement.

**12.12 Additional Remedies for Breach.** Franchisee acknowledges that if Franchisee breaches this Agreement and/or improperly discloses proprietary information and/or continues to utilize the Marks or Confidential

Information at such times when Franchisee is not legally entitled to use them or breaches the provisions of the covenants not compete, Franchisor shall not have a sufficient and adequate remedy at law to render it whole. Therefore, Franchisee expressly consents and agrees that Franchisor may, in addition to any other available remedies, obtain an injunction and/or temporary restraining order to terminate or prevent the continuation of any existing default or violation, and to prevent the occurrence of any threatened default or violation by Franchisee of this Franchise Agreement.

**12.13 Costs of Enforcement or Defense.** If Franchisor or Franchisee is required to enforce this Agreement, in any forum, judicial proceeding or appeal thereof, the party prevailing in such proceeding shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accounting and attorneys' fees (whether such fees be incurred by outside counsel or a staff attorney), administrative charges, and any other costs and expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the obligations of this Agreement. No sum for attorneys' fees shall be counted and calculated in the amount of judgment for purposes of determining whether a Party is entitled to recover its costs or attorneys' fees. If Franchisor incurs any other expense in connection with Franchisee's failure to pay when due amounts owing to Franchisor; to submit when due any reports, information or supporting records; failure to comply with post-termination obligations, including the covenant not to compete; or any other failure to comply with this Agreement, Franchisee shall reimburse Franchisor for any such costs and expenses that it incurs including but not limited to attorneys' and accounting fees and collection agency fees. Further, all outstanding amounts due to Franchisor shall, at Franchisor's election, accrue interest at a per annum rate of one-and-a-half percent (1½ %) per month or the maximum permitted by law, whichever is greater, to compensate Franchisor for costs incurred when payments or reports are received late.

**12.14 Survival.** All rights and obligations contained in this Agreement that expressly or by their nature survive the transfer, expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding the transfer, expiration or termination of this Agreement until they are satisfied in full or by their nature expire.

## 13 GENERAL

**13.1 Grammar, Section Headings and Schedules.** The singular of any noun or pronoun shall include the plural, or vice versa, wherever the context requires. Section headings are for convenience of reference only and shall not be construed as part of this Agreement nor shall they limit or define the meaning of any provision of this Agreement. The terms of all Schedules attached to this Agreement are incorporated into this Agreement by reference.

**13.2 Non-Waiver.** No failure by either Party to take action on account of any default of the other Party, or of a similar default of another franchisee, whether in a single instance or repeatedly, and no course of dealing of the Parties or by Franchisor with other franchisees in variance with the terms hereof constitutes a waiver of any such default or of the performance required of either Party by this Agreement. No express waiver by either Party of any provision or performance under this Agreement or of any default by the other Party constitutes a waiver of any other or future provision, performance or default. No waiver or extension of time shall be effective unless expressly contained in a writing signed by the waiving Party. Franchisor may in its discretion elect from time to time to waive obligations of Franchisee under this Agreement upon such terms and conditions as Franchisor determines in its discretion. No acceptance of performance or payments from Franchisee shall be deemed to be a waiver by Franchisor of any preceding or succeeding breach by Franchisee of any terms or conditions of this Agreement. No mediation shall delay, suspend, or prevent either Party from exercising its right to terminate this Agreement at the time and in the manner set forth in Section 10 of this Agreement.

**13.3 Invalidity and Severability.** If any provision of this Agreement is determined to be invalid or unenforceable, either in its entirety or by virtue of its scope or application to given circumstances, such provision shall be deemed modified to the extent necessary to render the same valid, or as not applicable to the given circumstances, or

to be excised from this Agreement, as the situation may require, and this Agreement shall be construed and enforced as if such provision had been included in this Agreement as so modified in scope or application, or had not been included in this Agreement, as the case may be, it being the stated intention of the Parties that had they known of such invalidity or unenforceability at the time of entering into this Agreement, they would have nevertheless contracted upon the terms contained in this Agreement, either excluding such provisions, or including such provisions only to the maximum scope and application permitted by law, as the case may be.

**13.4 Notices.** All notices shall be in writing and shall be served in person, by overnight delivery or express mail, by certified mail or by electronic transmission delivery. Service shall be deemed conclusively made: (i) at the time of service, if personally served; (ii) twenty-four (24) hours (exclusive of weekends and national holidays) after delivery if by overnight delivery or express mail; (iii) upon the earlier of actual receipt or three (3) calendar days after deposit in the United States regular mail, properly addressed and postage prepaid, return receipt requested; and (iv) one (1) business day after email or other electronic transmission.

Any notice or demand to Franchisor shall be given to:

Paul Ferrara  
PatchMaster Franchise, LLC d/b/a PatchMaster  
88 East Main Street, Suite H #345  
Mendham, NJ 07945  
Email: [pferrara@patchmaster.com](mailto:pferrara@patchmaster.com)

Any notice to Franchisee shall be given at the address appearing on the Data Sheet, unless and until a different address has been designated by written notice to the other Party. Any Party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other Party.

**13.5 Entire Agreement.** This Agreement, any documents executed contemporaneously herewith that expressly reference this Agreement and any documents referred to in this Agreement constitute and contain the entire Agreement and understanding of the Parties with respect to the subject matter hereof. There are no representations, undertakings, agreements, terms, or conditions not contained or referred to in this Agreement. This Agreement supersedes and extinguishes any prior written agreement between the Parties relating to the subject matter hereof, provided that it shall not abrogate, impair, release or extinguish any debt, obligation or liability otherwise existing between the Parties. This Agreement may not be modified or amended except by a written amendment executed by both Parties. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim representations Franchisor made to Franchisee in the Franchise Disclosure Document.

**13.6 Relationship of Parties.** Nothing contained in this Agreement shall be deemed or construed to create the relationship of principal and agent, partnership, joint venture or employment, or a fiduciary relationship, and Franchisee shall not hold itself out as an agent, legal representative, partner, subsidiary, joint venturer, servant or employee of Franchisor or any affiliate of Franchisor. With respect to all matters pertaining to the operation of the Franchised Business, Franchisee is, and shall be, an independent contractor. Neither Franchisor nor Franchisee has the right to bind or obligate the other to any obligations or debts. Franchisee is the independent owner of its business, shall be in full control of its day-to-day operations, and shall conduct such business in accordance with its own judgment and discretion, subject the provisions of this Agreement and any applicable Manual to the extent necessary for Franchisor to protect the integrity of the Marks and the PATCHMASTER brand. Franchisee shall conspicuously identify itself as the independent owner of its business and as an independent franchisee of Franchisor. Neither Party hereto shall be obligated by, or have any liability for, any agreements, representations or warranties made by the others nor shall Franchisor be liable for any damages to any person or property, directly or indirectly, arising out of the operation of the Franchised Business, whether caused by Franchisor's negligent or willful action or failure to act.

**13.7 Compliance with Applicable Law.** If any applicable statute, law, rule regulation, ordinance, policy and procedure established by any governmental authority, governing the operation of the Franchised Business as in effect on the Effective Date, as may be amended, supplemented or enacted from time to time (“**Applicable Law**”) requires a greater prior notice of the termination of, or refusal to renew, this Agreement than is required under this Agreement, the prior notice or other action required by such Applicable Law shall be substituted for the notice or other requirements hereof. Such modifications to this Agreement shall be effective only in such jurisdiction and shall be enforced as originally made and entered into in all other jurisdictions. Franchisor reserves the right to challenge the applicability of any such Applicable Law.

**13.8 Covenant of Good Faith.** If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Agreement (and the relationship of the parties that is inherent in this Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests; (ii) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (iii) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.

**13.9 Counterparts and Electronic Copies.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Signatures transmitted electronically or by facsimile will be deemed original signatures. Electronic copies of this Agreement shall constitute and be deemed an original copy of this Agreement for all purposes, provided that such electronic copies are fully executed, dated and identical in form to the original hard copy version of this Agreement.

**13.10 Acknowledgments.** Franchisee, and its Owners, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby. Franchisor expressly disclaims making, and Franchisee and its Owners acknowledge and agree that they have not received or relied on any warranty or guarantee, express or implied, as to the potential volume, profits, expenses, or success of the Franchised Business. Franchisee and its Owners further acknowledge and agree that Franchisee has conducted an independent investigation of the Franchised Business, recognizes that the Franchised Business involves business risks, and that its success will be largely dependent upon yours skills and experience, your efforts and dedication in furtherance of the Franchised Business, your business acumen, your location, the local market for products and services under the PatchMaster Marks, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors.

**13.11 Franchise Disclosure Document.** Franchisee acknowledges that Franchisee and its Owners received a copy of the complete PatchMaster Franchise, LLC Franchise Disclosure Document for the PatchMaster Business that contains a copy of this Agreement, at least 14 calendar days prior to the earlier of: 1) date on which this Franchise Agreement or any other agreements with Franchisor were signed; and 2) the payment of any consideration by or on behalf of Franchisee to Franchisor or any of Franchisor’s affiliates, relating to the Franchises Business. Franchisee and its Owners further acknowledge and agree that Franchisor has made no promises, representations, warranties or assurances to Franchisee which are inconsistent with the terms of this Agreement or Franchisor’s Franchise Disclosure Document, concerning the profitability or likelihood of success of the Franchised Business, that Franchisee and its Owners have been informed by Franchisor that there can be no guarantee of success in the Franchised Business and that the factors identified above in Section 13.9 are primary in determining Franchisee’s success.

**13.12 Atypical Terms.** Franchisee and its Owners acknowledge and agree that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time and those offers may have different terms, conditions, and obligations than the terms, conditions, and obligations in this Agreement. Franchisee and its Owners further acknowledge and agree that Franchisor has made no warranty or representation that all Franchise Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Franchise Agreements previously executed or executed after the Effective Date with other franchisees in a non-uniform manner.

