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THE STATE BAR OF CALIFORNIA
BOARD OF LEGAL SPECIALIZATION

March 7, 2024

VIA WI E-FILING

Franchise Examiner
Department of Financial Institutions
Division of Securities
345 West Washington Avenue, 4th Floor
Madison, Wisconsin 53703-2701

Dear Examiner:

On behalf of our client, **Sperry Commercial Global Affiliates, LLC**, doing business as "Sperry Commercial Global Affiliates" and "SperryCGA" [**File No. 628833**] ("Applicant"), to renew Applicant's franchise registration in Wisconsin, attached are the following:

1. Applicant's Franchise Registration Renewal Application (Form A) and Certification, accompanied by one complete copy of Applicant's updated and revised franchise disclosure document ("FDD").
2. Uniform Franchise Consent to Service of Process (Form C).
3. Consent letter of auditor to inclusion of Applicant's audited financial statement for fiscal year 2022. This audited statement is included in Exhibit B of the FDD.

The state filing fee in the amount of \$400 is being concurrently paid by credit card.

We acknowledge that Applicant's registration is granted upon receipt of application and will expire one year after registration.

Very truly yours,

DON M. DRYSDALE

FORM A – Uniform Franchise Registration Application

UNIFORM FRANCHISE REGISTRATION APPLICATION

File No. 630952

(Insert file number of immediately preceding filing of Applicant)

Fee: \$400

State: Wisconsin

Date: March 6, 2024

APPLICATION FOR (Check only one):

INITIAL REGISTRATION OF AN OFFER OR SALE OF FRANCHISES

RENEWAL APPLICATION OR ANNUAL REPORT

AMENDMENT NUMBER _____ TO APPLICATION
PRE-EFFECTIVE AMENDMENT

AMENDMENT NUMBER _____ TO APPLICATION
POST-EFFECTIVE MATERIAL AMENDMENT

1. Full legal name of Franchisor:

Sperry Commercial Global Affiliates, LLC

2. Name of the franchise offering:

“SPERRY”

3. Franchisor's principal business address:

18881 Von Karman Avenue, Suite 800, Irvine, California 92612.

4. Name and address of Franchisor's agent in this State authorized to receive service of process:

Wisconsin Commissioner of Securities, 201 W Washington Avenue, Suite 300, Madison, Wisconsin 53703-2640.

5. The states in which this application is or will be shortly on file:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, Rhode Island, Virginia, Washington and Wisconsin.

6. Name, address, telephone and facsimile numbers, and e-mail address of person to whom communications regarding this application should be directed:

Don M. Drysdale; Lee, Hong, Degerman, Kang & Waimey; 3501 Jamboree Road, Suite 6000, Newport Beach, California 92660-2960, telephone (949) 419-8730 and facsimile (949) 856-3245; E-mail: ddrysdale@lhlaw.com

CERTIFICATION

I certify and swear under penalty of law that I have read and know the contents of this application, including the Franchise Disclosure Document with an issuance date of February 28, 2024, attached as an exhibit, and that all material facts stated in all those documents are accurate and those documents do not contain any material omissions. I further certify that I am duly authorized to make this certification on behalf of the Franchisor and that I do so upon my personal knowledge.

Executed at Irvine, California, on March 6th, 2024.

FRANCHISOR:
SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC

By: R. Rand Sperry
R. Rand Sperry
President

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

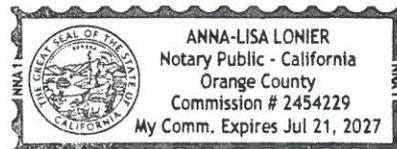
COUNTY OF ORANGE

On March 6, 2024, before me, Annalisa Lonier, Notary Public, personally appeared R. Rand Sperry who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature [Signature]





March 7, 2024

Sperry Commercial Global Affiliates, LLC
18881 Von Karman Avenue, Suite 800
Irvine, CA 92612

RE: Sperry Commercial Global Affiliates, LLC | 2023 Audited Financial Statements

Dear Sir/Madam,

Kho & Patel, CPAs hereby provide consent to the inclusion in the Franchise Disclosure Document issued by Sperry Commercial Global Affiliates, LLC on March 7, 2024, as it may be amended, of our report dated February 28, 2024, relating to the financial statements of Franchisor for the year ended December 31, 2023.

KHO & PATEL
A Professional Corporation

Douglas E. Faulkner, Jr., CPA

Douglas E. Faulkner, Jr., CPA

FRANCHISE DISCLOSURE DOCUMENT



SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC

A Delaware Limited Liability Company
18881 Von Karman Avenue, Suite 800
Irvine, California 92612
(949) 705-5000

E-mail: jamie.lung@sperrycga.com

URL: www.sperrycga.com

As a Sperry franchisee, you will operate a Real Estate outlet providing real estate sales and leasing programs, and related services that we authorize.

The total investment necessary to begin operation of a Sperry franchised outlet is \$14,800 to \$181,500. This includes \$5,000 to \$10,000 which must be paid to the franchisor and its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jamie Lung at Sperry Commercial Global Affiliates, LLC, 18881 Von Karman Avenue, Suite 800, Irvine, California 92612; telephone (949) 705-5000.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, such as 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 homepage at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: **February 28, 2024**

How to Use This Franchise Disclosure Document

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

| QUESTION | WHERE TO FIND INFORMATION |
|--|--|
| How much can I earn? | 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 Exhibit C. |
| How much will I need to invest? | 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. |
| Does the franchisor have the financial ability to provide support to my business? | Exhibit B includes financial statements. Review these statements carefully. |
| Is the franchise system stable, growing, or shrinking? | Item 20 summarizes the recent history of the number of company-owned and franchised outlets. |
| Will my business be the only Sperry business in my area? | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you. |
| Does the franchisor have a troubled legal history? | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings. |
| What's it like to be a Sperry franchisee? | Exhibits C and D list current and former franchisees. You can contact them to ask about their experiences. |
| What else should I know? | 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 E.

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 risks be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration or litigation only in California. 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 California than in your own state.
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 or support to you.
3. **Mandatory Minimum Payments**. You must make minimum royalty, advertising and other payments regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
FRANCHISE DISCLOSURE DOCUMENT

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Exhibits

| | |
|-------|---|
| "A-1" | Franchise Agreement <i>Exhibits to Franchise Agreement:</i> Exhibit 1: Location of Sperry Office; Listings Exclusions Exhibit 2: Names and Addresses of Principal Equity Owners Exhibit 3: Guarantee of Franchise Agreement Exhibit 4: Confirmation of Annual Gross Commissions Earned |
| "A-2" | Addendum to Franchise Agreement Authorizing Business Brokerage Services |
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| "B" | Financial Statements |
| "C" | List of Franchise Outlets |
| "D" | List of Terminated Franchises |
| "E" | State Franchise Administrators and Agents for Service of Process |
| "F" | State Specific Addenda |
| "G" | State Effective Dates |
| "H" | Receipts |

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

To simplify the language, this disclosure document uses “we” or “us” to mean Sperry Commercial Global Affiliates, LLC. “You” means the individual or entity buying the Sperry franchise. All persons who own 20% or more of the franchise are “Principal Equity Owners”.

The Franchisor, Parents and Affiliates

We are the franchisor for the Sperry Commercial Global Affiliates real estate brokerage system. Our principal business address is 18881 Von Karman Avenue, Suite 800, Irvine, California 92612.

We have no parent entity.

Sperry Commercial, Inc. is an affiliated entity that owns the trademarks we license to you under the Franchise Agreement. Sperry Commercial, Inc. is located at 18881 Von Karman Avenue, Suite 800, Irvine, California 92612. Sperry Commercial, Inc. may provide services to our franchisees. Sperry Commercial, Inc. has not offered franchises in any line of business.

Other than Sperry Commercial, Inc., we are not controlled by, controlling, or under common control with any other entity that provides goods or services to our franchisees or that offers franchises in any line of business.

Predecessors

We have no predecessor.

Name Used by the Franchisor

We conduct business under the names “Sperry Commercial Global Affiliates” and “Sperry” (collectively, the “Marks”). We do not intend to use any other name to conduct business.

Agent for Service of Process

Our agents for service of process are Rand Sperry, 18881 Von Karman Avenue, Suite 800, Irvine, California 92612 and (if you are in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington or Wisconsin) the state office or official listed in Exhibit E of this disclosure document.

Business Organization Used by the Franchisor

We are a limited liability company, originally organized as a corporation in Delaware on December 12, 2014, and then converted to a limited liability company in Delaware on April 26, 2016.

The Franchisor’s Business

We act solely as a franchisor of Sperry Commercial Global Affiliates franchises. We began franchising in September 2016. We do not operate businesses of the type being franchised, do not conduct (nor have we conducted) business in any other line of business, and do not offer (nor have we offered) franchises in any other line of business.

The Business the Franchisee Will Conduct

Our franchise is a license to independently own and operate one or more offices (“Offices”) providing full-service commercial real estate brokerage services and related services (collectively, “Sperry Services”) to buyers and owners of commercial real property, strictly in accordance with our methods and format (which we can periodically change) and using our designated technology and techniques. You must employ or associate at the Office at least one real estate broker. If you want to engage in business brokerage services (you must have the appropriate liability insurance and a state license, if required, in effect), we may allow you to do so at your Office by executing the Addendum to Franchise Agreement Authorizing Business Brokerage (the form of this addendum is attached as Exhibit A-2 of this disclosure document).

General Market for Franchised Products and Services

The general market you will operate the business in involves buyers and sellers of commercial property. The market for Sperry Services is all individuals within a reasonable proximity to the Office. This type of business involves sales and leasing services primarily to buyers, owners and tenants of commercial real property. This type of business is fully developed and is not seasonal.

Industry Specific Laws or Regulations

In most states, you will need a real estate broker’s license issued by the real estate licensing agency of your state. If applicable to you, in some states, a real estate broker’s license would authorize you to engage in business brokerage services. However, if you are going to engage in business brokerage, check the laws in your state to determine if a separate license is required. And there are specific regulations pertaining to operating in the commercial real estate industry (and business brokerage services if applicable to you) and you must comply with all local codes, regulations and licensing requirements. Some states also require franchised real estate brokers to identify themselves as franchised real estate brokers when offering their services to the public. You should consult with local agencies and your attorney. You must obtain all required licenses and permits and ensure that your sales agents, employees and others providing Sperry Services to customers at or through your Office have all required licenses and permits. The failure to maintain the proper licensing is a material breach of the Franchise Agreement. You will also need a business license, and you must comply with federal, state and local laws applicable to the operation of commercial real estate brokerage businesses, as well as occupational health and safety laws, and the Americans with Disabilities Act. Although you are not engaged to act as or sales agent to recruit third-party franchisees, before you ever do so, you may need to be registered as a sales agent under state franchise laws. You must be a member of your local Board of Realtors.

Competition

All Sperry Commercial Global Affiliates franchisees will compete with other commercial real estate organizations that offer services comparable to the Sperry Services as well as recruiting top-producing sales agents, including CB Richard Ellis, Colliers International, Jones Lang LaSalle, Cushman & Wakefield, Newmark, and other national chains, independent real estate brokers and agents and independently owned real estate companies offering commercial real estate services to customers. A very important if not critical component of your ability to meet your competition will be your ability to recruit and retain sales agents.

Prior Experience of Franchisor, Predecessors and Affiliates

We began offering Sperry Commercial Global Affiliates franchises in June 2016. We do not offer franchises in other lines of business. However, our affiliated entity Sperry Commercial, Inc. and its related entities own and operate five Sperry Commercial Global Affiliates offices that operate businesses of the type being franchised to you. Depending on the location of your Office, one or more of these offices may compete with you for real estate listings and customers. The addresses of these affiliated offices (they are not franchisees) are listed in Exhibit C to this disclosure document.

ITEM 2: BUSINESS EXPERIENCE

Rand Sperry: Chief Executive Officer and Manager

Mr. Sperry was named our Chairman of the Board of Directors and Secretary at our inception in December 2014. When our entity was changed from a corporation to a limited liability company in April 2016, he was named our Chief Executive Officer and Manager, but the Board of Directors was dissolved, and he no longer serves as Chairman or Secretary.

Mark Hinkins: President

Mr. Hinkins was named our President in November 2020. He also serves as President of Trimark Commercial Real Estate, Walnut Creek, California (since January 2017)..