**13.13 Anti-Terrorism Laws.** Franchisee shall comply with, and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the "**Anti-Terrorism Laws**," which shall mean Executive Order 13224 issued by the President of the United States, the USA Patriot Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war. Franchisee and its Owners certify, represent and warrant that none of their property or interests is subject to being blocked under any of the Anti-Terrorism Laws and that neither Franchisee nor its Owners are otherwise in violation of the Anti-Terrorism Laws. Any violation of the Anti-Terrorism Laws by Franchisee or Franchisee's employees or any "blocking" of Franchisee's assets under the Anti-Terrorism Laws constitute grounds for immediate termination of this Agreement and any other agreements Franchisee has entered into with Franchisor or any of its affiliates, in accordance with the provisions of this Agreement. Franchisee shall notify Franchisor by telephone within 24 hours, and confirm in writing within 2 days after receiving notice of an investigation or violation of any Anti-Terrorism Laws, and notify Franchisor in writing within 3 days of the commencement of any other litigation or proceeding that may adversely affect the operation or financial condition of the Franchised Business.

**13.14 State Specific Addenda.** The state specific addenda included in Schedule 3 are an integral part of this Agreement. If you are a resident of one of these states, the applicable state law addendum included in Schedule 3 amends this Agreement.

**[Signature Page Immediately Follows]**

**IN WITNESS WHEREOF**, the Parties have executed this Agreement as of the date first shown above.

**FRANCHISOR:**

PATCHMASTER FRANCHISE, LLC, a Delaware limited liability company

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

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

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

**FRANCHISEE:**

\_\_\_\_\_

- an individual
- a \_\_\_\_\_ general partnership
- a \_\_\_\_\_ limited partnership
- a \_\_\_\_\_ limited liability company
- a \_\_\_\_\_ corporation

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

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

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

**SCHEDULE 1**  
**DATA SHEET**

1. **Initial Franchise Fee.** \_\_\_\_\_
2. **Franchise Location.** As referenced in Section 2.1 of the Franchise Agreement, the Franchised Location is: \_\_\_\_\_

**Licensed Service Area.** As referenced in Section 2.1 of the Franchise Agreement, the Licensed Service Area under this Agreement shall mean:

**LSA 1:**

Total population in LSA 1:

3. **Agreement Effective Date.** As referenced in Section 2.1, the term of this Agreement shall commence on the following date: \_\_\_\_\_ (“**Agreement Effective Date**”).
4. **Business Start Date.** As referenced in Section 2.2 of the Agreement, the Business Start Date by which Franchisee hereby agrees to commence operations hereunder shall be no later than \_\_\_\_\_.
5. **Minimum Effective Date:** As referenced in Section 4.2.1., Franchisee agrees that the Monthly Minimum Royalty Fee identified below shall begin on: \_\_\_\_\_ (“**Minimum Effective Date**”).
6. **Monthly Minimum Royalty Fee.** As referenced in Section 4.2.1 of the Agreement, beginning on the Minimum Effective Date, Franchisee must begin to pay a monthly Minimum Royalty Fee according to the chart below (effective on the anniversary date of the Agreement Effective Date of the applicable calendar year).

|           | <b>Minimum Monthly Royalty Fee</b>        |
|-----------|---|
| Year 1:   | Four Hundred Dollars (\$400.00) per month |
| Year 2:   | Five Hundred Dollars (\$500.00) per month |
| Year 3-5: | Six Hundred Dollars (\$600.00) per month  |

Because payments are due by the 10<sup>th</sup> of the month following the reporting period, this means that for every month beginning on the **10<sup>th</sup> of Month**, Franchisee shall pay monthly the greater of the applicable Percentage Royalty Fee or the Minimum Royalty Fee.

7. **Monthly Technology Fee:** \_\_\_\_\_
8. **RightTrack Start-Up Package Cost:**  
Tools & Materials: \$11,750  
Grand Opening Marketing: \$16,200  
Package To be paid on or before \_\_\_\_\_



9. **Franchisee Information.** Franchisee represents and warrants that the following ownership information is accurate and complete in all material respects:

a. If Franchisee is/are natural person(s), please identify all people who are Owners here:

| NAME | ADDRESS | PERCENTAGE OWNERSHIP INTEREST |
|------|---------|-------------------------------|
|      |         |                               |

b. **Franchisee Entity.** If Franchisee is an Entity, identify name of Franchisee Entity:

\_\_\_\_\_.

Franchisee represents and warrants that the following information is accurate and complete in all material respects:

Franchisee is a (check as applicable):

- an individual
- a \_\_\_\_\_ general partnership
- a \_\_\_\_\_ limited partnership
- a \_\_\_\_\_ limited liability company
- a \_\_\_\_\_ corporation
- Other \_\_\_\_\_

Franchisee shall make available to Franchisor upon request a true and accurate copy of its entity records: Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution hereof, and any amendments to the foregoing (“**Entity Records**”).

Franchisee Entity has the following Ownership with Owners having the respective ownership interest identified:

| NAME | ADDRESS | PERCENTAGE OWNERSHIP INTEREST |
|------|---------|-------------------------------|
|      |         |                               |
|      |         |                               |

If the Owners identified above will not all be devoting their full time to the Franchised Business (i.e., passive owners), identify the names, addresses and titles of Franchisee’s Owners who will be devoting their full time to the Franchised Business:

| NAME | ADDRESS | PERCENTAGE OWNERSHIP INTEREST |
|------|---------|-------------------------------|
|      |         |                               |
|      |         |                               |

**FRANCHISOR:**

PATCHMASTER FRANCHSIE, LLC, a Delaware limited liability company

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

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

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

**FRANCHISEE:**

\_\_\_\_\_

- an individual
- a \_\_\_\_\_ general partnership
- a \_\_\_\_\_ limited partnership
- a \_\_\_\_\_ limited liability company
- a \_\_\_\_\_ corporation

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

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

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

**SCHEDULE 2**  
**PERSONAL GUARANTY OF PAYMENT AND PERFORMANCE**

As an inducement to **PATCHMASTER FRANCHISE, LLC**, a Delaware limited liability company (“**Franchisor**”), to execute the Franchise Agreement with Franchisee as identified on the Data Sheet at Schedule 1, and in consideration of Franchisor executing the Franchise Agreement, Guarantors jointly and severally agree as follows:

A. Guarantors shall pay or cause to be paid to Franchisor all monies payable by Franchisee under the Franchise Agreement on the date and in the manner required for payment.

B. Guarantors unconditionally guarantee full performance and discharge by Franchisee of all of the obligations of Franchisee under the Franchise Agreement on the date and in the manner required.

C. Guarantors shall indemnify and save harmless Franchisor, and each of their respective shareholders, directors, employees, affiliates and agents (collectively “**Indemnitees**”) against and from all losses, damages, costs, and expenses which the Indemnitees may sustain, incur, or become liable for by reason of the failure for any reason whatsoever of Franchisee to pay the monies payable pursuant to the Franchise Agreement or to do and perform any other act, matter or thing required by the Franchise Agreement, and any act, action, or proceeding of or by Franchisor for or in connection with the recovery of monies or the obtaining of performance by Franchisee of any other act, matter or thing required by the Franchise Agreement.

D. Franchisor shall not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Guarantors of this Agreement set out, and the enforcement of such obligations may take place before, after, or contemporaneously with, enforcement of any debt or obligation of Franchisee under the Franchise Agreement.

E. Without affecting the Guarantors’ obligations under this Guaranty, Franchisor, without notice to the Guarantors, may extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. Guarantors waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

F. Guarantors’ obligations under this Agreement shall remain in full force and effect, and shall be unaffected by: (i) the unenforceability of the Franchise Agreement against Franchisee; (ii) the termination of any obligations of Franchisee under the Franchise Agreement by operation of law or otherwise; (iii) the bankruptcy, insolvency, dissolution, or other liquidation of Franchisee, including, without limitation, any surrender or disclaimer of the Franchise Agreement by the trustee in bankruptcy of Franchisee; (iv) Franchisor’s consent or acquiescence to any bankruptcy, receivership, insolvency, or any other creditor’s proceedings of or against Franchisee, or by the winding-up or dissolution of Franchisee, or any other event or occurrence which would have the effect at law of terminating the existence of Franchisee’s obligations before the termination of the Franchise Agreement; or (v) by any other agreements or other dealings between the Parties having the effect of amending or altering the Franchise Agreement or Franchisee’s obligations under this Agreement, or by any want of notice by Franchisor to Franchisee of any default of Franchisee or by any other matter, thing, act, or omission of Franchisor whatsoever.

G. ALL DISPUTES INVOLVING A GUARANTOR (WHETHER OR NOT RELATED TO THIS GUARANTEE) SHALL BE ADJUDICATED AND RESOLVED IN ACCORDANCE WITH THE PROVISIONS APPLICABLE TO FRANCHISEE THAT ARE SET FORTH

IN THE FRANCHISE AGREEMENT, WHICH, AMONG OTHER THINGS, INCLUDES MEDIATION OF MOST DISPUTES, A MUTUAL WAIVER OF TRIAL BY JURY IN ANY COURT PROCEEDINGS, LIMITATIONS ON THE TIME WITHIN WHICH TO COMMENCE AN ACTION, AND A WAIVER TO THE EXTENT PERMITTED BY LAW OF ANY RIGHT TO OR CLAIM OF ANY PUNITIVE, EXEMPLARY, OR CONSEQUENTIAL DAMAGES.

H. The provisions of Section 13.4 of the Franchise Agreement shall apply to any notice to either Party, except that notice to Guarantors shall be as follows:

Name

Address

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

IN WITNESS WHEREOF, each of the undersigned has signed this Guaranty on the date set forth adjacent to his or her signature.

**GUARANTORS:**

\_\_\_\_\_  
Franchisee Name

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

\_\_\_\_\_  
Franchisee Name

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

**SCHEDULE 3**  
**STATE SPECIFIC ADDENDA FOR FRANCHISE AGREEMENT**

**CALIFORNIA**

If you are a resident of California, the following provisions will apply and will supersede any provision in this Agreement to the contrary:

- A. Termination and Non-renewal: Sections 3.2 and 10 of this Agreement relating to renewal and termination of the franchise. California Business and Professions Codes Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of the franchise. If this Agreement contains a provision that is inconsistent with the law, the law will control.

**ILLINOIS**

If you are a resident of Illinois, the following provisions will apply and will supersede any provision in this Agreement to the contrary.

- A. Illinois law governs the Franchise Agreement.
- B. Payment of the Initial Franchise Fee will be deferred until Franchisor has met its initial obligations and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.
- C. 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.
- D. Franchisees' rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
- E. 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.
- F. See the last page of this Schedule 3 for your signature.