Cornelius Mendez: Chief Financial Officer

Mr. Mendez was named our Chief Financial Officer and a Director at our inception in December 2014. When our entity was changed from a corporation to a limited liability company in April 2016, he retained his title as our Chief Financial Officer, but the Board of Directors was dissolved, and he no longer serves as a Director.

Jack Carroll: Vice President

Mr. Carroll was named our President and a Director at our inception in December 2014. When our entity was changed from a corporation to a limited liability company in April 2016, he was named a Vice President, but he no longer serves as President and since the Board of Directors was dissolved, he no longer serves as a Director.

Burton Young: Vice President

Mr. Young was named our Vice President and a Director at our inception in December 2014. When our entity was changed from a corporation to a limited liability company in April 2016, he retained his title as Vice President, but the Board of Directors was dissolved, and he no longer serves as a Director. He also serves as President of Sperry Equities, LLC, Irvine, California (since 1998).

Jamie Lung: Manager of Franchise Operations

Mrs. Lung was named our Manager of Franchise Operations in October 2020. She also serves Sperry Commercial, Inc., Irvine, California as Brokerage Administrator (since October 2020) and Operations Coordinator (since June 2016), having previously served (from September 2012 to April 2016) as Transaction/Investment Coordinator.

ITEM 3: LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4: BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5: INITIAL FEES

The Initial Franchise Fee is either \$10,000 (if the Office licensed under the Franchise Agreement employs or associates five or more “Real Estate Brokers and Agents”, as defined in the Franchise Agreement) or \$5,000 (if the Office licensed under the Franchise Agreement employs or associates from one to four Real Estate Brokers and Agents).

The Initial Franchise Fee is due and payable in full to us when you sign the Franchise Agreement (some states may require payment of these fees to be deferred until you open for business, see Exhibit F of this disclosure document). The Initial Franchise Fee is fully earned by us when paid, and no refunds are available. If you are referred to us by an existing Sperry franchisee, we may remit to that referring franchisee a referral fee.

After Initial Orientation has been successfully completed by you, no refunds are available. If you do not successfully complete Initial Orientation, or if we cannot agree on a suitable site for your Outlet within 180 days after you sign the Franchise Agreement, we may unilaterally cancel the Franchise Agreement, and if we do so, we will refund the initial franchise fee and development fee you paid, less any expenses we incurred in processing your Franchise and the Franchise Agreement.

There are no other initial fees or payments for services or goods received from us or our affiliates before your Office opens.

ITEM 6: OTHER FEES

| Type of Fee | Amount¹ | Due Date² | Remarks |
|--------------------|--|---|--|
| Monthly Royalty | \$300 ³ for each Real Estate Broker and Agent and Junior Agent ⁴ employed by or associated with your Office at the end of each calendar month, plus a “Royalty Override” of 2% of the “Gross Commission Income” (or “GCI”) of your Office that is greater than \$100,000 in a calendar year. | Dollar amount Royalties are due on the first day of the following month; percentage Royalty Overrides are reported on the third business day and payment is due on the fifth business day of the following month. | Dollar amount Royalties are paid monthly. When aggregate GCI in a calendar year exceed \$100,000 ³ , the monthly Royalty will also include a “Royalty Override” of 2% of the GCI received by your Office during the previous month. Once the \$100,000 annual threshold is reached and the Royalty Override is applicable, you must report having reached the annual threshold and begin paying the Royalty Override by the next monthly due date, or you will be subject to a late payment penalty. Any GCI you earn from real estate listings that you obtained before the effective date of the Franchise Agreement will not be subject to the |

| Type of Fee | Amount ¹ | Due Date ² | Remarks |
|---|--|---|---|
| Monthly Royalty [continued] | | | Royalty Override if the applicable property address, type of transaction (sale, purchase or lease), expected closing date and listing expiration date are included in the Listings Exclusions schedule contained in Exhibit 1 of the Franchise Agreement. Not later than the 10th business day of each January, you must confirm your annual GCI earned for the prior calendar just ended, using the Confirmation of Annual Gross Commissions Earned form attached as Exhibit 4 of the Franchise Agreement. "Gross Commission Income" or "GCI" means all revenues (money and non-cash consideration) paid by a seller, buyer, lessor, lessee or referring agent on the completion of a real estate transaction to a real estate broker or real estate agent (and, if applicable, revenues you received from business brokerage transactions and leasing commissions) at or through your Office. GCI is typically computed as a percentage of the gross transaction price (for example, if a property were sold at \$1,000,000 with a 5% commission, the resulting GCI would be \$50,000). |
| Monthly Royalty for Established Office ⁵ | (i) \$300 ³ for each of the first 10 Real Estate Brokers or Agents and Junior Agents ⁴ employed or engaged by you at the end of each calendar month and (ii) beginning 24 months after the Opening Date (if you add at least one Real Estate Broker or Agent each calendar month after (the Opening Date), \$300 ³ for each of the 11th and additional Real Estate Broker or Agent and Junior Agent ⁴ employed or engaged by you month, and (iii) a "Royalty Override" of 2% of the GCI of your Office that is greater than \$100,000 ³ in a calendar year. | Dollar amount Royalties are due on the first day of the following month; percentage Royalty Overrides are reported on the third business day and payment is due on the fifth business day of the following month. | Dollar amount Royalties are paid monthly. When aggregate GCI in a calendar year exceed \$100,000 ³ , the monthly Royalty will also include a "Royalty Override" of 2% the GCI received by your Office during the previous month. Once the \$100,000 ³ annual threshold is reached and the Royalty Override is applicable, you must report having reached the annual threshold and begin paying the Royalty Override by the next monthly due date, or you will be subject to a late payment penalty. Any GCI you earn from real estate listings that you obtained before the effective date of the Franchise Agreement will not be subject to the Royalty Override if the applicable property address, type of transaction (sale, purchase or lease), expected closing date and listing expiration date are included in the Listings Exclusions schedule contained in Exhibit 1 of the Franchise Agreement. Not later than the 10th business day of each January, you must confirm your annual |

| Type of Fee | Amount ¹ | Due Date ² | Remarks |
|--|--|---|---|
| Monthly Royalty for Established Office ⁵ [continued] | | | GCI earned for the prior calendar just ended, using the Confirmation of Annual Gross Commissions Earned form attached as Exhibit 4 of the Franchise Agreement. |
| Monthly Royalty for Established Office XL ⁶ | Flat monthly royalty of \$5,000 ³ (or \$60,000 ³ every 12 months) for a combined minimum of 17 Real Estate Brokers or Agents and Junior Agents employed or engaged by you at the end of each calendar month, up to a maximum of 75 Real Estate Brokers or Agents, Junior Agents and office staff members employed or engaged by you, plus a "Royalty Override" of 1% of the GCI of your Office that is greater than \$100,000 ³ in a calendar year. Also, in any month where you have more than 75 Real Estate Brokers or Agents, Junior Agents and office staff members, in addition to the flat royalty for that month, you must pay us an expanded staff surcharge of \$100 ³ per Real Estate Broker or Agent and Junior Agent and \$50 ³ per office staff member over the combined maximum of 75. | Dollar amount Royalties are due on the first day of the following month; percentage Royalty Overrides are reported on the third business day and payment is due on the fifth business day of the following month. | Dollar amount Royalties are paid monthly. When aggregate GCI in a calendar year exceed \$100,000 ³ , the monthly Royalty will also include a "Royalty Override" of 1% of the GCI received by your Office during the previous month. Once the \$100,000 ³ annual threshold is reached and the Royalty Override is applicable, you must report having reached the annual threshold and begin paying the Royalty Override by the next monthly due date, or you will be subject to a late payment penalty. Any GCI you earn from real estate listings that you obtained before the effective date of the Franchise Agreement will not be subject to the Royalty Override if the applicable property address, type of transaction (sale, purchase or lease), expected closing date and listing expiration date are included in the Listings Exclusions schedule contained in Exhibit 1 of the Franchise Agreement. Not later than the 10th business day of each January, you must confirm your annual GCI earned for the prior calendar just ended, using the Confirmation of Annual Gross Commissions Earned form attached as Exhibit 4 of the Franchise Agreement. |
| Lead Referral Fee | 25% of the Gross Revenue earned from the lead | On the third business day of the following month | These are payable on leads for real estate services sent by us directly to you. |
| Property Management Services Fee | Monthly fee of \$300 for your first franchised Office and \$175 for your second and each additional franchised Office, plus an override fee of 2% of revenues received from Property Management Services greater than \$100,000. | Dollar amount Property Management Services Fees are due on the first day of the month. Property Management percentage Royalty Overrides are reported on the third business day of each month and payment is due on the fifth business day of the following month. | These are only payable if you employ or engage property managers and execute an Addendum to Franchise Agreement Authorizing Property Management Services. Leasing commissions are included in GCI and are not considered revenues from Property Management Services. |

| Type of Fee | Amount¹ | Due Date² | Remarks |
|--|---|---|--|
| Renewal Fee ⁷ | \$1,000 ³ | Not less than 120 days before the expiration date of your Franchise Agreement | Payable only if you exercise renewal option. You are qualified for renewal if you are in full compliance with your operating requirements, all fees due us are paid and you are not in breach of any term of your Franchise Agreement, and you sign our new form of Franchise Agreement (which will replace your expiring Franchise Agreement). |
| Transfer Fee | \$1,000 ³ | Not later than 10 days before the transfer | There is no transfer fee if franchise is transferred to an entity (corporation or limited liability company) owned solely by you. |
| Technology Support Fee | \$25 ³ (per call) | On the third business day of the following month | Beginning the second full calendar month after the "Opening Date" (the date your Office begins operating under the Franchise Agreement), you must pay us a fee of \$25 ³ for each telephone call, email, letter or other writing requesting support services or assistance regarding the Sperry Commercial Global Affiliates technology system. |
| Residential Brokerage Penalty Fee | 50% of any resulting GCI | Immediately upon our demand | Any residential real estate brokerage service marketed or sold by you using any of the Marks or your business name must be promptly entered into our gross commission reporting system and will be subject to a Residential Brokerage Penalty Fee. |
| Late Payment Penalty | 20% of the Royalty Override if not promptly reported; 10% of all other amounts past due | Immediately upon our demand | The late payment penalty is in addition to interest on the unpaid amount. |
| Late Charge | 5% of amount past due. | With late payment. | Payable only if you do not pay when due. |
| Interest | Annual Percentage Rate ("APR") of 18% ² on the amount past due. | Immediately upon our demand | Interest begins from the date payment was originally due. |
| Costs of Collection | Cost of collection of delinquent amounts (variable) | Immediately upon our demand. | In addition to the late payment penalty and interest on the unpaid amount, you must reimburse us for our costs of collection of delinquent amounts. |
| Records and Rights of Inspection (Audit) | Cost of audit (can range from \$3,000 to \$7,500) plus interest on underpayment | Immediately upon demand for payment | You must reimburse us the cost of the audit only if you understated Gross Revenues for any month by 5% or more, or our auditors need an unreasonable amount of time (more than eight hours) to assemble your records for audit. We do not anticipate auditing any franchisee that has annual Gross Revenues of less than \$100,000 ³ . |

| Type of Fee | Amount¹ | Due Date² | Remarks |
|--|---|------------------------------|---|
| Interim Manager Payments | Daily charge which is currently \$750 ³ per day. | Weekly, on demand. | In addition to our daily charge for the manager, you or your successor must pay our manager's travel, lodging, and living expenses. |
| Reimbursement for Curing Franchisee Defaults | Cost incurred to cure your defaults (variable) | Immediately upon our demand. | If you default in the performance of any obligation under the Franchise Agreement, or related agreement involving third parties, we may cure the default for your account and on your behalf and you would then be obligated to reimburse us for all costs and expenses we incur to do so. |
| Attorneys' Fees and Costs | Actual cost, which is variable. | Immediately upon our demand. | Payable only if we use an attorney to collect money from you or otherwise enforce any provision of the Franchise Agreement or any other agreement with you. |
| Indemnification of Franchisor against Losses | All "Losses", as defined in section 16.2 of the Franchise Agreement (variable). | Immediately upon our demand. | The Franchise Agreement requires you to indemnify us against Losses we may incur because of (i) your deviation from our approved menu, (ii) unauthorized use of our proprietary information or trademarks, (iii) the breach by you, any Principal Equity Owner or your Manager of non-compete covenants, or (iv) your intentional tort or negligence relating to operation of the Outlet. |
| De-identification Enforcement Expense | Cost and expenses relating to de-identification (variable) | Immediately upon our demand. | If you fail to de-identify your Office and your business upon termination or non-renewal of the Franchise Agreement, we have the right 15 days after written notice to enter the Office and complete de-identification changes at your expense. |

1. All fees are imposed and collected by and are payable only to us. Except as indicated in Item 5 or otherwise in the table above, all fees are non-refundable. All fees are uniformly imposed. To be eligible to sign the Franchise Agreement, you must provide us with reasonable proof of your financial ability to make the initial investment described above and you must authorize us to conduct a credit check to confirm your financial ability to purchase and develop the Office. Although each Principal Equity Owner signs a Guarantee of the Franchise Agreement, the maximum aggregate amount of Royalty any Principal Equity Owner would be obligated to pay during the initial term and during any renewal term of the Franchise Agreement is \$10,000.

2. If any payment is not paid when due, you must pay interest on the unpaid amount at an annual percentage rate ("APR") of 18% (unless interest rates on delinquent payments in the state in which your Outlet is located are limited by law to a lower APR, in which case that lower APR will apply), and you must reimburse us immediately upon demand for all reasonable costs of collection relating to delinquent amounts, including court costs, investigator fees, expert witness fees and attorneys' fees. Interest begins to accrue from the date payment was due.

3. This fee may be adjusted by changes since the effective date of the Franchise Agreement to the annual average of the Consumer Price Index for All Urban Consumers ("CPI"), published by the Bureau

of Labor Statistics of the United States Department of Labor, or the highest similar future index if these figures become unavailable.

4. No monthly royalty would be payable for the first six months of the employment or engagement by a Franchisee of a “Junior Agent”, defined in the Franchise Agreement as an employee of a Franchisee who has been a licensed real estate agent for not more than 18 months, has not independently arranged for a commercial real estate brokerage transaction that has closed, and is engaged in normal brokerage activities under a Franchisee's mentorship to become a “Real Estate Broker or Agent” (as defined in the Franchise Agreement) capable of independently arranging for commercial real estate brokerage transactions. However, upon the earlier of (i) the sixth month anniversary of the Junior Agent's employment by the Franchisee or (ii) the Junior Agent being credited with closing their first commercial real estate brokerage transaction, the Junior Agent must be certified as a Real Estate Broker or Agent, thereby subject to Monthly Royalty, or no longer act as Junior Agent.

5. An “Established Office” means a franchisee having 10 or more licensed full time experienced Real Estate Broker or Agents, but not including Junior Agents, employed or under contract at the time the Franchisee acquires the Sperry Franchise. An Established Office will have up to 18 months to completely transition to full operation under our Marks, including making changes to office signs and listed or client property signage, printed materials, promotional items, business cards and Internet identity (email addresses and website).

6. An “Established Office XL” means a franchisee having 17 or more licensed full time experienced Real Estate Brokers or Agents and Junior Agents, employed or under contract at the time the Franchisee acquires the Sperry Franchise. An Established Office XL will have up to 18 months to completely transition to full operation under our Marks, including making changes to office signs and listed or client property signage, printed materials, promotional items, business cards and Internet identity (email addresses and website).

7. We will not accept the renewal fee until all other conditions for renewal have been met.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

| Type of expenditure | Amount | Method of payment | When due | To whom payment is to be made |
|---|----------------------|--------------------------|--|--|
| Initial Franchise Fee ¹ | \$5,000 to \$10,000 | Lump sum; non-refundable | When you sign the Franchise Agreement. | Sperry Commercial Global Affiliates, LLC |
| Grand Opening Advertising ² | 0 to \$2,500 | Lump sum; non-refundable | Within 30 days after you sign the Franchise Agreement. | Various suppliers |
| Initial orientation (training) travel/living expenses ³ | \$1,000 to \$5,000 | As incurred | During orientation | Travel and lodging vendors |
| Office set-up, lease, and leasehold improvements ⁴ | \$1,500 to \$105,000 | As arranged | As arranged | Designers, landlord and other vendors |
| Computer hardware and software, furniture and fixtures ⁵ | \$1,000 to \$20,000 | As arranged | As arranged | Designated and other vendors |
| Exterior office signs and graphics ⁶ | \$1,000 to \$8,000 | As arranged | As arranged | Designated and approved vendors |

| Type of expenditure | Amount | Method of payment | When due | To whom payment is to be made |
|--|------------------------------|-------------------|---------------------------|--|
| Insurance ⁷ | \$500 to \$10,000 | As incurred | As arranged | Insurance company |
| Miscellaneous opening costs ⁸ | \$1,800 to \$11,000 | As incurred | Before and during opening | Landlord, municipalities, suppliers, utilities, attorneys, accountants and other professionals |
| Additional funds – 3 months ⁹ | \$3,000 to \$10,000 | As incurred | After opening | Employees, landlord, other vendors |
| TOTAL¹⁰ | \$14,800 to \$181,500 | | | |

1. This fee must be paid in full at the time indicated (however, some states may require payment of these fees to be deferred until you open for business, see Exhibit F of this disclosure document). To be eligible to sign the Franchise Agreement, you must provide us with reasonable proof of your financial ability to make the initial investment described above and you must authorize us to conduct a credit check to confirm your financial ability to purchase and develop the franchise.

2. Although we do not obligate you to do so, within the first 60 days after the Opening Date, we recommend you spend up to \$2,500 (and you may spend more) on the grand opening advertising and promotion of your Office, using the grand opening promotional program that we approve or provide you. After you complete the grand opening advertising and promotion of your Office, we recommend you spend additional amounts each month on the local marketing, advertising, and promotion of your Office. Any advertising and promotion using our trademarks may only be done with our prior consent or in the manner specified in the Confidential Operations Manual (the “Manual”). Also, on a regional or system-wide basis, we may also impose an additional assessment upon some or all franchisees for one-time advertising or promotional activities if two-thirds of all affected Sperry Commercial Global Affiliates offices agree to such additional assessment by affirmative vote.

3. Initial orientation to the Sperry system is typically accomplished in two days in Irvine, California and in our discretion, may be followed by assistance of our representatives during the first 12 months after your Office opens. These expenses represent the wages, travel and living expenses for you and your staff during this orientation.

4. Many of our franchisees will already have an operating real estate office that we will consent to as acceptable to be operated as an Office. If you are not converting your existing office to an Office, you will need to rent or lease a suitable site for your Office and the rent or lease deposit amount will vary depending on the location. A security deposit equal to one month’s rent is a standard requirement to execute an office lease, and landlords may ask for additional security deposits equal to as much as three months of rent. We may recommend the design of your office and may require a distinctive trade dress for the Office. The amounts listed in this type of expenditure are estimates that are based on basic build out of our Office design but do not include many variables related to the pre-existing condition of any one location. Building permits may be required for the build-out of your Office, the cost for which has been included in these estimates.

5. You must use an acceptable business computer and approved software. The cost of operational and promotional materials ranges from \$500 to \$1,500.

6. The quantity, size, type and cost of signs will vary substantially per lease space and in accordance with stipulations of each landlord and local governmental regulations. These estimates include the average filing fees for obtaining the necessary sign permits. All signs must comply with the guidelines contained in the Manual.

7. As an independently owned and operated franchisee, you are responsible for all costs or liabilities arising from the operation of your Offices, and it is imperative you carry adequate insurance to protect yourself. You must obtain the insurance coverage required by the Franchise Agreement from a carrier with a rating of "A VII" or better by A. M. Best Company. The currently required minimum coverage and limits of insurance are (i) general liability insurance with limits of at least \$1,000,000 per occurrence and \$2,000,000 aggregate, (ii) errors and omissions insurance with limits of (A) at least \$1,000,000 aggregate if your Office has one to three brokers and real estate agents or (B) at least \$1,000,000 per occurrence and \$2,000,000 aggregate if your Office has four or more brokers and real estate agents, (iii) business automobile insurance with limits of at least \$300,000 per occurrence, and (iv) workers' compensation insurance to meet the statutory coverage of the state where your Office is located. To the extent permissible under law, these insurance requirements may be satisfied with a combination of primary, umbrella or excess policies. All insurance policies will name you as named insured and (excepting workers' compensation insurance policies) will name us and any of our affiliated entities now existing or which may hereafter exist as additional insureds, including their employees, officers and directors on additional insured endorsement forms. The costs of premiums will vary based on location of the Offices and any prior claim history. The required coverage and limits are subject to change.

8. This includes initial inventory of forms and supplies, security deposits, utility deposits, business licenses and other prepaid expenses.

9. Although we do not require minimum funds for you to start your business, there are some expenses you will incur when you begin your franchise operations, such as inventory, supplies and employees. It is always a good idea to have some cash reserves available to cover initial operating expenses. This estimates the additional funds you will need for your first three months of operation. These expenses include payroll costs. We relied on the 30 years of experience of our Chief Executive Officer in determining these figures.

10. If you do not open for business, you may receive a refund from suppliers for unused inventory, unspent advertising and canceled insurance. Otherwise, the payments to persons other than us listed in the table above are likely nonrefundable. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases of Goods or Services, including Computer and Point of Sale System

You will be required to purchase, use and maintain a personal computer system (including all related hardware and software) as specified in the Manual or otherwise by us in writing for use in operating your Office (the "Computer System") and report gross commissions from your Office, including the monthly 2% Royalty Overrides when applicable, through our SperryCENTRAL system (details of which are in the Manual). Your failure to accurately report gross commissions from your Office through our SperryCENTRAL system would be a material breach of your Franchise Agreement. In addition to SperryCENTRAL, we may designate other computer software for use in the operation of the Office. And we require you to maintain an e-mail account and connect the Computer System to a dedicated telephone line (or other communications medium specified by us) always capable of accessing the Internet via a third-party network designated by us in the Manual or otherwise in writing. In the future, we will identify and designate computer software that must be used in the operation of the Computer System. When we do so, you must license or sublicense such software from or our designated vendor and enter into a software license agreement on the designated vendor's then-current form.

You must purchase items bearing our trademarks only from designated vendors or approved suppliers.

Franchisor or its Affiliates Acting as Approved Suppliers

We do not sell or lease any goods, services, supplies or equipment related to establishing or operating the franchised business. And you may be required to purchase some specified services or products that are proprietary to Sperry Commercial Global Affiliates or that are specifically selected by us for consistency in quality and other considerations only from suppliers designated by us in writing. We will provide a written list of these proprietary or selected items and designated suppliers. We will also notify you of any additions to or deletions from this list.

You may be given an opportunity to purchase some ancillary real estate services (including escrow and title insurance) from companies affiliated with Sperry Commercial, Inc. However, these affiliated companies are not the only approved suppliers of ancillary real estate services (including escrow and title insurance). Providers of these ancillary real estate services must have all necessary permits and licenses to allow them to do so.

Our officers own an interest in Sperry Commercial, Inc. Otherwise, there are no suppliers in which any of our officers owns an interest.

Approved Suppliers and Approval of Alternative Suppliers

We only designate or approve suppliers who demonstrate to our satisfaction the ability to meet our standards and specifications, who possess adequate quality control and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manual or otherwise in writing. Designation of a supplier may be conditioned on factors established by us, including performance relating to frequency of delivery, standards of service, and payment or other consideration to us or parties designated by us. We may designate a single supplier or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers.

The current list of approved products and suppliers is found in the Manual. We may make changes to these lists or other parts of the Manual, which we will provide to you. If you desire to purchase products other than those provided by approved suppliers, you must submit to us a written request for approval of the proposed supplier together with such evidence of conformity with our specifications and program specifications as we may reasonably require. We will notify you in writing within 60 days of our approval or disapproval of the proposed supplier. Approval will not be unreasonably withheld. You must not sell or offer for sale any products or services from a proposed supplier until you receive our written approval of the proposed supplier.

We may revoke our approval of specific products or suppliers if we determine in our sole discretion that the products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease purchasing or selling any disapproved product.

We may also consider the impact of an additional supplier (and consequent reductions in supplier volume and increase in distribution expense) on the overall supply chain being used by the system.

Issuance of Specifications and Standards

We issue specifications and standards regarding authorized Sperry Commercial Global Affiliates products and services to its franchisees through the Manual and other communications in writing or by email. We also issue specifications and standards regarding authorized Sperry Commercial Global Affiliates products and services to its designated and approved suppliers in writing or by email. We may modify these specifications and standards at any time but only after delivering written notification of the modifications and providing its franchisees or suppliers a reasonable amount of time to implement the modifications.