**MARYLAND**

If you are a resident of Maryland or you are a resident of another state and you intend for the franchise to be operational in Maryland, the following provisions will apply and will supersede any provision in this Agreement to the contrary:

- A. Franchise Agreement Section 4.1 is amended as follows:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

- B. Franchise Agreement Section 12.2 is amended as follows:

Franchisee may bring a lawsuit in Maryland against Franchisor for claims arising under the Maryland Franchise Registration and Disclosure Law.

- C. Franchise Agreement Sections 3.2.7, 6.1.1(4), and 9.2.4 are amended as follows:

The general release required as a condition to renewal, sale and or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

- D. Franchise Agreement Section 12.9 is amended as follows:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

- E. Franchise Agreement Section 4.3.3. is amended as follows:

Franchisor will provide you with an annual accounting of the advertising fees collected.

- F. The representations of Franchisee in the Franchise Agreement and the Confirmation of Additional Terms and Representations Addendum are not intended, nor will they act, as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Each provision of this Section will be effective only to the extent that, with respect to the provision, the jurisdictional requirement of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Section.

## **MINNESOTA**

If you are a resident of Minnesota, the following provisions will apply and will supersede any provision in this Agreement to the contrary:

- A. Franchise Agreement Section 4.5.2. is amended as follows:

Insufficient Funds Charges and NSF checks are governed by Minnesota Statute 60A.113, which puts a cap of \$30 on service charges.

- B. Franchise Agreement Sections 3.4, 10.2 and 10.3 are amended as follows:

Termination and Non-renewal: With respect to franchises governed by Minnesota law, Franchisor will comply with Minnesota Statutes, Section 80C.14, Subdivisions 3, 4, and 5, which require, except in certain specified cases, that the Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Agreement.

- C. Franchise Agreement Sections 12.1 and 12.2 are amended as follows:

These provisions will not in any way abrogate or reduce any right of Franchisee, as provided under Minnesota Statutes, Chapter 80C, or Minnesota Rule 2860.4400J, including the right to submit matters to the jurisdiction of Minnesota courts or the right to a jury trial.

- C. Franchise Agreement Section 8.4.4 is amended as follows:

We agree to indemnify and save you harmless from any loss, costs or expenses arising out of or related to any claim, suit or demand against you relating to your use of the Marks in accordance with this Agreement.

- D. Franchise Agreement Sections 3.2.7 and 9.2.4 are amended as follows:

General Release Not Required: Notwithstanding any terms in this Agreement, you are not required to agree to any general release as a condition for approval of any assignment, transfer or renewal of this Agreement.

- E. Franchise Agreement Sections 12.9 (Limitation of Claims) is amended as follows:

Notwithstanding the foregoing, any claim brought under the Minnesota Franchises Law shall not be barred unless a legal proceeding is commenced within three (3) years after the cause of action accrues.

- F. Franchise Agreement Section 12.11 is amended as follows:

Notwithstanding any terms of this Agreement, Franchisee is not required to consent in advance as to any application by Franchisor for injunctive relief or to waive any bond.

## **NEW YORK**

If you are a resident of New York, the following provisions will apply and will supersede any provision in this Agreement to the contrary:

- A. Franchise Agreement Section 3.2 is amended as follows:

All rights enjoyed by the Franchisee and any causes of action arising in its 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 GBL Section 687.4 and 687.5 be satisfied.

- B. Franchise Agreement Section 12.1 is amended as follows:

The choice of law shall not be considered a waiver of any right conferred upon the Franchisee by the provisions of Article 33 of the General Business Law of the State of New York.

- C. Franchise Agreement Section 9.1 is amended as follows:

However, no assignment will be made except to an assignee who in good faith and reasonable judgment of the Franchisor, is willing and financially able to assume the Franchisor's obligations under the Franchise Agreement.

## **NORTH DAKOTA**

If you are a resident of North Dakota, the following provisions will apply and will supersede any provision in this Agreement to the contrary:

Revisions: The North Dakota Securities Commissioner has held the following to be appropriate and required revisions to franchise agreements for Franchisees in North Dakota:

A. Franchise Agreement Section 4.1 is amended as follows:

Payment of the Initial Franchise Fee will be deferred until Franchisor has met its initial obligations and franchisee has commenced doing business.

B. Franchise Agreement Section 11.9 is amended as follows:

Covenants not to compete upon termination or expiration of the franchise agreement that conflict with Section 9-08-06 of the North Dakota Century Code are generally unenforceable in the State of North Dakota.

C. Franchise Agreement Sections 12.1 and 12.2 are amended as follows:

North Dakota Franchisees are not required to consent to the jurisdiction of courts outside of North Dakota. All franchise agreements for North Dakota franchises will be governed by the laws of the state of North Dakota.

D. Franchise Agreement Sections 11.9.3(2) and 12.10 is amended as follows:

Any provision of the franchise agreement requiring the Franchisee to consent to liquidated damages or termination penalties is unfair and inequitable to Franchisees.

E. Franchise Agreement Section 3.4.7 is amended as follows:

North Dakota Franchisees are not required to sign a general release upon the renewal of the franchise agreement. Consequently, any provision of a franchise agreement as it applies to the requirement that Franchisee's execute a general release upon renewal does not apply to North Dakota Franchises.

F. Franchise Agreement Section 12.7 is amended as follows:

North Dakota Franchisees are not required to waive their right to a jury trial. Consequently, Section 12.7 does not apply to North Dakota Franchisees.

G. Franchise Agreement Section 11.8 is amended as follows:

Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

H. Franchise Agreement Section 12.8 is amended as follows:



North Dakota Franchisees are not required to consent to a waiver of exemplary and punitive damages. Consequently, Section 12.8 of the Agreement does not apply to North Dakota Franchisees.

- I. Franchise Agreement Section 12.1 is amended as follows:

This Agreement will be governed by the laws of the state of North Dakota.

- J. Franchise Agreement Section 12.2 is amended as follows:

The consent to the jurisdiction of the courts of the state of New Jersey shall be inapplicable to franchises operating under the North Dakota Franchise Investment Law.

- K. Franchise Agreement Section 12 is amended as follows:

The North Dakota Securities Commissioner has determined that franchise agreements which provide that parties agree to the arbitration or mediation of disputes at a location that is remote from the site of the franchisee's business are unfair, unjust or inequitable. The franchise agreement is amended to provide the site of arbitration or mediation be agreeable to all parties and may not be remote from the franchisee's place of business.

- L. Franchise Agreement Section 12.9 is amended as follows:

The statute of limitations under North Dakota law applies.

## **RHODE ISLAND**

If you are a resident of Rhode Island, the following provisions will apply and will supersede any provision in this Agreement to the contrary:

- A. **Jurisdiction and Venue:** A provision in a franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

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.”

This supersedes Sections 12.1, 12.2 and 12.5 as well as any other contrary provision of the Agreement.

## **SOUTH DAKOTA**

If you are a resident of South Dakota, the following provisions will apply and will supersede any provision in this Agreement to the contrary:

- A. **South Dakota Law:** Section 12.1 of this Agreement relates to the laws governing this Agreement. Notwithstanding anything to the contrary, the law regarding franchise

registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota. However, as to contractual and all other matters, this Agreement and all of its provisions will be and remain subject to the application, construction, enforcement and interpretation under the governing law in Section 12.1.

- B. South Dakota Cause of Action: Section 12.2 of this Agreement relates to, among other things, judicial proceedings between the parties. Notwithstanding anything to the contrary contained in Section 12.2, under South Dakota law any provision in this Agreement that designates jurisdiction or venue, or that requires Franchisee to agree to jurisdiction or venue, in a judicial forum outside of South Dakota is void with respect to any cause of action which is otherwise enforceable in South Dakota.
- C. Termination: Sections 10.2 and 10.3 of this Agreement pertains to default and termination of the franchise. Notwithstanding the provisions of the Franchise Agreement, you will be provided with 30 days' written notice and opportunity to cure any breach of this Agreement, any failure to meet performance and quality standards or any failure to make payments of Royalty Fees required by this Agreement.
- D. Disclaimers: Notwithstanding anything to the contrary contained in this Agreement, under South Dakota Codified Laws, Section 37-5B-21, any acknowledgment provision, disclaimer or integration clause, or other provision having a similar effect, in this Agreement will not negate or act to remove from judicial review any statement, misrepresentation or action that would violate this Chapter of the Law or a rule or order under this Chapter.

## **VIRGINIA**

If you are a resident of Virginia, the following provisions will apply and will supersede any provision in this Agreement to the contrary.

1. Section 6.1.1(2) of the Franchise Agreement on Successful Completion of Training is amended to read in its entirety as follows:

**Successful Completion of Training.** The grant of the franchise herein is conditioned upon successful completion of the Initial Training Program by Franchisee (or Franchisee's individual owner if Franchisee is a corporation, partnership or other entity). If during the course of the training programs or within fifteen (15) days thereafter Franchisor concludes that Franchisee has not successfully completed the Initial Training Program, Franchisor may, in its sole discretion and judgment, terminate this Agreement and all rights hereunder, where permitted by applicable law, by giving notice to Franchisee. Upon termination of this Agreement, Franchisee shall return to Franchisor all materials, manuals, information and all other items that Franchisee received from Franchisor, including all copies thereof and notes thereon which Franchisee may have or control. Franchisee further agrees to maintain strictly the confidentiality of all information received relating to the PatchMaster Business and not to use in the operation of a similar business, any trade secrets, confidential information, copyrighted works or proprietary materials obtained from Franchisor in the course of the training program or otherwise.

2. Section 7.2.1. of the Franchise Agreement on Approval of Local Marketing Collateral is amended to add the following:

Franchisor will review the advertising submitted by Franchisee within a reasonable amount of time and will advise Franchisee whether it is approved or disapproved.

3. Section 10.2.5 of the Franchise Agreement is amended as follows and the following statements are added to Item 17.h:

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the [franchise agreement] [development 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.

4. Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the franchise agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

## **WASHINGTON**

If you are a resident of Washington or if you purchase a franchise located or to be located in Washington, the following provisions will apply and will supersede any provision in this Agreement to the contrary:

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.

Franchise Agreement, Section 3.1 - Payment of the Initial Franchise Fee will be deferred until Franchisor has fulfilled its initial pre-opening obligations to the franchisee and the franchisee is open.

Franchise Agreement, Section 7.5.1 – The franchisee’s indemnification obligation does **not** extend to liabilities caused by franchisor’s acts or omissions amounting to gross negligence, willful misconduct, strict liability or fraud.

Franchise Agreement, Section 11.8.2 – The post-termination non-competition provision in Section 11.8.2 of the Franchise Agreement may not be enforceable in Washington.

Franchise Agreement, Section 12.9 – The following language is removed from the Limitation of Claims provision:

Except for claims against Franchisee concerning the underreporting of Gross Revenue, for non-payment of any fee due under this Agreement, intellectual property infringement/violations, claims for violation of post-termination obligations, including, but not limited to, a breach of the covenant

not to compete, and for claims against Franchisee by Franchisor relating to indemnification or other third party claims or suits brought against Franchisor as a result of Franchisee's operation of the Franchised Business, any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisee and Franchisor, or Franchisee's operation of the Franchised Business, brought by either Party against the other, shall be commenced within one year (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

Franchise Agreement, Section 13.10 – The following language is removed:

Franchisor expressly disclaims making, and Franchisee and its Owners acknowledge and agree that they have not received or relied on any warranty or guarantee, express or implied, as to the potential volume, profits, expenses, or success of the Franchised Business

Franchise Agreement, Section 13.11 – The following language is removed:

Franchisee and its Owners further acknowledge and agree that Franchisor has made no promises, representations, warranties or assurances to Franchisee which are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document, concerning the profitability or likelihood of success of the Franchised Business[.]

Confirmation of Additional Terms and Representations Addendum to PatchMaster Franchise Agreement – The Addendum does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

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.

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 undersigned does hereby acknowledge receipt of this addendum.

**WISCONSIN**

If you are a resident of Wisconsin, the following provisions will apply and will supersede any provision in this Agreement to the contrary:

- A. Wisconsin Law: The Wisconsin Fair Dealership Law applies to franchising in the State of Wisconsin. This Law prohibits the termination, cancellation, non-renewal or substantial change of the competitive circumstances of a franchise agreement without good cause.
- B. Inconsistent Provisions: The Wisconsin Fair Dealership Law supersedes any provisions contained in this Agreement that are inconsistent with the Law. If a conflict under this Agreement arises, the Law will prevail.
- C. Written Notice: The Wisconsin Fair Dealership Law provides that 90 days prior written notice of termination, cancellation, non-renewal or substantial change of the competitive circumstances of a franchise agreement must be given to the Franchisee. The Franchisee has 10 days to cure the non-payment of fees to franchisor and 60 days to cure any other deficiency and, if the deficiency is so cured within the applicable cure period, the notice of termination is void.

It is agreed that the applicable foregoing state law addendum for the identified states supersedes any inconsistent portion of the Franchise Agreement (to which this addendum is attached) of this same date, and of the Franchise Disclosure Document. All terms of the Franchise Agreement, including these State Law Addendum provisions for the relevant state, have been agreed to at the time the Franchise Agreement was signed. However, this addendum will have effect only if the Franchise Agreement or our relationship with you satisfies all of the jurisdictional requirements of the relevant state's franchise laws, without considering this addendum.

**FRANCHISEE:**

**FRANCHISOR:**

PATCHMASTER FRANCHISE, LLC.  
A Delaware limited liability company

By: \_\_\_\_\_  
(Signature)

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

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

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

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

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

**SCHEDULE 4**  
**CONFIRMATION OF ADDITIONAL TERMS AND REPRESENTATIONS ADDENDUM TO**  
**PATCHMASTER FRANCHISE AGREEMENT**

As you know, we are entering into a Franchise Agreement for the operation of a PatchMaster franchise. The purpose of this Acknowledgment Addendum is to verify certain information about the sales process and to confirm any additional commitments or terms beyond those contained in our standard franchise agreement and contained in our current "Franchise Disclosure Document," including any oral statement, representation, promise, or assurance made during the negotiations for the purchase of a PatchMaster franchise by any of our directors, officers, employees, agents, or representatives (each a "Representative") Please review each of the following questions carefully and provide honest responses to each question.

**BACKGROUND AND GENERAL INFORMATION**

1. Please state the full name of each individual and entity that will be an owner of the Franchise and an owner of an entity that owns the Franchise:

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2. If Franchisee is other than an individual, indicate the capacity in which the undersigned is authorized to act on behalf of the Franchisee (check applicable box):

- Officer (insert title): \_\_\_\_\_
- General Partner
- Other (please explain): \_\_\_\_\_

3. What is the location of the Franchise Territory you are purchasing?

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6. Have you received a copy of the most current PatchMaster Disclosure Document?

Yes      No  

7. On what date did you receive the Disclosure Document? \_\_\_\_\_

**I. FRANCHISE**

**A. Description of Representations**

1. Describe any promises, agreements, contracts, commitments, representations, understandings, "side deals" or other promises that have been made to or with you by us or our Representatives with respect to any matter not expressly contained in the Franchise Agreement. This includes, but is not limited to, any representations or promises regarding advertising, marketing, Site location, operational assistance, or other services or write "None":

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2. Describe any oral, written, or visual claim or representation, promise, agreement, contract, commitment, understanding or otherwise which contradicts or is inconsistent with the Disclosure Document or the Franchise Agreement that has been made to you by us or our Representatives or write "None":

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3. Describe any oral, written, visual, or other claim or representation has been made to you by us or our Representatives, which states or suggests any actual, average, projected or forecasted sales, gross receipts, operating costs, revenues, income, profits, expenses, cash flow, tax effects, earnings, or otherwise, that is different from or in addition to what is contained in the Franchise Disclosure Document – including Item 19 or write "None":

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4. Describe any statement, promise or assurance made by us or our Representatives concerning the likelihood of success that you should or might expect to achieve from developing and operating an PatchMaster franchise or write "None":

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5. Describe any statement, promise or assurance concerning the advertising, marketing, training, support services or assistance that PatchMaster will furnish you that is contrary to, or different from, the information contained in the Franchise Disclosure Document. If you believe that one of these statements, promises or assurances has been made, please describe the statement or promise in the space provided below or write "None".

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6. Describe any other statement, promise or assurance concerning any other matter related to av PatchMaster franchise that is contrary to, or different from, the information contained in the Disclosure Document. If you believe that one of these statements, promises or assurances has been made, please describe the statement, promise or assurance in the space provided below or write "None".

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**II. YOUR PARTICIPATION**

- A. You will personally participate in the management of the PatchMaster Franchise as set forth in the Franchise Agreement. You will faithfully and fully perform all duties required of you under the Franchise Agreement.
- B. Your purchase of the Franchise is for your own account and is not made with a view to or for resale.

**ACKNOWLEDGEMENT**

1. Did you receive the Disclosure Document at least 14 calendar days before you signed a binding agreement with or made a payment to us or our affiliate in connection with the proposed franchise sale, or sooner if required by state law? If not, please describe when you received the Franchise Disclosure Document and when you signed the agreement or paid the money:

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2. Did you receive any negotiated modifications to the Franchise Agreement (if applicable) at least 7 calendar days before signing them? If not, please describe when you received them:

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3. Did we or our Representatives advise you to fill in and complete this form except as based upon your personal knowledge and experience? If not, please describe what you were instructed or write "None":

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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.

**NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT IN HIS/HER INDIVIDUALLY CAPACITY AND ON BEHALF OF THE LEGAL ENTITY.**

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

Signed: \_\_\_\_\_

Signed: \_\_\_\_\_

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

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

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

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

**EXHIBIT C**  
**TABLE OF CONTENTS FOR**  
**PATCHMASTER OPERATIONS MANUAL**

|   |          |
|---|----------|
| <b>Chapter 1 – The PatchMaster® Franchise System</b>                | 2 pages  |
| <b>Chapter 2 – Intellectual Property</b>                            | 5 pages  |
| <b>Chapter 3 – Operating Your Business</b>                          | 17 pages |
| <b>Chapter 4 – Business Planning</b>                                | 5 pages  |
| <b>Chapter 5 – Business Development</b>                             | 4 pages  |
| <b>Chapter 6 – Accounting &amp; Record Keeping</b>                  | 4 pages  |
| <b>Chapter 7 – Renewing, Transferring or Selling Your Franchise</b> | 2 pages  |

**EXHIBIT D**  
**LIST OF CURRENT FRANCHISEES**  
**As of December 31, 2022**

Franchisees' Names, Addresses and Telephone Numbers as of December 31, 2022.

**ALASKA (1)**

Frontier Drywall Patching, LLC (1 franchised territory)  
9140 Wallace St., Eagle River, AK 99501  
(480) 250-3965                      Attention: Noel Steffans

**ARIZONA (7)**

Legacy Investment Properties, LLC (5 franchised territories)  
3228 E. Ivy Glen Circle, Mesa, AZ 85213  
(480) 388-0870                      Attention: Gregory Evans

M & N Remodeling, LLC (2 franchised territories)  
7136 E Waterfowl Way, Sun Tan Valley, AZ, 85143  
(917) 299-8924                      Attention: Michael Sabato

**CALIFORNIA (6)**

PATCHWORXPLUS, LLC (2 franchised territories - INACTIVE)  
42237 Revere St., Indio, CA 92201  
(702) 275-9328                      Attention: Dan Williams

Brandon Hance (1 franchised territory)  
1724 North Poinsettia Avenue, Manhattan Beach, CA, 90266  
(818) 795-9507                      Attention: Brandon Hance

JJT Patch and Paint Inc. (2 franchised territories - INACTIVE)  
14 Lomada St. Rancho Mission Viejo, CA 92694  
(949) 975-9300                      Attention: Morgan Trent

Treat Corp (1 franchised territory)  
765 Agate St, Apt. 5, San Diego, CA, 92109  
(678) 654-6559                      Attention: Thomas Treat

**COLORADO (2)**

Robert Lattu (1 franchised territory)  
6028 Vacquero Circle, Castle Pines, CO, 80108  
(720) 576-8185                      Attention: Robert Lattu

D&F Home Enterprises LLC (1 franchised territory)  
871 S. Peak Drive, Castle Rock, CO 80109  
(720) 519-2612                      Attention: Jim Lampe

**CONNECTICUT (2)**

Drywall Repair of Westchester, Inc. (1 franchised territory)  
16 Sassinoro Drive, Putnam Valley, NY, 10579  
(914) 388-3182 Attention: Jon Paul McGahan

Parkview Services, Inc. (1 franchised territory)  
479 Trafton Road, Springfield, MA, 1108  
(413) 297-2464 Attention: Roger Peterson