Revenue from Franchisee Purchases

In 2023, neither we nor any of our affiliates derived revenue, rebates or other material consideration because of required purchases or leases by Sperry Commercial Global Affiliates franchisees.

Payments to us, our designees, and our approved suppliers, or under our specifications (i) in establishing your Office will range from 22% to 46% of your total initial investment and (ii) in operating your Office will range from 10% to 30% of your total monthly expenses.

Cooperatives

We are not presently involved in any purchasing or distribution cooperatives.

Negotiated Purchase Arrangements

We have not negotiated purchase arrangement and price terms with other suppliers for the benefit of franchisees, although we may do so in the future.

Material Benefits Based on Franchisee Purchases

We do not provide any material benefits to you based on your purchase of specific products or services, or your use of specific suppliers.

ITEM 9: FRANCHISEE'S OBLIGATIONS

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

| | Obligation | Section in franchise agreement | Disclosure document item |
|----|---|---------------------------------------|---------------------------------|
| a. | Site selection and acquisition/lease | 7.1, 7.2 | 6, 11 |
| b. | Pre-opening purchases/leases | 7.2, 7.3 | 8 |
| c. | Site development and other pre-opening requirements | 7.1-7.3 | 6, 7, 11 |
| d. | Initial and ongoing training | 6.1-6.4 | 11 |
| e. | Opening | 3.3, 7.2, 7.3 | 11 |

| | Obligation | Section in franchise agreement | Disclosure document item |
|----|--|--------------------------------|--------------------------|
| f. | Fees | 4.1-4.9, 5.2, 12.2 | 5, 6, 7 |
| g. | Compliance with standards and policies/ operating manual | 8.1-8.3 | 11 |
| h. | Trademarks and proprietary information | 8.8, 9.1-9.5 | 13, 14 |
| i. | Restrictions on products/services offered | 3.2, 3.4, 8.1, 8.13 | 8, 16 |
| j. | Warranty and customer service requirements | 3.3, 8.1 | 11 |
| k. | Territorial development and sales quotas | Not applicable | 12 |
| l. | Ongoing product/service purchases | 7.3 | 8 |
| m. | Maintenance, appearance, and remodeling requirements | 5.2, 7.2, 8.5 | 11 |
| n. | Insurance | 8.10 | 6, 8 |
| o. | Advertising | 4.3, 7.4, 8.8, 8.13, 10.1 | 6, 11 |
| p. | Indemnification | 16.2 | 6 |
| q. | Owner's participation/management/staffing | 3.6, 6.1, 6.2, 8.1, 12.4-12.6 | 11, 15 |
| r. | Records and reports | 8.7 | 6 |
| s. | Inspections and audits | 8.7, 8.11 | 6, 11 |
| t. | Transfer | 12.1-12.7 | 17 |
| u. | Renewal | 5.2, 5.3 | 17 |
| v. | Post-termination obligations | 11.2, 15.1, 15.2 | 17 |
| w. | Non-competition covenants | 11.1-11.3 | 17 |
| x. | Dispute resolution | 14.1-14.5 | 17 |
| y. | Other | 16.12 | Not applicable |
| | | | |

ITEM 10: FINANCING

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

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

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

Pre-Opening Assistance

Before you open your business, we:

- (1) Will designate your primary area of responsibility within a designated U.S. Postal Service ZIP Code (see section 3.1(a) and Exhibit 1 of the Franchise Agreement).
- (2) Will provide you with initial orientation in the Sperry Commercial Global Affiliates system and how to operate the Office (see section 6.1 of the Franchise Agreement and the Initial Orientation Program described below in this Item 11). You must successfully complete initial orientation to our satisfaction.
- (3) Will provide you with a copy of the Manual (see section 7.2 of the Franchise Agreement). Except for giving you a written list of proprietary or required items needed to open your Office and designated suppliers, we do not give assistance with providing equipment, signs, exteriors, opening inventory and supplies.

Length of Time to Open the Office

We estimate the typical length of time between the signing of the Franchise Agreement (when you make your first payment to us for the franchise) and the opening of your Office will be 60 days. Factors that may affect this time include the satisfactory completion of initial orientation by your designated attendees, location of an acceptable site, ability to obtain an appropriate lease, financing arrangements, compliance with zoning and local ordinances, weather conditions, shortages, and delivery and installation of equipment and signs. You have 60 days after signing the Franchise Agreement to locate an acceptable site for your Office. If you are unable to do so, we can cancel the Franchise Agreement. And if we consent to the site for your Office but you do not begin operating your Franchised Business within 180 days after you sign the Franchise Agreement, we can terminate the Franchise Agreement (see section 7.2(a) of the Franchise Agreement) without any liability to us and if we do so under those circumstances, we are not obligated to refund your initial franchise fee.

Although we do not typically pre-select the site for your Office, we must give our final consent to the location before your Office can be operated as a Sperry Commercial Global Affiliates real estate office (see section 7.2(b) of the Franchise Agreement). You and your landlord may be required by us to complete and sign a rider or addendum to the lease that requires the landlord to fully cooperate with us in completing de-identification of the Office as a Sperry Commercial Global Affiliates real estate office if the Franchise Agreement is terminated or expires without being renewed. The factors that we consider in consenting to a site for the Office include general location and neighborhood, parking, size, physical characteristics of existing buildings and lease or rental terms. We do not typically own and lease to you the premises on which the Office will be located.

An Established Office and an Established Office XL will have up to 18 months to completely transition to full operation under the Marks, including making changes to office signs and listed or client property signage, printed materials, promotional items, business cards and Internet identity (email addresses and website).

Post-Opening Assistance

During the operation of the franchised business, we:

(1) Will be reasonably available by phone and e-mail for guidance in the operation and management of your Office. Other than providing you general guidelines for tax and federal employment compliance in our Manual, we do not provide you with assistance in contracting with real estate agents or hiring, supervising or discharging employees, nor do we provide any advice on employment law or regulations, except to strongly recommend you engage the services of an attorney competent to advise you on employment law matters in your state (see section 6.2 of the Franchise Agreement).

(2) Will provide you with scheduled training and assistance programs and may visit you periodically at no cost to you to provide additional sales and administrative review and assistance, including assistance with establishing and using administrative, bookkeeping and accounting procedures. There is no separate fee for scheduled training and assistance. However, if you request unscheduled training or assistance and we agree to provide it, you must reimburse us for the cost of our representative's transportation and lodging. We may also, at our discretion,

charge a fee for unscheduled training or assistance of up to \$750 per day. The nature, frequency and duration of this assistance by our representatives will be in our sole discretion. (See section 6.2 of the Franchise Agreement.)

(3) Will notify you if the general state of repair, appearance or cleanliness of your Office or its signs do not meet our standards (in connection with your ongoing obligation to maintain the Office in accordance with our standards) and specify the action you must take to correct the deficiency (see section 8.11 of the Franchise Agreement).

(4) May conduct a system-wide mandatory meeting (or annual convention) not more than once a year in Southern California or other place in the United States. Attendance of at least one Office Manager and at least one Principal Equity Owner at these meetings is highly recommended. You must pay the cost of travel, hotel and meal expenses for your attendees at these mandatory meetings. (See section 6.3 of the Franchise Agreement.)

(5) Will provide you with full access to, and integrate information about your Office into, the Sperry Commercial Global Affiliates website in accordance with our specifications (see section 6.2 of the Franchise Agreement).

Advertising Program for the Franchise System

We do not currently collect from our franchisees any advertising, marketing or promotion fees or contributions. However, we do recommend that you spend at least \$2,500 on the grand opening advertising and promotion of your Office, using the grand opening advertising and promotional program we designate in the Manual or otherwise approve (see section 4.3(a) of the Franchise Agreement). We also encouraged you to spend additional amounts on the local marketing, advertising and promotion of your Office, using marketing and promotional materials we have pre-approved or otherwise authorize in writing (see section 4.3(b) of the Franchise Agreement).

On a national or regional basis, we may impose an additional assessment on all affected Sperry Commercial Global Affiliates franchisees for special advertising or promotional activities, but only if two-thirds of all affected franchised Offices agree to this additional assessment in writing (see section 4.3(c) of the Franchise Agreement).

You are obligated to maintain and occasionally refurbish the Office to conform to our currently effective "Trade Dress" (as defined in the Franchise Agreement) and color standards for Sperry Offices. This maintenance and refurbishment may require expenditures by you on structural changes, installing new equipment, remodeling, redecoration and modifications, or to accommodate new Sperry Services. You must maintain all equipment and furnishings used at the Office in good working order and make repairs or perform maintenance as needed. You also must make all upgrades to equipment and any technology used in the Office that we may require, and we may periodically require you to update the Trade Dress (possibly including installation of new color schemes, logos, signage or other visual elements) used at the Office. Details on Trade Dress updates will be contained in the Manual or as otherwise provided to you in writing. We anticipate that Trade Dress updates will be required no more frequently than once every five years (see section 8.5 of the Franchise Agreement).

We intend to use the Internet (including our website), social media and targeted print media in our marketing and advertising efforts. And in the future, we may use local radio and television advertising. We will be using in-house advertising personnel to do this, but we also intend to hire advertising and public relations firms to assist us in these efforts. We are not required to spend any advertising fees in your territory or in or near your Office, although we may do so.

You may develop advertising materials for your own use, at your own cost. But we must approve all advertising materials in advance and in writing (approval or disapproval will be given within 10 business days after you submit the advertising materials to us).

We do not have an advertising council composed of franchisees that advises us on advertising policies.

We are not presently involved in any advertising cooperatives. However, we reserve the right to create advertising cooperatives in the future. If we do so, outlets affiliated with us will contribute to the cooperative on the same basis as Sperry Commercial Global Affiliates franchisees. We have the right to require cooperatives we create to change, dissolve or merge. We determine, in our sole discretion, the cost, form or media, content, format, production and timing, including regional or local concentration and seasonal exposure, location and all other matters involving advertising, public relations and promotional campaigns.

In 2023, we neither collected nor expended any Marketing and Promotion Fees.

Computer Requirements

You are not required to purchase or lease a POS system or electronic cash register. However, you must use and maintain the Computer System (including all related hardware and software) and report all gross commissions received at your Office through the SperryCENTRAL system as specified in the Manual or otherwise by us in writing for use at the Office. We don't specify or recommend the brand or type of business computer you use; but if we do so in the future, you will be notified. We also require you to maintain an e-mail account and connect the Computer System to a dedicated Internet line (or other communications medium that we specify) at all times and be capable of accessing the Internet via a third-party network designated by us in the Manual or otherwise in writing. We will have independent access to your Computer System on a daily or other basis at the times and manner determined by us or our designated affiliate, with or without notice, and to retrieve transaction information (including sales, sales mix, usage and other operations data) that we deem appropriate. You must always have and maintain adequate anti-virus software in any computer you use to communicate with us directly or through our master website or intranet. (See section 8.4 of the Franchise Agreement.) In the future we may require you to use designated real estate management software in the operation of the Computer System ("Designated Software"). If we do so, you must license or sublicense the Designated Software from our approved licensor and enter into a software license agreement on the software licensor's current form and pay any related license or maintenance fees. We may require you to update or replace the Computer System upon 90 days written notice, but you will not be required to replace the Computer System any more frequently than once every five years. We estimate that the annual cost of optional or required maintenance, updating, operating or support contracts regarding the Computer System will range from \$500 to \$1,000.

Operations Manual

We will loan you one copy of our Manual (containing a total of 100 pages) and other applicable manuals during the relevant phases of initial orientation (see section 8.2 of the Franchise Agreement). This Manual contains mandatory and suggested specifications, standards and procedures for operation of your Office.

We will periodically modify the Manual and when we do so, you must comply with these changes when you receive them. This Manual is confidential and remains our property. If you lose or allow the unauthorized duplication of the Manual or any other confidential manuals or proprietary materials loaned to you by us, you will be deemed to be in material violation of the Franchise Agreement and all other agreements you have with us (see section 8.2(c) of the Franchise Agreement).

The following is the Table of Contents of the Manual as of the date of this disclosure document.

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| Section 11- Appendix Email & Intranet Set-Up/Cancellation Form - Sample SperryCENTRAL Easy Guide Overview Business Card & Stationery Order Procedures Co-Listing Agreement Form - Sample Lead Referral Contract Form - Sample Statement of Commissions Earned Wiring Instructions - Sample Sperry New Employee Checklist Form - Sample Statement of Royalty Overrides Form - Sample Sperry Proposal Package - Sample FDD & Franchise Agreement Standard E-Mail Signature Block - Sample Realtor Code of Ethics | 21 |
| Total Pages | 100 |

INITIAL ORIENTATION PROGRAM

| Subject | Hours of Classroom Training | Hours of On The Job Training | Location |
|---|-----------------------------|------------------------------|--------------------|
| Day 1 | | | |
| 8:30 - 9:00 AM Hosted Breakfast | .5 | 0 | Irvine, California |
| 9:00 - 10:00 AM Welcome - Rand Sperry Sperry Team Introductions/Affiliate Introductions | 1.0 | 0 | Irvine, California |
| 10:15 - 10:45 AM Sperry Advantage (Pitchdeck) | .5 | 0 | Irvine, California |

| Subject | Hours of Classroom Training | Hours of On The Job Training | Location |
|---|------------------------------------|-------------------------------------|--------------------|
| 10:45 AM - 12:00 PM Recruiting | 1.25 | 0 | Irvine, California |
| 12:00 - 1:00 PM Hosted Lunch | 1.0 | 0 | Irvine, California |
| 1:00 - 2:15 PM SperryCENTRAL Powered by PropertyBase | 1.25 | 0 | Irvine, California |
| 2:30 - 3:30 PM SperryLINK Powered by BuildOut | 1.0 | 0 | Irvine, California |
| 3:30 - 4:00 PM Institutional Investments | .5 | 0 | Irvine, California |
| 4:00 - 5:00 PM RealNex | 1.0 | 0 | Irvine, California |
| Day 2 | | | |
| 8:30 - 9:00 AM Hosted Breakfast | .5 | 0 | Irvine, California |
| 9:00 – 10:15 AM SperryCENTRAL System Reporting Adding New Agents E-Mail/Intranet Set Up Monthly Royalty Billing - Royalty Override Reporting | 1.25 | 0 | Irvine, California |
| 10:30 - 11:15 AM Sperry RE Capital Presentation | .75 | 0 | Irvine, California |
| 11:15 AM - 12:00 PM Sperry Website - Specifications/E-Mails | .75 | 0 | Irvine, California |
| 12:00 - 1:00 PM Hosted Lunch | 1.0 | 0 | Irvine, California |
| 1:00 - 2:00 PM Marketing Tuesday Morning Calls How to Create a Flyer and Submit a Listing for Tuesday Morning Call Conferences (ICSC/CCIM) | 1.0 | 0 | Irvine, California |
| 2:00 - 2:45 PM “What Your Client Wants” | .75 | 0 | Irvine, California |
| 3:00 - 4:00 PM Making Money through Alternative Services | 1.0 | 0 | Irvine, California |
| 4:00 -5:00 PM Q & A | 1.0 | 0 | Irvine, California |
| 5:00 - 6:30 PM Wine & Cheese Mixer | 2.5 | 0 | Irvine, California |

The “Initial Orientation” program above is effective as of the date of this disclosure document. Initial Orientation is typically provided within 90 days before your Office opens and is typically scheduled monthly. All classroom orientation takes place at our regional headquarters in Irvine, California, or another orientation center that we designate.

The instructional material consists of appropriate handouts and information directly from the Manual. Currently, our initial training instructor is Jamie Lung, who has been with us and our affiliate Sperry Commercial, Inc. since September 2012, and who has more than 12 years of experience in the subject matters she teaches. The principal instructor is assisted by our Chief Executive Officer, operations staff and other employees. Each training instructor will have at least 10 years of experience.

We do not charge for Initial Orientation for the designated Office Manager and Principal Equity Owners. You must pay all travel and living expenses of persons you send to Initial Orientation and other training programs we may provide.

The successful completion of Initial Orientation by your designated Office Manager to our satisfaction is a condition to your opening of an Office to the public and must be fulfilled within 180 days after you sign the Franchise Agreement. If a designated Office Manager fails to complete Initial Orientation satisfactorily, you will have the option of sending a replacement approved by us to Initial Orientation.

No additional training programs or refresher courses are currently required. However, you can request additional on-site training and/or assistance at any time. We may provide it at our option, but the Franchise Agreement does not require us to do so.

Upon reasonable notice after the Opening Date, we may require attendance of designated personnel of yours at training courses, seminars, conferences or other programs containing information that is relevant or appropriate to the operation of your Office (see section 6.2(b) of the Franchise Agreement). Scheduled Sperry Commercial Global Affiliates courses, seminars, conferences or other programs typically do not last for more than one day, take place in Irvine, California, and are not subject to any fee. However, we may, at our discretion, charge a fee of up to \$750 per day for optional Sperry Commercial Global Affiliates training courses, seminars, conferences or other programs that you elect to attend.

We may periodically conduct an annual conference, convention or training session, and if we do, we will determine its duration, curriculum and location (section 6.3 of the Franchise Agreement). Attendance of at least one Principal Equity Owner at these meetings will be mandatory (and is highly recommended for your Manager and all other Principal Equity Owners).

You must pay all the expenses incurred by your trainees as attendees in connection with Initial Orientation and any other training, conferences, conventions or other meetings your trainees attend, including, for example, their salaries, transportation costs, meals, lodging and other living expenses (section 6.1(e) of the Franchise Agreement).

ITEM 12: TERRITORY

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution of competitive brands that we control. Each Franchise is granted only for one specific Office at a site we consent to. You will receive a protected Primary Area of Responsibility that coincides with all or a portion of a mutually agreed and designated United States Postal Service ZIP Code identified in Exhibit 1 of your Franchise Agreement. By "protected" we mean that so long as you continue to fulfill your material (as we reasonably determine) obligations under your Franchise Agreement, we will not grant a Sperry Commercial Global Affiliates franchise to any other person nor will we or any of our affiliated entities locate a Sperry Commercial Global Affiliates commercial brokerage real estate office within your Primary Area of Responsibility.

You may relocate an Office with our written consent, which will not be unreasonably withheld. Not less than 90 days before the desired date of relocation (unless prior notice is impractical

because of a required relocation in which event your notice must be given as soon as possible), you must make a written request for consent to relocate, describing the reasons for the relocation and providing complete written details respecting any proposed new location. Within 20 business days after we receive your request, we will either approve or disapprove in writing such closure or relocation. If we disapprove of a proposed relocation, you may request an alternative proposed new location.

We do not grant you options or rights of first refusal to open additional Offices.

We have the absolute right to develop real estate brokerage business concepts under other brand names even if the locations for the concept are adjacent to your Offices, and market, distribute and sell, on a wholesale or retail basis, ancillary real estate services (such as mortgage, title insurance and escrow) under the Brand, by direct sale, the Internet, mail order, infomercials, telemarketing or by any other marketing method or other channels of distribution. We are not required to pay you compensation for soliciting or accepting customers of ancillary real estate services, but we may pay you referral fees for customers of such services that you refer to us.

You are not restricted from soliciting or accepting orders outside of your Offices, but you may not sell any Sperry Services on a wholesale basis, at any location other than your Office, or through the Internet, catalog, mail order, telemarketing or any other non-retail method of sales or distribution.

We will publish or approve all website content containing our trademarks, and we will provide you with a presence on our master website. We will publish all website content and we will list your Office location on our master web site. We will maintain the "Uniform Resource Locator" (or "URL") for the Sperry Commercial Global Affiliates website and you may never own any Internet domain name that contains any of the Marks. Under no circumstances are you authorized to establish your own personal websites (except social media sites) for the purpose of advertising your Office or our principal trademarks.

We may establish company-owned retail outlets selling Sperry Services near but never adjacent to any of your Offices. Although we have no current plans to do so, we reserve the right to offer and sell other types of franchises that are not directly competitive with the Sperry franchise.

The continuation of your franchise rights to your Primary Area of Responsibility does not depend on your attaining a minimum level of sales, revenues or market penetration, or another contingency. The Primary Area of Responsibility granted by the Franchise Agreement may not be altered unless you and we mutually agree to do so. You will maintain rights to your Primary Area of Responsibility even if the population in that geographic area increases.

ITEM 13: TRADEMARKS

You are licensed to operate and identify the Office under the principal trademark "Sperry Commercial Global Affiliates", and other current or future trademarks.

On October 10, 2017, the principal trademark "Sperry Commercial Global Affiliates" and logotype displayed on the cover of this disclosure document, was registered by our affiliated company

Sperry Commercial, Inc. with the United States Patent and Trademark Office (“USPTO”) in class 036 on the Principal Register, registration number 5307110.

There are presently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, nor any pending interference, opposition or cancellation proceedings involving our trademarks. There are no agreements currently in effect that significantly limit our rights to use or license the use of trademarks listed in this Item in a manner material to the franchise. There is no pending material federal or state court litigation regarding our use or ownership rights in the trademarks. All required affidavits have been filed by the franchisor or the owner of the trademarks.

All trademarks are owned by our affiliated company Sperry Commercial, Inc., which granted us a trademark license (the “Trademark License”) and right to use the principal trademark and related trademarks, service marks, trade names, logos and symbols (collectively the “Marks”) related to Sperry Commercial Global Affiliates and to grant licenses to use the Marks to Sperry Commercial Global Affiliates franchisees. The Trademark License will continue until it is terminated. If the Trademark License were to be terminated, Sperry Commercial Global Affiliates franchisees would have the right to continue to use the Marks while operating their franchised Offices under their Franchise Agreements for the existing term of the Franchise Agreement. Except as described above, no agreements limit our rights to use or license the use of the Marks.

You must follow our rules when you use the Marks. You cannot use our Marks as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use the Marks in connection with the sale of any unauthorized product or service, or in any manner that we have not authorized in writing.

We have the right to control any administrative proceedings or litigation involving a Mark we license to you. You must notify us promptly if you learn about an alleged infringement, unfair competition, unauthorized third-party use of or challenge to your use of the Marks. We then will promptly take the action we think appropriate. We will indemnify you for any action against you by a third party based solely on alleged infringement, unfair competition or similar claims about the Marks. But we have no obligation to defend or indemnify you if the claim against you relates to your use of the Marks in violation of the Franchise Agreement.

If you learn that any third-party who you believe is not authorized to use our Marks is using them or any variant of them, you must promptly notify us. We will determine whether to take any action against the third party.

At your cost and expense, you must modify or discontinue the use of a Mark if we modify or discontinue it. You have no rights to compensation or other rights under the Franchise Agreement if we require you to modify or discontinue using a trademark. You may not directly or indirectly contest our rights to the Marks, trade secrets or business techniques that are part of our business.

The Franchise Agreement provides that if you or your employees, agents and subcontractors or any other party who you may contract with create any materials containing or associated with the Marks, including artwork, graphics, layouts, slogans, domain names, other names, titles, text, or similar materials, these will become the sole property of the trademark owners, including trademark rights.

There are no infringing uses or superior previous rights known to us that can materially affect your use of the Marks in this state or any other state in which the franchised business is to be located.

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights

We do not own rights in, or licenses to, patents or copyrights that are material to the franchise and you do not receive the right to use any item covered by a patent or copyright. However, we assert a common law copyright on the contents of the Manual and only you or your authorized employees can have access to and use the proprietary information in the Manual.

You must immediately notify us if you become aware of any infringement or inappropriate use of the Manual. We will then take whatever action we deem appropriate, and will control any litigation, to protect our copyright in the Manual. You will have no power, right or authority to settle or compromise any such claim, suit or demand by a third party or to intervene to stop misuse, without our prior written consent. We will defend, compromise or settle at our discretion any claim, suit or demand relating to our copyrights and take steps to stop misuse at our cost and expense, using attorneys selected by us, and you agree to cooperate fully in such matters. If the infringement or inappropriate use results from your negligence or willful action, you must reimburse us all our expenses in protecting our copyright. Otherwise, we will indemnify you and hold you harmless from and against all judgments resulting from any claim, suit or demand arising from your authorized and use of the copyrights in accordance with the terms of the Franchise Agreement.

The Franchise Agreement provides that if you or your employees, agents and subcontractors or any other party who you may contract with create any materials containing or associated with the Marks, including artwork, graphics, layouts, slogans, domain names, other names, titles, text, or similar materials, these will become the sole property of the trademark owners, including copyrights.

We do not currently have any pending patent applications that are material to the franchise.

Our intellectual property, whether the subject of a patent, copyright or not, also is protected by common law principles which limit the use of our confidential proprietary information, except as we have licensed it. We will enforce those rights as we determine.