### **FLORIDA (10)**

ProCol, LLC (2 franchised territories - INACTIVE)  
527 Brack Street, Kissimmee, FL 34744  
(407) 483-4677 Attention: Colin Williams

Luis Palmar (2 franchised territories)  
11045 Regency Commons Court, Orlando, FL, 32837  
(407) 747-0001 Attention: Luis Palmar

Daise Drywall Repair, LLC (1 franchised territory)  
7274 Nottinghamshire Drive, Jacksonville, FL 32219  
(904) 962-2456 Attention: Gregory Daise

Work Services, Inc. (3 franchised territories)  
25 Pine Arbor Lane, Vero Beach, FL 32962  
(321) 432-8293 Attention: Angel Garcia

JI-PBC Enterprises, LLC (2 franchised territories)  
2722 Pointe Circle, West Palm Beach, FL 33413  
(561) 214-1133 Attention: Jerry Inman

### **GEORGIA (2)**

Wilson Franchise Group, LLC (2 franchised territories)  
385 Greenhill Way, East Point, GA 30344  
(40) 358-6471 Attention: Derek Wilson

### **INDIANA (1)**

Kauffman Home Repair (1 franchised territory)  
53138 Monterey Dr., Bristol, IN 46507  
(574) 298-1009 Attention: Bill Kauffman

### **LOUISIANA (2)**

Partners In Energy, LLC (2 franchised territories)  
5832 Parkbriar Court, Baton Rouge, LA 70816  
(225) 773-7252 Attention: Mick Dubuis

### **MARYLAND (2)**

Davis Pro Services, LLC (2 franchised territories)

3407 Howell Court, Abingdon, MD 21009  
(410) 440-1472 Attention: Dereck Davis

### **MASSACHUSETTS (6)**

Parkview Services Incorporated (4 franchised territories)  
112 Washington Rd., Springfield, MA 01108  
(413) 297-2464 Attention: Roger Peterson

Tanieka Gentles (1 franchised territory)  
1 Lake Whittemore Drive, Worcester, MA 01605  
(774) 242-0312 Attention: Tanieka Gentles

Coleman Business Services, LLC (1 franchised territory)  
85 University Avenue, Apt 1130, Westwood, MA 02090  
(781) 801-4224 Attention: Thomas Coleman

### **MICHIGAN (3)**

Southwest Michigan Home Repair Services, LLC (1 franchised territories)  
1416 Margaret Place, St. Joseph, MI 46085  
(269) 208-8190 Attention: Mike Kauffman

Kauffman Home Repair (1 franchised territory)  
53138 Monterey Dr., Bristol, IN 46507  
(574) 298-1009 Attention: Bill Kauffman

Foley Construction, LLC (1 franchised territory)  
48571 Lorenzo Dr, Macomb, MI 48044  
(586) 899-8602 Attention: Matthew Foley

### **MISSOURI (3)**

Keller Home Services, LLC (1 franchised territory)  
1231 Gaston Dr, Southaven, TN, 38671  
(901) 240-5904 Attention: Jack Keller

Yates Premier Services, LLC (2 franchised territories)  
320 Thoreau Blvd, O'Fallon, MO, 63366  
(319) 795-5207 Attention: Kody Yates

### **NEVADA (3)**

Shaun Borden (3 franchised territories)  
7930 Hickam Avenue, Las Vegas, NV, 89129  
(561) 444-5307 Attention: Shaun Borden

### **NEW JERSEY (5)**

DBL Properties, LLC (2 franchised territories)  
926 Haddonfield Rd., Cherry Hill, NJ 08002  
(215) 847-2084 Attention: Dan Lane

Azimut Business Services LLC (1 franchised territories)  
320 Liberty Road, Englewood, NJ 07631  
(321) 396-2876 Attention: Dwayne Fyffe

JAC Rocking, LLC (1 franchised territory)  
781 Chimney Rock Road, Martinsville, NJ, 8836  
(908) 334-7299 Attention: John Phelan

Garden State Sheetrock, LLC (1 franchised territory)  
15 Tunney Terrace, Seaside Heights, NJ 08751  
(973) 390-2367 Attention: Joseph Volpe

### **NEW YORK (7)**

A2 Drywall, Inc. (2 franchised territories)  
1153 Flanders Court, Amherst, NY, 14051  
(716) 261-8125 Attention: Anthony Esposito

SMB Victory Enterprises Inc. (3 franchised territories)  
61 Glen Head Road, Glen Head, NY 11545  
(516) 341-1622 Attention: Shawn Brown

Drywall Repair of Westchester, Inc. (2 franchised territories)  
16 Sassinoro Drive, Putnam Valley, NY, 10579  
(914) 388-3182 Attention: Jon Paul McGahan

### **NORTH CAROLINA (5)**

Bronze Star Holdings I, LLC (3 franchised territories)  
152 Morgan Ridge Road, Holly Springs, NC, 27540  
(919) 802-2377 Attention: Timothy Forrest

Bronze Star Holdings, Inc. (1 franchised territory)  
104 Galax Drive, Statesville, NC 28677  
(980) 721-4714 Attention: John Gallina

Cape Fear Drywall Repair, LLC (1 franchised territory)  
7259 Sanctuary Dr, Wilmington, NC, 28411  
(910) 264-8321 Attention: Christian Clavadetscher

### **OHIO (3)**

Joseph Gilliam (2 franchised territories)  
36550 Valley Ridge Rd, Willoughby, OH 44095  
(440) 840-5126 Attention: Joseph Gilliam

ENOKK Logistics, LLC (1 franchised territory)  
1227 Northridge Rd, Columbus, OH 43224  
(614) 264-3596 Attention: Alex Reinhart

**OKLAHOMA (1)**

Legacy Investment Properties, LLC (1 franchised territory)  
3303 E. Baseline Rd, Ste 119, Gilbert, AZ, 85234  
(602) 614-3738 Attention: Greg Evans

**PENNSYLVANIA (9)**

MYL Contractor, LLC (1 franchised territory)  
10 Parnell Street, Carbondale, PA 18407  
(570) 406-8585 Attention: Michael Yetter

KL Crane Enterprises, LLC (2 franchised territories)  
435 Crescent Moon Dr., Cogan Station, PA 17728  
(570) 337-3256 Attention: Kevin Crane

CCLM, LLC (6 franchised territories)  
424 Marion Ave, Lower Gwynedd, PA 19002  
(215) 233-1130 Attention: Diane Clerkin

**SOUTH CAROLINA (3)**

Mid-South Drywall Repair, LLC (2 franchised territories)  
184 Scoville Street, Orangeburg, SC, 29115  
(803) 210-6230 Attention: Mitch Baker

James Maggard (1 franchised territory)  
607 West Franklin Street, Monroe, SC, 28112  
(864) 436-6658 Attention: James Maggard

**SOUTH DAKOTA (1)**

McCoy Handyman Drywall & Repair, LLC (1 franchised territory)  
6316 West 61st St, Sioux Falls, SD, 57106  
(605) 413-5589 Attention: Jarvis McCoy

**TENNESSEE (1)**

Jack Keller (1 franchised territory)  
1231 Gaston Drive, Memphis, TN 38110  
(901) 240-5904 Attention: Jack Keller

**TEXAS (16)**

Justin Calvin (2 franchised territories)  
1617 Fannin #1819, Houston, TX 77022  
(936) 649-2919 Attention: Justin Calvin

KD Franchise Group (5 franchised territories)  
908 Brighton Way, Pooler, GA 31322  
(469) 971-3903 Attention: Dylan Davis

Adamas Management, LLC (2 franchised territories)  
414 Elm Street South, Sauk Center, MN, 56378  
(605) 290-9722 Attention: Aaron Sandvig

Awesome Contractors, LLC (1 franchised territory)  
2721 Whispering Oaks Cove, Cedar Hill, TX 75104  
(817) 513-7603 Attention: Illya King

PM Dallas Operations, LLC (4 franchised territories)  
3315 Enterprise Drive, Rowlett, TX 75088  
(214) 500-5216 Attention: William McGee

MaeLaneCo Holdings, LLC (2 franchised territories)  
104 Grouger Cove, Leander, TX 78641  
(512) 779-2216 Attention: Michael Clements

### **UTAH (2)**

J & S Unlimited, LLC (2 franchised territories)  
264 E 360 S, Smithfield, UT 84335  
(510) 342-2880 Attention: Jeremy Willes

### **VIRGINIA (2)**

Marchello Fields (2 franchised territories - INACTIVE)  
3 Willow Street, Portsmouth, VA, 23701  
(757) 816-5422 Attention: Marchello Fields

### **WISCONSIN (2)**

MKE Drywall Repair, LLC (2 franchised territories)  
5199 State Road 70, Siren, WI 54872  
(262) 349-6727 Attention: Chad Imme



## AFFILIATED UNITS

### NEW JERSEY (5)

NJ Drywall Repair, Inc. (2 franchised territories - INACTIVE)  
580 Rt. 28, #313, Bridgewater, NJ 08807  
732-469-6050                      Attention: Michael Kuhn

Central NJ Drywall, LLC (3 franchised territories)  
88 East Main Street, Suite H345, Mendham, NJ 07945  
973-499-4900                      Attention: Paul Ferrara

Joseph Eible (1 franchised territory – NOT YET OPEN, so not counted)  
5 Nalron Drive, Ledgewood, NJ, 07852  
(973) 944-4899                      Attention: Joseph Eible

### NORTH CAROLINA (7)

BARKAT LLC (7 franchised territories)  
675 Carlton Dr., Unit B, Gastonia, NC 28054  
(704) 860-6364                      Attention: Dave Biggerstaff

### SOUTH CAROLINA (1)

BARKAT LLC (1 franchised territories)  
675 Carlton Dr., Unit B, Gastonia, NC 28054  
(704) 860-6364                      Attention: Dave Biggerstaff

### UTAH (5)

Zite & Zite, LLC (5 franchised territories)  
9461 S. Barium St., Sandy, UT 84094  
844-728-2462                      Attention: Eddy Zite

**Franchises That Opened After December 31, 2022.**

**COLORADO (1)**

Martinez Services, LLC (1 franchised territory)  
9641 West Belfast Drive, Littleton, CO 80127  
(720) 375-2400 Attention: Chris Martinez

**FLORIDA (2)**

Jack Lepselter (1 franchised territory– signed but not yet open as of 12/31/2022)  
2740 NE 40th Court, Lighthouse Point, FL, 33064  
(973) 747-5629 Attention: Jack Lepselter

Rhino Repairs, LLC (1 franchised territory)  
22357 Woodman Hall Drive, Land O Lakes, FL 33413  
(813) 503-8868 Attention: Lorena Letona

**MISSOURI (1)**

Thomas Valade (1 franchised territory)  
2583 Bonniebrook Drive, Maryland Heights, MO 63043  
(850) 341-3695 Attention: Thomas Valade

**NEW JERSEY (2)**

Arthur Taggart (1 franchised territory)  
38 Valley Vale Drive, Old Bridge, NJ 08857  
(732) 850-3549 Attention: Arthur Taggart

Craig Lutcza (1 franchised territory)  
415 Willow Grove St, Hackettstown, NJ 07840  
(973) 222-6316 Attention: Craig Lutcza

**SOUTH CAROLINA (1)**

Rutke Enterprises Inc. (1 franchised territory)  
3803 North Ocean Blvd, North Myrtle Beach, SC 29582  
(704) 904-8966 Attention: Brian Casper

**PENNSYLVANIA (1)**

PM Drywall Pros LLC (2 franchised territories)  
2012 Mill Plain Ct., Harrisburg, PA, 17110  
(717) 877-8836 Attention: Dylan Sykes

**EXHIBIT E**  
**LIST OF FORMER FRANCHISEES**  
**As of December 31, 2022**

**Franchisees That Left the System between January 1, 2022 and December 31, 2022**

**TRANSFERS**

Oscar, LLC., (1 franchised territory)  
127 S. Pary Ave, Titusville, FL 32796  
(954) 991-0814                      Attention: Isabelle Barrast

KBTM Enterprises, LLC (2 franchised territories transferred to affiliate)  
18 King St, Morristown, NJ 07960  
(201) 874-5216                      Attention: Tony Murphy

KMBC LLC (2 franchise territories transferred to affiliate— one in  
North Carolina, one in South Carolina)  
5225 Willow Pond Rd, Clover, SC 29732  
(803)448-5577                      Attention: Brandon Salata

**EXHIBIT F**

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

California

Department of Financial Protection & Innovation  
320 West Fourth Street, Suite 750  
Los Angeles, CA 90013-2344  
(866) 275-2677

For service of process:  
Commissioner of Financial Protection & Innovation  
320 West Fourth Street, Suite 750  
Los Angeles, CA 90013-2344

Hawaii

Hawaii Securities Examiners  
Department of Commerce and  
Consumer Affairs  
335 Merchant Street, Room 203  
Honolulu, HI 96813  
(808) 586-2722

For service of process:  
  
Hawaii Commissioner of Securities  
335 Merchant Street, Room 203  
Honolulu, HI 96813

Illinois

Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706  
(217)782-4465

For service of process:  
Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706

Indiana

Securities Commissioner  
State of Indiana, Securities Division  
302 W. Washington Street, Room E-111  
Indianapolis, IN 46204  
(317)232-6681

For service of process:  
Secretary of State  
201 State House  
Indianapolis, IN 46204

Maryland

Maryland Division of Securities  
20<sup>th</sup> Floor  
200 St. Paul Place  
Baltimore, MD 21202  
(410)576-6360

For service of process:  
Maryland Securities Commissioner  
Securities Division  
200 St. Paul Place  
Baltimore, MD 21202

Michigan

Michigan Department of Attorney General  
Franchise Section  
P.O. Box 30212  
Lansing, MI 48909  
(517) 373-7117

For service of process:  
Michigan Department of Commerce  
Corporations and Securities Bureau  
G. Mennan Williams Building, 7<sup>th</sup> Floor  
525 W. Ottawa St.  
P.O. Box 30212  
Lansing, MI 48913

Minnesota

Commissioner of Commerce  
Minnesota Department of Commerce  
Securities-Franchise Registration  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, MN 55101  
(651) 539-1500

For service of process:  
Minnesota Commissioner of Commerce  
Minnesota Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, MN 55101

New York

NYS Department of Law  
Investor Protection Bureau  
28 Liberty St. 21<sup>st</sup> Fl  
New York, NY 10005  
(212)416-8222

For service of process:  
Secretary of State of New York  
99 Washington Avenue  
Albany, NY 12231

North Dakota

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol – 5<sup>th</sup> Floor, Dept. 414  
Bismarck, ND 58505-0510  
(701)328-4712

For service of process:  
North Dakota Securities Commissioner  
State Capitol – 5<sup>th</sup> Floor  
600 East Boulevard Avenue  
Bismarck, ND 58505-0510

Rhode Island

Principal Securities Examiner  
Division of Securities  
1511 Pontiac Avenue  
John O. Pastore Complex, Bldg. 69-1  
Cranston, RI 02920  
(401)492-9527

For service of process:  
Director of Rhode Island Department of  
Business Regulation  
233 Richmond Street  
Providence, RI 02903

South Dakota

Department of Insurance  
Securities Regulation  
124 South Euclid, Suite 104  
Pierre, SD 57501  
(605)773-3563

For service of process:  
Department of Insurance  
Securities Regulation  
124 South Euclid, Suite 104  
Pierre, SD 57501

Virginia

Director, Div. of Securities & Retail Franchising  
State Corporation Commission  
1300 E. Main Street, 9<sup>th</sup> Floor  
Richmond, VA 23219  
(804)371-9051

For service of process:  
Clerk of the State Corporation Commission  
State of Virginia  
1300 E. Main Street, 1<sup>st</sup> Floor  
Richmond, VA 23219

Washington

Dept. of Financial Institutions  
Securities Division  
P.O. Box 9033  
Olympia, WA 98507-9033  
(360)902-8760

For service of process:  
Director of Department of Financial Institutions  
150 Israel Rd SW  
P.O. Box 9033  
Olympia, WA 98507

Wisconsin

Division of Securities  
Department of Financial Institutions  
201 W. Washington Ave. Suite 300  
Madison, WI 53701-9033  
(608)266-8559

For service of process:  
Wisconsin Commissioner of Securities  
Department of Financial Institutions – Division of Securities  
201 W. Washington Ave., Fourth Floor  
P.O. Box 1768  
Madison WI 53701-1768

**EXHIBIT G**  
**RENEWAL AND RELEASE AGREEMENT**

## RENEWAL AND RELEASE AGREEMENT

This Renewal and Release Agreement (this “Agreement”) is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_. It is between **PATCHMASTER FRANCHISE, LLC** (“We/Us”) and **[INSERT FRANCHISEE ENTITY]** and **[INSERT OWNERS NAMES]**, Individuals (collectively “You”).

On or about [DATE], you and we entered into a **PatchMaster** franchise agreement (the “Previous Franchise Agreement”) for the operation of a **PatchMaster** franchise in the following territory: [TERRITORY] area designated by zip/postal codes: [POSTAL CODES].

You and we desire to enter into a renewal franchise agreement on the terms of our current franchise agreement forms.

You desire to release us from any and all claims whatsoever arising out of the negotiation, execution, delivery, and performance of the Previous Franchise Agreement.

Now, therefore, in consideration of the mutual covenants set forth below, the parties agree as follows:

### **1. Renewal Franchise Agreement.**

- A. The Previous Franchise Agreement, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties has not expired and has not been terminated. The provisions of the Previous Franchise Agreement concerning your obligations upon expiration, termination and renewal will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.
- B. Contemporaneously with execution of this Agreement, you agree to execute our current franchise agreement forms (the “Renewal Agreement.”). The Renewal Agreement may vary materially from the Previous Franchise Agreement. Royalty Service Fees, Marketing Contributions, and other fees will be set at the currently prevailing rates and terms.
- C. Concurrently with the execution of the Renewal Agreement, you will pay to us a Renewal Agreement Fee in the amount of **\$0.00**.

You represent that you and your designated management persons, if any, are in reasonably satisfactory condition of health to satisfactorily operate and perform the obligations of the Franchised Business. You acknowledge and agree that you and your designated management persons, if any, shall attend any and all marketing and operations and National Institute of Building Inspectors training as determined by us in our sole discretion. You shall bear all expenses related to such training, including travel, meals, lodging, salaries and wages for your employees and management persons, if any.

**2. Communication of Confidential Information.** Neither you nor your owners, officers, directors, or other persons enumerated in the Previous Franchise Agreement will communicate or divulge to any person or entity the contents of this Agreement, the contents of the Previous Franchise Agreement, the substance of the **PatchMaster** operations manuals, or any other nonpublic information related to the operation of the **PatchMaster** franchise system. You represent and warrant that neither nor any listed individual has communicated or divulged any such information to anyone prior to the date of this Agreement. You will continue to comply with all the confidentiality requirements of the Previous Franchise Agreement.

**3. Release.** You agree to the following general release, subject to and following the laws applicable, to release us from any claims they may have against us:



In consideration of the mutual covenants and understandings set forth in this release Agreement, you individually and collectively release and discharge us and our current and former owners, partners, directors, officers, employees, and agents from all obligations, duties, covenants and responsibilities to be performed under the Previous Franchise Agreement.

You do release and forever discharge us and our current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of the Previous Franchise Agreement and any related agreements between the parties and out of any other action or relationship between the parties arising prior to the date of this Agreement.

You represent that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims, known or unknown, arising directly or indirectly out of the Previous Franchise Agreement and the relationship between the parties including, but not limited to, economic loss.

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, which arise under the Previous Franchise Agreement, including all the effects and consequences thereof.

These releases are intended to waive, release and discharge all claims, other than those expressly reserved herein, with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

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.

The parties, with the advice of their respective counsel, waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction. This Release does not apply to claims arising under the Franchise Investment Protection Act, chapter 19.100 RCW, or the rules adopted thereunder.

**4. Miscellaneous Provisions.** This writing constitutes the entire agreement between the parties and supersedes all prior understandings among the parties with respect to its subject matter. This Agreement may not be modified or amended in a manner adverse to any party except by written agreement signed by that party. This Agreement is subject to the Renewal Agreement referred to herein, including without limitation its dispute resolution and choice of law and venue provisions.

This Agreement may be executed in counterparts.