Our Proprietary Rights in Other Confidential Information

You may never reveal any of our confidential proprietary information or trade secrets to another person or use it for another person or business. You may not copy any of our confidential proprietary information or disclose it to a third party except as we authorize. You must also promptly tell us when you learn about unauthorized use of any of our confidential proprietary information. We are not obligated to take any action but will respond to your notification of unauthorized use as we think appropriate.

The Franchise Agreement grants us the right at any time to use the name, image and likeness of you and all Principal Equity Owners for commercial purposes in connection with the marketing and promotion of the Marks, Sperry Services, any Sperry retail location and the

Sperry System, without any form of compensation or remuneration. Under the Franchise Agreement you also agree (i) to have any Principal Equity Owner or other affected employee of yours sign a release in the form contained in the Manual that authorizes us to also use the employee's name, image and likeness for the purposes described the preceding sentence, without compensation or remuneration, and (ii) to provide us with a copy of such signed release.

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

We recommend but do not require principal owners of Sperry Commercial Global Affiliates franchises to actively participate in the direct management and operation of your Office. However, you must employ at your Office at least one designated Office Manager (if you are a sole proprietor, this could be you) who has successfully completed our Initial Orientation program. You must disclose the identity of the Office Manager to us and if he or she is for any reason no longer acting as Office Manager, you must notify us immediately and in writing.

The Office Manager must devote his/her full time during normal business hours to the management, operation and development of the Franchised Business, and cannot have an interest or be employed or engaged as an independent contractor by any of our business competitors. We do not require your Office Manager to have any ownership interest in your business, although he/she may do so. If the Office Manager does not own at least a 20% equity interest in your franchisee entity, he/she may be required to sign a confidentiality and non-competition agreement. We also recommend that you employ or engage the services of at least two new Real Estate Brokers or Agents at your Office during each six-month period after the Opening Date until a total of 12 new Real Estate Brokers or Agents are employed or engaged at your Office.

Each Principal Equity Owner signs a Guarantee of Franchise Agreement (attached as Exhibit 3 of the Franchise Agreement) requiring them to guarantee that all obligations of the franchisee under the Franchise Agreement (including provisions related to payments to franchisor, confidentiality and non-competition) are fulfilled.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell at the Outlet only those goods and services that we have approved.

You must offer and sell at your Office only Sperry Services and other goods and services that we designate as required for all franchisees or have approved.

We have the right to change and add other authorized goods and services that you will be required to offer. And we may require you to comply with other requirements, such as training, marketing or insurance, before we will allow you to offer additional goods or services. There are no limits on our right to do so. Notwithstanding the foregoing, the additional investment required of you for other authorized goods and services, which may include, but not limited to, equipment, supplies and initial inventory, will not exceed \$2,500 per year, unless otherwise agreed to by the parties in writing.

Except for applicable laws restricting discrimination against customers based on public policy, there are no restrictions on the customers to whom you may sell Sperry Services and related products at your Office.

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

THE FRANCHISE RELATIONSHIP

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

| | Provision | Section in franchise agreement | Summary |
|----|--|---------------------------------------|--|
| a. | Length of the franchise term | 5.1 | The initial term of the Franchise Agreement is three years, five years or 10 years (as you select in the Franchise Agreement) from the Opening Date of your Principal Real Estate Office. |
| b. | Renewal or extension of the term | 5.2 | Upon written notice delivered to us not less than 120 days before the end of the existing term, you can add additional terms of one year, three years, six years or 10 years as selected by you. However, we are not obligated to renew your Franchise if one or more of the conditions in section 5.2(c) of the Franchise Agreement apply to you. |
| c. | Requirements for franchisee to renew or extend | 5.2 | Sign our then current Franchise Agreement modified for renewal ("Renewal Franchise Agreement") or an addendum to your existing Franchise Agreement extending its term, remodel your Offices (if necessary) and pay renewal fee. The Renewal Franchise Agreement may have materially different terms and conditions than your original Franchise Agreement, but the boundaries of your Primary Area of Responsibility and the recurring fees you pay us will remain the same. |
| d. | Termination by franchisee | 13.1 | If we are in material breach (beyond any applicable cure periods), you can terminate your Franchise Agreement. (This provision is subject to applicable state law.) |
| e. | Termination by franchisor without cause | Not applicable | Not applicable. |
| f. | Termination by franchisor with cause | 13.1 | We can terminate the Franchise Agreement only if you are in material default. (This provision is subject to applicable state law.) |
| g. | "Cause" defined – curable defaults | 13.3 | You have 30 days after notice to cure monetary defaults and other defaults (including defaults under a lease for your Outlets) that can be cured. (This provision is subject to applicable state law.) |
| h. | "Cause" defined – non-curable defaults | 13.2 | Non-curable defaults under the Franchise Agreement: your bankruptcy or insolvency; your abandonment of the franchised business; you make material misrepresentations relating to your acquisition of the Franchise or you engage in conduct that reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the System; you fail, for a period of 10 days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of the Franchise; after curing any default, you engage in the same noncompliance whether or not such noncompliance is corrected after notice; you repeatedly fail to comply with one or more material requirements of the Franchise Agreement, whether or not corrected after notice; the Franchised Business or your Office is seized, taken over, or foreclosed by a government official, |

| | Provision | Section in franchise agreement | Summary |
|----|--|---------------------------------------|--|
| h. | "Cause" defined – non-curable defaults [continued] | | creditor, lien holder or lessor, or that a final judgment against you remains unsatisfied for 30 days; you are convicted of a felony or any other criminal misconduct that is relevant to the operation of the Franchise; we make a reasonable determination that your continued operation of the Franchise will result in an imminent danger to public health or safety. (This provision is subject to applicable state law.) |
| i. | Franchisee's obligations on termination or non-renewal | 15.1 | Obligations include removal of our Brand and other trademarks, return of all confidential and proprietary information and erasure of all copies of confidential and proprietary information, forwarding of telephone number and payment of amounts due. (This provision is subject to applicable state law.) |
| j. | Assignment of contract by franchisor | 12.1 | No restriction on our right to assign. (However, no assignment will be made except to an assignee that in good faith and judgment of the franchisor is willing and financially able to assume our obligations as franchisor under the Franchise Agreement.) |
| k. | "Transfer" by franchisee – defined | 12.2(a) | The Franchise Agreement defines a transfer as a sale, assignment, transfer, conveyance, pledge, mortgage, encumbrance, abandonment, elimination or giving away, voluntarily or involuntarily, by operation of law or otherwise. |
| l. | Franchisor's approval of transfer by franchisee | 12.2 | We have the right to approve all transfers (including transfers of (i) more than 50% of the equity or (ii) controlling interest in a franchisee entity), but we will not unreasonably withhold approval. (This provision is subject to applicable state law.) |
| m. | Conditions for franchisor approval of transfer | 12.2 | New franchisee qualifies, transfer fee paid, purchase agreement approved, initial orientation arranged, mutual release signed by you, and current agreement signed by new franchisee (see r. below). Within 60 days after our receipt of all necessary information and documentation required under the Franchise Agreement, or as specified by written agreement between us and you, we will notify you of the approval or disapproval of the proposed transfer of the Franchise by you. This notice will be in writing and delivered to you by business courier. |
| n. | Franchisor's right of first refusal to acquire franchisee's business | 12.3 | We can match any legitimate offer for your business, but we have no right of first refusal if the transfer is (i) between or among individuals (including their immediate family members) who have guaranteed obligations under a Small Business Administration loan or (ii) a transfer of less than 100% of the equity interest of a franchisee entity). |
| o. | Franchisor's option to purchase franchisee's business | Not applicable | We have no option or obligation to purchase your business upon termination or expiration of the Franchise Agreement. (This provision is subject to applicable state law.) |
| p. | Death or disability of franchisee | 12.6 | Franchise must be assigned by estate to approved buyer within 270 days. During any period of your incapacity or until the business is sold, we can place an interim manager in your Outlet, and you must pay us up to \$750 per day as compensation for the interim manager, plus the manager's transportation, lodging and related living expenses. |
| q. | Non-competition covenants during the term of the franchise | 11.1, 11.3 | No involvement in competing business anywhere. (This provision is subject to applicable state law.) |

| | Provision | Section in franchise agreement | Summary |
|----|--|--------------------------------|---|
| r. | Non-competition covenants after the franchise is terminated or expires | 11.2, 11.3 | You may not use for any purpose our trade secrets, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of the franchise system. (This provision is subject to applicable state law.) |
| s. | Modification of the agreement | 8.2, 16.15 | No modifications generally, but Manual subject to change. (This provision is subject to applicable state law.) |
| t. | Integration/merger clause | 16.15 | Only the terms of the franchise agreement are binding (subject to applicable state and federal law). 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. |
| u. | Dispute resolution by arbitration or mediation | 14.1-14.5 | Except for certain claims, the parties agree in the Franchise Agreement to submit disputes (not including your failure to pay us sums due or an act of yours allowing us to immediately terminate the Franchise Agreement) initially to a meeting in person of our executive officers and your Principal Equity Owners at our principal executive office (without our respective legal counsel) within five business days after a party requests this meeting to conduct a good faith discussion and negotiation of the issues with a view to arriving at a settlement. If this meeting does not resolve the dispute (or the meeting does not occur), within 10 business days after the meeting takes place (or should have taken place), the parties may submit the dispute to a mutually acceptable mediator who is a State Bar of California Board of Legal Specialization Certified Specialist in Franchise and Distribution Law. If a mediation takes place but does not resolve the dispute or if no mediation occurs, the dispute will be resolved by arbitration by and before JAMS, Inc. in accordance with its Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than \$250,000) or its Comprehensive Arbitration Rules and Procedures (if the amount in controversy is \$250,000 or more). Or if the parties agree, the dispute may be submitted to arbitration by another mutually acceptable arbitrator. We will maintain a position of strict neutrality regarding any disputes between owners of a franchisee entity, and we will not assist any specific owner of your entity, nor will we take a position or issue an opinion on the validity of a specific claim by an owner of your entity or the respective liabilities of owners of your entity involved in a dispute. (This provision is subject to applicable state law.) |
| v. | Choice of forum | 14.2(b), 14.3 | Arbitration proceedings will take place in Orange County, California. Mediation proceedings may take place at any mutually agreed location. Any litigation proceedings will take place in an appropriate court in California. (This provision is subject to applicable state law.) |
| w. | Choice of law | 16.14 | The Federal Arbitration Act (9 U.S.C. §1 <i>et seq.</i>) governs the arbitration of disputes under the Franchise Agreement. Otherwise, the laws of the state where the Office is located govern the Franchise Agreement and all related matters, documents and agreements. (This provision is subject to applicable state law.) |

ITEM 18: PUBLIC FIGURES

We do not currently pay or provide any other benefit to a public figure for the right to use his or her name to promote the sale of Sperry 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 outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representation about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our Manager of Franchise Operations, Ms. Jamie Lung, Sperry Commercial Global Affiliates, LLC, 18881 Von Karman Avenue, Suite 800, Irvine, California 92612, telephone (949) 705-5000; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2021 TO 2023

| Office Type | Year | Offices at the Start of the Year | Offices at the End of the Year | Net Change |
|----------------------|-------------|----------------------------------|--------------------------------|------------|
| Franchised | 2021 | 57 | 54 | -3 |
| | 2022 | 54 | 57 | +3 |
| | 2023 | 57 | 55 | -2 |
| Company-Owned | 2021 | 5 | 5 | 0 |
| | 2022 | 5 | 4 | -1 |
| | 2023 | 4 | 4 | 0 |
| Total Offices | 2021 | 62 | 59 | -3 |
| | 2022 | 59 | 61 | +2 |
| | 2023 | 61 | 59 | -2 |

Table No. 2
**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR) FOR YEARS 2021 TO 2023**

| State | Year | Number of Transfers |
|---------------|-------------|---------------------|
| Texas | 2021 | 0 |
| | 2022 | 1 |
| | 2023 | 0 |
| Totals | 2021 | 0 |
| | 2022 | 1 |
| | 2023 | 0 |