*The rest of this page left intentionally blank.  
Signature pages follow.*

**IN WITNESS WHEREOF**, the parties have executed this Agreement.

**PATCHMASTER FRANCHISE, LLC (“We/Us”):**

**FRANCHISE ENTITY (“You”):**

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

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

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

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

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

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

OWNER (“You”):

\_\_\_\_\_  
Individual

OWNER (“You”):

\_\_\_\_\_  
Individual

## **EXHIBIT H**

### **STATE SPECIFIC ADDENDA**

Following this page are disclosure addenda for specific states. If you or your Franchise Location is located in one of these states, please read the addendum for your state and the addendum to the Franchise Agreement (attached to the Franchise Agreement at Schedule 3) that may apply to your transaction with us.

## CALIFORNIA ADDENDUM

The following provisions supersede the Disclosure Document and apply to all franchises offered and sold in the State of California.

ALTHOUGH THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA, SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US IN CERTAIN CIRCUMSTANCES TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

Our website address is [www.patchmaster.com](http://www.patchmaster.com)

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

### FDD Item 3

Neither Franchisor, nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

### FDD Item 17 (in reference to Franchise Agreement Sections 3.2, 9.2.4, 10, 11.8, 12.1, 12.2 and 12.10)

1) Termination and Nonrenewal. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

2) Bankruptcy. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

3) Post-Termination Noncompetition Covenants. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law. A contract which restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

4) Dispute Resolution. The Franchise Agreement requires all dispute resolution efforts including mediation and litigation to occur in the State of New Jersey with the costs being borne by the losing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as

Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

5) Applicable Law. The Franchise Agreement requires application of the laws of the State of New Jersey. This provision may not be enforceable under California law.

6) Liquidated Damages. THE FRANCHISE AGREEMENT CONTAINS A LIQUIDATED DAMAGES CLAUSE. UNDER CALIFORNIA CIVIL CODE SECTION 1671, CERTAIN LIQUIDATED DAMAGES CLAUSES ARE UNENFORCEABLE.

7) Conditions for Renewal or Transfer. YOU MUST SIGN A GENERAL RELEASE OF CLAIMS IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE SEC. 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE SECTIONS 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE SEC. 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE SECTIONS 20000 THROUGH 20043.)

8) Interest Rate. The highest interest rate allowed by law in California is 10% annually.

**ADDENDUM TO THE DISCLOSURE DOCUMENT  
AS REQUIRED BY GEORGIA LAW**

The State of Georgia has not reviewed and does not approve, recommend, endorse, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

**ADDENDUM TO THE DISCLOSURE DOCUMENT  
AS REQUIRED BY IDAHO LAW**

FDD Item 17 (regarding Franchise Agreement Section 12.2)

Any condition in a franchise agreement executed by a resident of Idaho or a business entity organized under the laws of Idaho is void to the extent it purports to waive venue or jurisdiction of the Idaho court system. Venue and jurisdiction will be in Idaho if the franchisee is an Idaho resident or a business entity organized under the laws of Idaho.

**ADDENDUM TO THE DISCLOSURE DOCUMENT PURSUANT TO  
THE HAWAII FRANCHISE INVESTMENT LAW**

THESE FRANCHISES 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 THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF THE DEPARTMENT 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 OR SUBFRANCHISOR, AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS 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 THE FRANCHISEE.**

For Hawaii franchisees, the conditions under which the franchise can be terminated and rights upon nonrenewal may be affected by Hawaii Revised Statutes, Section 482E-6.

FDD Item 17; Franchise Agreement (regarding Sections 3.2.7; 6.1.1(2); and 9.2.4)

No release language set forth in the Franchise Agreement shall relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Hawaii.



**ADDENDUM TO THE DISCLOSURE DOCUMENT PURSUANT TO  
THE ILLINOIS FRANCHISE DISCLOSURE ACT**

The following provisions supersede the Disclosure Document and apply to all franchises offered and sold in the State of Illinois:

FDD State Cover Page – Risk Factors.

The risk factors set forth on the FDD State Cover Page are amended as follows:

- (a) Any litigation shall take place in Illinois.
  - (b) The Franchise Agreement will be governed by Illinois law.
2. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

FDD Item 5 (Franchise Agreement Sections 4.1)

Payment of the Initial Franchise Fee will be deferred until Franchisor has met its initial obligations and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

FDD Item 17(v) (regarding Franchise Agreement Sections 12.1 and 12.2)

Item 17.v. "Choice of Forum" and w. "Choice of Law" are subject to 815 ILCS 705/4 and 705/41 of the Illinois Franchise Disclosure Act. Any litigation shall take place in Illinois and will be governed by Illinois law.

FDD Item 17 (regarding Franchise Agreement Sections 3.2; 3.3; and 10)

The conditions under which your franchise can be terminated and your rights upon non-renewal may be affected by 815 ILCS 705/19 and 705/20 of the Illinois Franchise Disclosure Act and any other applicable Illinois law.

Any condition, stipulation or provision in this Agreement or in the Acknowledgment Addendum purporting to bind Franchisee to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.

**ADDENDUM TO THE DISCLOSURE DOCUMENT FOR  
THE STATE OF INDIANA**

The Indiana Franchises Law, Title 23, Article 2, Chapter 2.5, Sections 1 through 51 of the Indiana Code and the Indiana Deceptive Franchise Practice Law, Title 23, Article 2, Chapter 2.7, Sections 1 through 7 of the Indiana Code, supersede any provisions of the Franchise Agreement if such provisions are in conflict with such laws.

**ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER  
THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW**

FDD Item 5 (regarding Franchise Agreement Section 4.1)

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

FDD Item 11 (regarding Franchise Agreement Section 4.3.3)

Franchisor will provide you with an annual accounting of the advertising fees collected.

FDD Item 17 (regarding Franchise Agreement Sections 3.2.7; 6.1.1(2); and 9.2.4)

Pursuant to COMAR 02.02.08.161L, any provision requiring the franchisee to sign a general release of any and all claims against Franchisor is amended to state that such release shall not apply to any liability under Maryland Franchise Registration and Disclosure Law

FDD Item 17 (regarding Franchise Agreement Sections 10.4 and 12.9)

The provisions of FA Sections 10.4 and 12.9. shall not act to reduce the statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years of the grant of the franchise. Further, any release of claims provided for in this Section 10.4 shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

FDD Item 17 (regarding Franchise Agreement: Section 10.2.1)

The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 1010 et seq.)

FDD Item 17 (regarding Franchise Agreement: Section 12.2)

Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

FDD Item 17 (regarding Franchise Agreement: Sections 13.9 and 13.10)

The representations of this section are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

## ADDENDUM TO THE DISCLOSURE DOCUMENT FOR THE 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:**

- (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 the Michigan Franchise Investment Law. 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 thirty (30) days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishing 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 (5) years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse 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) 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 which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.**

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, franchisee has the right to request an escrow arrangement.

Any questions regarding the notice of this Offering should be directed to:

CONSUMER PROTECTION DIVISION  
ATTN: Marilyn McEwen  
670 Law Building  
Lansing, Michigan 48913  
(517) 373-7117

**ADDENDUM TO THE DISCLOSURE DOCUMENT PURSUANT TO THE  
THE MINNESOTA FRANCHISE INVESTMENT LAW**

**FDD STATE RISK FACTORS**

YOU MUST MAKE MINIMUM ROYALTY PAYMENTS, REGARDLESS OF YOUR SALES LEVELS. YOUR INABILITY TO MAKE THE PAYMENTS MAY RESULT IN TERMINATION OF YOUR FRANCHISE AND LOSS OF YOUR INVESTMENT.

**FDD Item 6 (regarding Franchise Agreement Section 4.5.2 and Insufficient Funds Charges)**

NSF checks are governed by Minnesota Statue 604.113, which puts a cap of \$30 on service charges.

**FDD Item 13 (regarding Franchise Agreement Section 8.4.4)**

In the event Franchisee's right to the use of any name, mark or commercial symbol licensed hereunder is the subject of any claim, suit or demand (a "threat"), Franchisor shall either defend Franchisee against the threat or indemnify Franchisee from any loss, costs or expenses arising therefrom, provided and on condition, Franchisee:

- A. delivers to Franchisor prompt written notice of the threat;
- B. grants Franchisor written authorization to take unrestricted control over the defense and settlement of the threat with counsel of its choice;
- C. did not cause or give rise to the threat due to a material failure to comply with Franchisor's previously communicated trademark usage requirements;
- D. cooperates promptly and fully with Franchisor in the defense, mitigation, and/or settlement of the threat; and
- E. does not jeopardize or compromise any right, defense, obligation or liability of Franchisor, by making any statement to, or entering into any agreement with, the threatening party which does not have the advance written consent of Franchisor, unless required by applicable law."

**FDD Item 17 (regarding Franchise Agreement Sections 3.2, 10.2 and 10.3)**

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement.

**FDD Item 17 (regarding Franchise Agreement Section 11.8)**

These provisions may not be enforceable under Minnesota law.

**FDD Item 17(c) and (m) (regarding Franchise Agreement Sections 3.2.7 and 9.2.4)**

The execution of a general release upon renewal or transfer shall be inapplicable to claims arising under the Minnesota Franchises law.

**FDD Item 17(u) and (v); Franchise Agreement Sections 12.1;12.2; 12.7 and 12.10**

Minnesota Statutes, Section 80C.21 and Minn. Rule Part 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination, penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement can abrogate or reduce any of the 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.

**ADDENDUM TO THE DISCLOSURE DOCUMENT PURSUANT TO  
ARTICLE 33 OF THE NEW YORK GENERAL BUSINESS LAW**

The following provisions supersede the Disclosure Document and apply to all licenses or franchises offered and sold in the State of New York:

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 F OR YOUR PUBLIC LIBRARY FOR SOURCES OF 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 THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET 21ST FLOOR NEW YORK, NEW YORK 10005. 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 any franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, unfair or deceptive practices, misappropriation of property or comparable 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 date of this Disclosure Document, has been convicted of a misdemeanor or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of any franchise, antitrust 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 franchises or under any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject of currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought

by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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) entitled “Termination by You”:

You may terminate the Agreement on any grounds available by law.

5. 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.