Table No. 3
STATUS OF FRANCHISE OUTLETS FOR YEARS 2021 TO 2023

| State | Year | Offices at Start of Year | Offices Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Offices at End of the Year |
|---------------|------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| Alabama | 2021 | 3 | 0 | 2 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Arizona | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| California | 2021 | 15 | 0 | 0 | 0 | 0 | 2 | 13 |
| | 2022 | 13 | 0 | 0 | 1 | 0 | 0 | 12 |
| | 2023 | 12 | 2 | 0 | 3 | 0 | 0 | 11 |
| Colorado | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Florida | 2021 | 8 | 1 | 0 | 0 | 0 | 0 | 9 |
| | 2022 | 9 | 0 | 0 | 0 | 0 | 0 | 9 |
| | 2023 | 9 | 0 | 0 | 0 | 0 | 0 | 9 |
| Georgia | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 1 | 0 | 0 | 2 |
| Illinois | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Kentucky | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 1 | 0 | 1 | 0 | 0 | 1 |
| Massachusetts | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Michigan | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Mississippi | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| Missouri | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 1 | 0 | 0 | 1 |
| Nevada | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| New York | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 1 | 1 | 0 | 0 | 0 | 1 | 1 |

| State | Year | Offices at Start of Year | Offices Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Offices at End of the Year |
|----------------|-------------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| North Carolina | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Ohio | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Oregon | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| South Carolina | 2021 | 3 | 1 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2023 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Tennessee | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 1 | 1 | 1 | 0 | 0 | 1 |
| Texas | 2021 | 8 | 0 | 0 | 1 | 0 | 1 | 6 |
| | 2022 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2023 | 6 | 1 | 0 | 1 | 0 | 0 | 6 |
| Washington | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Totals | 2021 | 57 | 4 | 2 | 1 | 0 | 4 | 54 |
| | 2022 | 54 | 4 | 0 | 1 | 0 | 0 | 57 |
| | 2023 | 57 | 7 | 1 | 8 | 0 | 0 | 55 |

Table No. 4
STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2021 TO 2023

| State | Year | Offices at Start of Year | Offices Opened | Offices Reacquired from Franchisees | Offices Closed | Offices Sold to Franchisees | Offices at End of the Year |
|---------------|-------------|--------------------------|----------------|-------------------------------------|----------------|-----------------------------|----------------------------|
| California | 2021 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 1 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| Colorado | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| Georgia | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| Texas | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| Totals | 2021 | 5 | 0 | 0 | 0 | 0 | 5 |
| | 2022 | 5 | 0 | 0 | 1 | 0 | 4 |
| | 2023 | 4 | 0 | 0 | 0 | 0 | 4 |

Table No. 5
PROJECTED SYSTEM-WIDE OPENINGS AS OF DECEMBER 31, 2023

| State | Franchise Agreements Signed But Offices Not Opened | Projected New Franchised Offices in the Next Fiscal Year | Projected New Company-Owned Offices in the Next Fiscal Year |
|---------------|--|--|---|
| California | 1 | 2 | 0 |
| Florida | 0 | 1 | 0 |
| Kansas | 0 | 1 | 0 |
| Kentucky | 0 | 1 | 0 |
| Michigan | 0 | 1 | 0 |
| Nevada | 1 | 1 | 0 |
| New Jersey | 0 | 2 | 0 |
| New York | 0 | 1 | 0 |
| Pennsylvania | 0 | 1 | 0 |
| Tennessee | 1 | 1 | 0 |
| Texas | 0 | 1 | 0 |
| Washington | 0 | 1 | 0 |
| Totals | 3 | 12 | 0 |

Exhibit C of this disclosure document lists, as of December 31, 2023, (i) the names, addresses and telephone numbers of all open and operating Sperry Commercial Global Affiliates franchise outlets, (ii) the names, addresses and telephone numbers of all franchisees who signed Franchise Agreements but had not yet opened their Sperry Commercial Global Affiliates franchise outlet, and (iii) the addresses of all open and operating Sperry real estate offices owned by related entities.

Exhibit D of this disclosure document lists, as of December 31, 2023, the contact information of every franchisee that had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement during our most recently completed fiscal year, or that has not communicated with us within the 10 weeks ending on the date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

We have not created, sponsored or endorsed any trademark-specific franchisee organizations associated with the Sperry Commercial Global Affiliates franchise system being offered.

There are no independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21: FINANCIAL STATEMENTS

Exhibit B to the disclosure document contains our audited financial statements for our fiscal years ended December 31, 2023, December 31, 2022, and December 31, 2021.

ITEM 22: CONTRACTS

The following agreements and other required exhibits are attached to this disclosure document as listed below:

Exhibit A-1 - Franchise Agreement

Exhibit A-2 - Addendum to Franchise Agreement Authorizing Business Brokerage Services

Exhibit A-3 - Addendum to Franchise Agreement Authorizing Property Management Services

ITEM 23: RECEIPTS

You will find copies of a detachable receipt in Exhibit H at the very end of this disclosure document.

SPERRY COMMERCIAL GLOBAL AFFILIATES

FRANCHISE AGREEMENT

EXHIBIT A-1

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FRANCHISE AGREEMENT

This Franchise Agreement ("Agreement") is made and executed as of _____, 20__ (the "Effective Date"), by and among Sperry Commercial Global Affiliates, LLC, a Delaware limited liability company ("Franchisor") and _____ ("Franchisee"), with reference to the following facts:

RECITALS

An entity affiliated with Franchisor (the "Owner of the Marks") owns the Sperry Commercial Global Affiliates trademarks, service marks and other intellectual property and all rights in respect thereof. The Owner of the Marks has authorized Franchisor to license them to Sperry franchisees.

Franchisee desires to be franchised and licensed by Franchisor to use Franchisor's "System" (as defined in Article I below), "Marks" (as defined in Article I below) and goodwill to conduct the "Franchised Business" (as defined in Article I below) from a specific "Sperry Office" (as defined in Article I below and identified in Exhibit 1 attached).

Franchisor is willing to grant Franchisee a "Franchise" (as defined in section 3.1 hereof), in accordance with the provisions of this Agreement and the Confidential Operations Manual.

I. DEFINITIONS

Abandoned. The term "Abandoned" means cessation of operation of the Franchised Business for a period of five consecutive business days, without Franchisor's prior written consent. A repeated pattern of inactivity at Franchisee's Sperry Office for periods of less than five consecutive business days may result in that real estate office and the Franchise being deemed Abandoned if in Franchisor's judgment such inactivity adversely impacts the Franchised Business. However, Franchisee's Franchised Business will not be deemed Abandoned if the inactivity is due to natural disasters or other matters reasonably beyond Franchisee's control, provided that Franchisee give Franchisor notice of any such closure within five business days after the initial occurrence of the event resulting in such inactivity, and Franchisor acknowledge in writing that such inactivity is due to one of the foregoing causes, and provided further that Franchisee re-establishes the Franchised Business at the Sperry Office and be fully operational within 180 days after the initial occurrence of the event resulting in such inactivity or such longer period as Franchisor may permit.

Ancillary Services and Products. The term "Ancillary Services and Products" means ancillary real estate-related services, programs and products Franchisor authorizes Franchisee to offer, use or furnish, as set forth in this Agreement or in the Confidential Operations Manual, including (i) title searches performed by Franchisor's affiliated or licensed companies and (ii) title insurance policies issued by Franchisor's affiliated or licensed companies.

Anniversary Year. The term "Anniversary Year" means the 12-month period between the "Opening Date" (as defined below in this Article I) and the first anniversary of the Opening Date and between each succeeding anniversary.

Confidential Operations Manual. The term "Confidential Operations Manual" means the manual or manuals (regardless of title) containing Franchisor's trade secrets and the policies and procedures to be adhered to by Franchisee in performing under this Agreement, including all amendments and supplements thereto provided to Franchisee from time to time.

Control. The term "Control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise.

Consumer Price Index or CPI. The term "Consumer Price Index" or "CPI" means the annual average of the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics of the United States Department of Labor (or the highest similar future index if these figures become unavailable).

Effective Date. The term "Effective Date" means the day (referenced in the introductory paragraph of this Agreement) the legal relationship under this Agreement is in effect.

Established Office. The term "Established Office" means a Franchisee having 10 or more licensed full time experienced "Real Estate Broker or Agents" (as defined in this Article I), but not including "Junior Agents" (as defined in this Article I), employed or under contract at the time it acquires the Sperry Franchise. An Established Office will

have up to 18 months to completely transition to full operation under the Marks, including making changes to office signs and listed or client property signage, printed materials, promotional items, business cards and Internet identity (email addresses and website).

Established Office XL. The term “Established Office XL” means a Franchisee having 17 or more licensed full time experienced Real Estate Broker or Agents and Junior Agents employed or under contract at the time Franchisee acquires the Sperry Franchise. An Established Office XL will have up to 18 months to completely transition to full operation under the Marks, including making changes to office signs and listed or client property signage, printed materials, promotional items, business cards and Internet identity (email addresses and website).

Force Majeure. The term “Force Majeure” means a natural disaster (such as tornado, earthquake, hurricane, flood, fire or other natural catastrophe); strike, lockout or other industrial disturbance; war, terrorist act, riot, or other civil disturbance; epidemic; or other similar force which Franchisee could not by the exercise of reasonable diligence have avoided; provided however, neither an act or failure to act by any federal, state, county, municipal and local governmental and quasi-governmental agency, commission or authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, landlord, or other person will be a Force Majeure, except to the extent such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise a Force Majeure. To avoid any potential misunderstanding, Franchisee's financial inability to perform or Franchisee's insolvency will not be a Force Majeure.

Franchised Business. The term “Franchised Business” means the sale of “Sperry Services” (as defined in this Article I) and other commercial real estate-related programs and services Franchisor authorizes in the Confidential Operations Manual, pursuant to the System from Franchisee's Sperry Office, using the business methods and procedures set forth by Franchisor for the operation and marketing of the Sperry Office.

Gross Commission Income (or GCI). The term “Gross Commission Income” (or “GCI”) means all revenues (money and non-cash consideration) paid by a seller, buyer, lessor, lessee or referring agent on the completion of a real estate transaction to a Real Estate Broker or Agent (and revenues received by Franchisee from business brokerage transactions if Franchisee and Franchisor have executed an Addendum to Franchise Agreement Authorizing Business Brokerage Services) at or through Franchisee's Sperry Office. GCI is typically computed as a percentage of the gross transaction price (for example if a property sold for \$1,000,000 with a 5% commission, the resulting GCI would be \$50,000).

Initial Orientation. The term “Initial Orientation” means orientation to and training in the System provided by Franchisor, as described in and required by section 6.1 hereof.

Intellectual Property. The term “Intellectual Property” means creations of the mind, including inventions, literary and artistic works, designs, symbols, names, and images owned by Franchisor and used in the Franchised Business or at the Sperry Office.

Intellectual Property Rights. The term “Intellectual Property Rights” means all past, present, and future rights of the following types, which may exist or be created under the laws of any jurisdiction in the world: (i) rights associated with works of authorship, including exclusive exploitation rights, copyrights, moral rights, and mask work rights; (ii) trademark and trade name rights and similar rights; (iii) trade secret rights; (iv) patent and industrial property rights; (v) other proprietary rights in intellectual property of every kind and nature; and (vi) rights in or relating to registrations, renewals, extensions, combinations, divisions, and reissues of, and applications for, any of the rights referred to in clauses (i) through (v) of this sentence.

Junior Agent. The term "Junior Agent" means an employee of Franchisee who has been a licensed real estate agent for not more than 18 months, has not independently arranged for a commercial real estate brokerage transaction that has closed, and is engaged in normal brokerage activities under Franchisee's mentorship to become a Real Estate Broker or Agent of Franchisee capable of independently arranging for commercial real estate brokerage transactions. Upon the earlier of (i) the sixth month anniversary of the Junior Agent's employment by Franchisee or (ii) the Junior Agent being credited with closing his or her first commercial real estate brokerage transaction, the Junior Agent must be certified as a Real Estate Broker or Agent of Franchisee, thereby subject to Monthly Royalty, or no longer act as Junior Agent for Franchisee.

Marks. The term “Marks” means the proprietary marks associated with the System and associated designs, including “Sperry Commercial Global Affiliates” and “Sperry”, in respect of which registrations have been obtained from or applied for with the United States Patent and Trademark Office, as well as all common law trademarks and service marks, trade names, logos, insignias, designs and other commercial symbols which Franchisor now or hereafter are

authorized to use and use or authorize others to use to identify the Franchised Business. Franchisor will list in the Confidential Operations Manual a schedule of Marks Franchisee is authorized to use under this Agreement and update this schedule, as necessary.

Office Manager. The term “Office Manager” means the individual (may be a Principal Equity Owner) that has been designated by Franchisee as the person responsible for the day-to-day operation of the Sperry Office and who has successfully completed Initial Orientation.