**The Franchisor represents that this offering prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.**



**ADDENDUM TO THE DISCLOSURE DOCUMENT PURSUANT TO THE  
NORTH DAKOTA FRANCHISE DISCLOSURE ACT**

The following provisions supersede the Disclosure Document and apply to all franchises offered and sold in the State of North Dakota:

1. FDD Item 5 (Franchise Agreement Sections 4.1) Payment of the Initial Franchise Fee will be deferred until Franchisor has met its initial obligations and franchisee has commenced doing business.
2. FDD Item 17(v) (regarding Franchise Agreement Section 12.2). The North Dakota addendum contained in the Franchise Agreement provides that North Dakota franchisees are not required to consent to the jurisdiction of the courts outside of North Dakota.
3. FDD Item 17(c) and (m) (regarding Franchise Agreement Section 3.2.7). The North Dakota addendum to the Franchise Agreement has been amended to provide that North Dakota franchisees are not required to sign a general release upon renewal of the Franchise Agreement.
4. FDD Item 17 (regarding Franchise Agreement Section 12.7). The North Dakota addendum to the Franchise Agreement has been amended to provide the North Dakota franchisees are not required to waive their right to a jury trial.
5. FDD Item 6 (regarding franchise Agreement Sections 11.8.3; 12.8 and 12.10). The North Dakota addendum to the Franchise Agreement has been amended to provide that North Dakota franchisees are not required to consent to a waiver of exemplary and punitive damages. The Franchise Agreement Sections on Liquidated Damages and the Item 6 entries in the chart for Liquidated Damages and the Deferred Training Fee are deleted.
6. FDD Item 17(r) (regarding Franchise Agreement Section 11.8). Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.
7. FDD Item 17(u) (regarding Franchise Agreement Section 12). The North Dakota Securities Commissioner has determined that franchise agreements which provide that parties agree to the arbitration or mediation of disputes at a location that is remote from the site of the franchisee's business are unfair, unjust or inequitable. The franchise agreement is amended to provide the site of arbitration or mediation be agreeable to all parties and may not be remote from the franchisee's place of business.
8. Franchise Agreement Section 12.9 – "Limitations of Claims." The statute of limitations under North Dakota law applies.

**ADDENDUM TO THE DISCLOSURE DOCUMENT PURSUANT TO THE  
RHODE ISLAND FRANCHISE INVESTMENT ACT**

1. Section 12.2 of the Franchise Agreement on Venue is amended by the addition of the following language to the original language that appears therein:

"Rhode Island law provides with respect to a claim enforceable under the Rhode Island Franchise Investment Act, that any provision in a franchise agreement which restricts jurisdiction or venue outside of Rhode Island is void. Accordingly, court actions for a claim enforceable under the Act will be conducted in Rhode Island unless the franchisee agrees otherwise."

2. Section 12.5 of the Franchise Agreement on Mediation is amended by the addition of the following language to the original language that appears therein:

"Rhode Island law provides with respect to a claim enforceable under the Rhode Island Franchise Investment Act, that any provision in a franchise agreement which restricts jurisdiction or venue outside of Rhode Island is void. Accordingly, mediation for any dispute enforceable under the Act will be maintained in Rhode Island unless the franchisee agrees otherwise."

3. Section 12.1 of the Franchise Agreement on Governing Law is amended by the addition of the following language to the original language that appears therein:

"The Rhode Island Franchise Investment Act provides with respect to a claim enforceable under the Act that any provision in a franchise agreement requiring application of the laws of a state other than Rhode Island is void. Accordingly, Rhode Island laws will apply to a claim enforceable under the Act."

**ADDENDUM TO THE DISCLOSURE DOCUMENT PURSUANT TO THE  
SOUTH DAKOTA CODIFIED LAWS  
(Franchises for Brand-Name Goods and Services)**

The following provisions supersede the Disclosure Document and apply to all franchises offered and sold in the State of South Dakota:

1. FDD Item 17 (regarding Franchise Agreement Section 12.1 and 12.2). Franchise registration, employment, covenants not to compete and other matters of local concern will be governed by the laws of the State of South Dakota. As to contractual and all other matters, the Franchise Agreement will be and remain subject to the construction, enforcement and interpretation of the laws of the State of New Jersey. Under South Dakota law any provision in the Franchise Agreement that designates jurisdiction or venue, or that requires Franchisee to agree to jurisdiction or venue, in a judicial forum outside of South Dakota is void with respect to any cause of action which is otherwise enforceable in South Dakota.
2. FDD Item 17 (regarding Franchise Agreement Sections 12.7. and 12.8). Any provision that provides that the parties waive their right to claim punitive, exemplary, incidental, indirect, or consequential damages OR any provision that provides that parties waive their right to a jury trial may not be enforceable under South Dakota law.
3. FDD Item 17 (regarding Franchise Agreement Sections 3.2.7, 6.1.1(4), and 9.2.4). No release language set forth in the Franchise Agreement shall relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of South Dakota.
4. FDD Item 17 (regarding Franchise Agreement Sections 10.2 and 10.3). Termination provisions covering breach of the Franchise Agreement, failure to meet performance and quality standards, and failure to make royalty payments contained in the Franchise Agreement shall afford you thirty (30) days written notice with an opportunity to cure the default before termination.
5. **REGISTRATION OF THIS FRANCHISE DOES NOT CONSTITUTE APPROVAL OR RECOMMENDATION OF THE FRANCHISE BY THE DIRECTOR.**

To the extent this Addendum is inconsistent with any terms or conditions of the Franchise Agreement or exhibits or attachments thereto, or the Disclosure Document, the terms of this Addendum shall govern.

**ADDENDUM TO THE DISCLOSURE DOCUMENT PURSUANT TO  
THE COMMONWEALTH OF VIRGINIA**

The FDD State Cover Page is amended to include the following Risk Factors:

THE FRANCHISOR'S FINANCIAL CONDITION, AS REFLECTED IN ITS FINANCIAL STATEMENTS (SEE ITEM 21), CALLS INTO QUESTION THE FRANCHISOR'S FINANCIAL ABILITY TO PROVIDE SERVICES AND SUPPORT TO YOU.

The Franchise Agreement is amended by an Addendum to conform to laws of Virginia pursuant to the following.

1. Section 6.1.1(2) of the Franchise Agreement on Successful Completion of Training is amended to read in its entirety as follows:

**Successful Completion of Training.** The grant of the Franchised Business herein is conditioned upon successful completion of the Initial Training Program training by Franchisee or its Owner within at least 30 days before commencing operation of the Franchised Business. If during the course of the Initial Training Program or within fifteen (15) days thereafter Franchisor concludes that Franchisee has not successfully completed the Initial Training Program, Franchisor may, in its sole discretion and judgment, terminate this Agreement and all rights hereunder, where permitted by applicable law, by giving notice to Franchisee. Upon termination of this Agreement, Franchisee shall abide by Section 11 hereof. This includes, among other things, that Franchisee agrees to maintain strictly the confidentiality of all information received relating to the PatchMaster System and not to use in the operation of a Competitive Business (as defined in Section 11.8.1), any trade secrets, Confidential Information, copyrighted works or proprietary materials obtained from Franchisor in the course of the training program or otherwise

2. Section 7.2.1. of the Franchise Agreement on Approval of Local Marketing Collateral is amended to add the following:

Franchisor will review the advertising submitted by Franchisee within a reasonable amount of time and will advise Franchisee whether it is approved or disapproved.

2. Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the franchise agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

## **ADDENDUM TO THE DISCLOSURE DOCUMENT PURSUANT TO THE WASHINGTON FRANCHISE INVESTMENT LAW**

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.

FDD Item 5 - Payment of the Initial Franchise Fee will be deferred until Franchisor has fulfilled its initial pre-opening obligations to the franchisee and the franchisee is open.

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.

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.

**ADDENDUM TO THE DISCLOSURE DOCUMENT PURSUANT TO THE  
WISCONSIN FAIR DEALSHIP LAW**

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes, supersedes any provisions contained in the Franchise Agreement that are inconsistent with the Law. If a conflict under the Franchise Agreement arises, the Law will prevail.

- D. FDD Item 17. Wisconsin Law: The Wisconsin Fair Dealership Law applies to franchising in the State of Wisconsin. This Law prohibits the termination, cancellation, non-renewal or substantial change of the competitive circumstances of a franchise agreement without good cause.
  
- E. FDD Item 17. Written Notice: The Wisconsin Fair Dealership Law provides that 90 days prior written notice of termination, cancellation, non-renewal or substantial change of the competitive circumstances of a franchise agreement must be given to the Franchisee. The Franchisee has 10 days to cure the non-payment of fees to franchisor and 60 days to cure any other deficiency and, if the deficiency is so cured within the applicable cure period, the notice of termination is void.

## **State Effective Dates**

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

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

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| California   |                       |
| Hawaii       |                       |
| Illinois     |                       |
| Indiana      |                       |
| Maryland     |                       |
| Michigan     |                       |
| Minnesota    |                       |
| New York     |                       |
| North Dakota |                       |
| Rhode Island |                       |
| South Dakota |                       |
| Virginia     |                       |
| Washington   |                       |
| Wisconsin    |                       |

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

**RECEIPT OF DISCLOSURE DOCUMENT**

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If PatchMaster Franchise, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days (and 10 business days in Michigan) before you sign a binding agreement with, or make a payment to us or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to us or an affiliate in connection with the proposed franchise sale.

If PatchMaster Franchise, 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified in Exhibit F.

The name, principal business address and telephone number of each franchise seller offering the franchise:

***Check as applicable:***

- Paul Ferrara, 57 Main Street, Chester, NJ 07930 (973) 944-4900
- Joseph Eible, 57 Main Street, Chester, NJ 07930 (973) 944-4900
- Eddy Zite, 11629 South 700 East, Ste 150 Draper, UT 84020 (385) 213-2010
- FranDevCo, 107 Parr Drive, Huntersville, NC 28078, (704) 703-9500
- [Insert name, address and telephone number of any additional franchise sellers]:*** \_\_\_\_\_

Issuance date: April 25, 2023

I have received a Franchise Disclosure Document dated as indicated above including the following Exhibits:

- A. Financial Statements
- B. Franchise Agreement (with Schedules)
- C. Table of Contents of PatchMaster Manual
- D. List of Franchisees
- E. List of Former Franchisees (None)
- F. Secured Promissory Note and Security Agreement
- G. State Administrators/Agents for Service of Process
- H. Renewal and Release Agreement
- I. State Specific Addendum

DATED: \_\_\_\_\_

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Full Name – Printed)

\_\_\_\_\_  
(Identify Franchisee Corporate Entity for which you are an Authorized Representative)



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DATED: \_\_\_\_\_

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Full Name - Printed)

\_\_\_\_\_  
(Identify Franchisee Corporate Entity for which you are an Authorized Representative)