Opening Date. The term “Opening Date” means the day Franchisee opens Franchisee's Sperry Office, furnished, inventoried, and equipped in accordance with Franchisor's requirements, and Franchisee begins operating the Franchised Business using the Marks under this Agreement.

Principal Equity Owner. The term “Principal Equity Owner” means each person who owns 20% or more of Franchisee.

Proprietary Information. The term “Proprietary Information” means all non-public information, knowledge, know-how and technologies that Franchisor designates as confidential, proprietary or trade secrets, including the Confidential Operations Manual, customer lists, business formats, business systems, financial information, marketing strategies and programs, operational techniques, service concepts, artwork, e-mail, electronic media, graphics, layouts, slogans, names, titles, text, bulletins, instruction sheets, or supplements thereto, and any proprietary equipment, videotapes, videodiscs, forms, advertising matter, the Marks, devices, insignias and designs.

Real Estate Broker or Agent. The term “Real Estate Broker or Agent” means a person that owns, is employed by, or contractually engaged by, Franchisee and who is licensed or otherwise legally authorized under the laws of Franchisee's state as either a real estate broker or real estate agent to (i) act as an intermediary between seller and buyers of commercial real property and (i) find sellers that wish to sell, and buyers that wish buy, commercial real property.

Sperry Office. The term “Sperry Office” means Franchisee's commercial real estate brokerage office that Franchisor has consented to, which is dedicated to the operation of the Franchised Business under the Marks and in accordance with the System, and which has at least one properly licensed commercial real estate broker employed by or associated with it.

Sperry Services. The term “Sperry Services” means a proprietary business system for opening and operating businesses that operate offices providing full-service commercial real estate brokerage services (and optional business brokerage services or property management services if Franchisee executes an addendum to this Agreement permitting such services) provided by Franchisee at Franchisee's Sperry Office in accordance with this Agreement and the Confidential Operations Manual (as amended from time to time by Franchisor). Franchisee may not provide residential real estate brokerage services using any of the Marks or under Franchisee's business name.

Suggestions. The term “Suggestions” means any new products or services, specifications, suggestions or other feedback made by Franchisee or Principal Equity Owners to modify the System.

System. The term “System” means comprehensive marketing and operational systems prescribed by Franchisor to be used in the conduct of the Franchised Business, as set forth in this Agreement and the Confidential Operations Manual. The System includes (i) the Marks, (ii) know-how relating to Sperry Services, (iii) advertising, marketing and sales programs and techniques, (iv) training programs, and (v) related materials, artwork, graphics, layouts, slogans, names, titles, text and other Intellectual Property Rights Franchisor makes available to Franchisee. In Franchisor's sole discretion, Franchisor may improve or change the System from time to time (including but not limited to adding to, deleting or modifying elements of the System and amending the Confidential Operations Manual) for the intended purpose of making the System more effective, efficient, economical or competitive; adapting to or taking advantage of competitive conditions, opportunities, technology, materials or local marketing needs and conditions; enhancing the reputation or public acceptance of the System; or better serving the public.

Trade Dress. The term “Trade Dress” means the unique and distinctive layout, design and color schemes relating to the Sperry Office, and the textures, sizes, designs, shapes, and placements of words, graphics, and decorations on products and packaging related to Sperry Services.

Transfer. The term “Transfer” means a sale, assignment, transfer, conveyance, pledge, mortgage, encumbrance, abandonment, elimination or giving away, voluntarily or involuntarily, by operation of law or otherwise.

II. THE FRANCHISED BUSINESS

2.1 Franchisor's Business.

Franchisor is engaged in the administration, development, operation and licensing of businesses that operate Sperry Office offering the Franchised Business, using the Marks, operational techniques, service concepts and proprietary information owned or authorized to be used by and identified with Franchisor and its affiliated companies. Franchisor's activities in general, and the System (including proprietary products and services; logos; equipment and operations; designs and layouts for the Sperry Office; marketing and advertising, specialty retail items and promotional activities) are undertaken to develop, maintain and enhance the Marks and Franchisor's business reputation.

2.2 The Franchise System.

Franchisor has developed and supervises the System under the Marks operated in accordance with the provisions of this Agreement and Franchisor's Confidential Operations Manual, as amended from time to time.

III. GRANT OF FRANCHISE

3.1 Grant of Franchise.

(a) By their respective signatures below, Franchisor hereby grants to Franchisee, and Franchisee hereby accepts, a license ("Franchise") to participate in and use the System by conducting the Franchised Business at Franchisee's Sperry Office in strict accordance with this Agreement and the Confidential Operations Manual, from the time of commencement of the Franchised Business until the end of the term hereof and any additional term unless sooner terminated. So long as it complies with the terms of this Agreement, only Franchisee will be authorized to open and operate a Sperry Office in the United States Postal Service Zip Code where the Sperry Office franchised under this Agreement is located, and sometimes referred to as "Franchisee's Primary Area of Responsibility". Franchisee's Sperry Office may be sometimes referred to in this Agreement as "Outlet".

(b) Unless the Confidential Operations Manual specifically states otherwise, Franchisee may, if it wishes, also offer, sell, use or furnish Ancillary Services and Products from sources approved by Franchisor in the Confidential Operations Manual. If Franchisor notifies Franchisee of new Ancillary Services or Products which are optional, then Franchisee agrees to promptly advise Franchisor whether Franchisee will offer and sell the new Ancillary Services or Products. Franchisee's decision to offer Ancillary Services or Products does not in any way preclude Franchisee from offering similar competitive services or products of other companies, so long as these are offered and sold on a non-exclusive basis as well as the Ancillary Services or Products. Franchisor may advise Franchisee from time to time of any new Ancillary Services or Products which Franchisor will authorize Franchisee to offer, sell, use or furnish (as applicable). If Franchisor advises Franchisee that a new Ancillary Service or Product is available and Franchisee notifies Franchisor that Franchisee wishes to offer, sell, use or furnish it, then Franchisee agrees, at its sole expense: (i) to obtain all necessary products, services, promotional materials and equipment (including, without limitation, computer software and hardware), which Franchisor advises Franchisee are necessary for offering, selling, using or furnishing (as applicable) the Ancillary Service or Product, and (ii) to begin offering, selling, using or furnishing the Ancillary Service or Product (as applicable) no later than 90 days after Franchisee's receipt of Franchisor's notice (or at such later time as said notice may direct).

(c) Each Principal Equity Owner must execute the Guarantee of Franchise Agreement attached as Exhibit 3 of this Agreement.

(d) Franchisee acknowledges Franchisor may have granted and may in the future operate or grant other licenses and franchises outside the Franchisee's Primary Area of Responsibility. FRANCHISEE MAY NOT USE FRANCHISOR'S MARKS, OPERATIONAL TECHNIQUES, SERVICE CONCEPTS OR PROPRIETARY INFORMATION IN CONNECTION WITH ANY BUSINESSES OR SERVICES OTHER THAN THE FRANCHISED BUSINESS AT THE SPERRY OFFICE WITHOUT FRANCHISOR'S EXPRESS PRIOR WRITTEN PERMISSION, WHICH PERMISSION, IF GRANTED, WILL BRING SUCH BUSINESSES OR SERVICES WITHIN THE SCOPE OF THE FRANCHISED BUSINESS AND SUBJECT REVENUES THEREFROM TO PAYMENT OF ROYALTY AND MARKETING AND PROMOTION FEES.

3.2 Reserved Rights.

(a) Nothing contained herein accords Franchisee any right, title or interest in or to the Marks, System, marketing and operational techniques, service concepts, proprietary information or goodwill of Franchisor or associated with the System, except such rights as may be granted hereunder. **THIS AGREEMENT GRANTS FRANCHISEE ONLY THE RIGHT TO OPERATE THE FRANCHISED BUSINESS AT FRANCHISEE'S SPERRY OFFICE AND NOWHERE ELSE UNLESS FRANCHISOR SPECIFICALLY ALLOWS FRANCHISEE TO OFFER SPERRY SERVICES ELSEWHERE. ALL OTHER RIGHTS ARE RETAINED BY AND RESERVED TO FRANCHISOR.**

(b) Franchisor reserves the right to develop other systems involving similar or dissimilar services or goods, under dissimilar service marks, trademarks and trade names belonging to Franchisor, without necessarily granting Franchisee any rights in those systems. Franchisor reserves all rights to market and sell Sperry Services at venues other than real estate offices and through other channels of distribution anywhere, including within Franchisee's Primary Area of Responsibility.

3.3 Promotion and Development of Franchisee's Sperry Office.

Franchisee must (i) diligently and effectively promote, market and engage in the Franchised Business at Franchisee's Sperry Office; (ii) develop, to the best of Franchisee's ability, the potential for future Franchised Business being conducted at Franchisee's Sperry Office; and (iii) devote and focus a substantial portion of Franchisee's professional attentions and efforts to such promotion and development.

3.4 Extent of Grant.

(a) Franchisee understands and agrees it is licensed under this Agreement only for the operation of the Franchised Business at and from Franchisee's Sperry Office (unless Franchisor specifically agrees otherwise on a case-by-case basis). Franchisee must offer and sell at Franchisee's Sperry Office and in Franchisee's Primary Area of Responsibility only Sperry Services and other goods and services Franchisor designates as required or approved for all Sperry Commercial Global Affiliates franchisees. Franchisor has the right to change and add other authorized goods and services which Franchisee will then be required to offer. There are no limits on Franchisor's right to make changes to the offerings, except the additional investment required of Franchisee for equipment, supplies and inventory will not exceed \$25,000 in any 12 consecutive months.

(b) Franchisee may not sublicense, sublease, subcontract or enter any management agreement providing for, the right to operate the Franchised Business or to use the System granted pursuant to this Agreement.

3.5 Electronic Execution and Copies.

(a) An executed copy of this Agreement (or any portion of this Agreement) may be delivered by any of the parties by electrical, digital, magnetic, optical, electromagnetic, or similar capability regardless of the medium of transmission (any such medium is referred to in this section 3.5(a) and the following section 3.5(b) as "electronic"), and such delivery will be effective and binding upon such party, and will not in any way diminish or affect the legal effectiveness, validity or enforceability of this Agreement.

(b) Franchisee acknowledges and agrees Franchisor may create an electronic record of any or all agreements, correspondence or other communication between Franchisor or involving third parties, and Franchisor may thereafter dispose of or destroy the original of any such document or record. Any such electronic record will be inscribed on a tangible medium or stored in an electronic or other medium and be retrievable in perceivable form and will be maintained in and readable by hardware and software generally available. Notwithstanding any statute, regulation, or other rule of law to the contrary, Franchisee agrees any such electronic version of this or any other agreement or correspondence between the parties will have the same legal effect, validity, and enforceability as an original of any such document, even if the original of such document has been disposed of or intentionally destroyed.

3.6 Obligations of Entity Franchisee.

(a) If Franchisee is an entity, Franchisee must provide Franchisor at the Effective Date with a copy of its organizational document and any by-laws, shareholders' agreement, operating agreement or other agreement between the equity owners.

(b) If Franchisee is an entity, Franchisee must place the following legend on all certificates evidencing an equity interest:

“THE TRANSFER OF THE EQUITY INTEREST IN THE ENTITY REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF A FRANCHISE AGREEMENT DATED _____, 20____, BETWEEN THIS ENTITY AND SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC. REFERENCE IS MADE TO SUCH FRANCHISE AGREEMENT AND THE RESTRICTIVE PROVISIONS CONTAINED THEREIN AND AS MAY BE OTHERWISE SET FORTH IN THE ORGANIZATIONAL DOCUMENTS AND OPERATING AGREEMENTS OF THIS ENTITY.”

IV. INITIAL AND ON-GOING PAYMENTS BY FRANCHISEE

4.1 Initial Franchise Fee.

(a) The “Initial Franchise Fee” is payable as follows [check and initial as applicable]:

[] \$10,000 for a Sperry Office where five or more Real Estate Brokers and Agents are initially employed or associated, or

[] \$5,000 for a Sperry Office where one to four Real Estate Brokers and Agents are initially employed or associated.

(b) The Initial Franchise Fee is due and payable in full, by cashier’s check or money order or wire transfer to Franchisor’s bank account, when Franchisee signs this Franchise Agreement and is fully earned by Franchisor when paid.

(c) If (i) before Franchisee’s successful completion of Initial Orientation, Franchisor decides, in its sole discretion, Franchisee should not operate a Sperry Commercial Global Affiliates business, or (ii) Franchisee does not obtain Franchisor’s approval to the location of Franchisee’s Sperry Office within 60 days after the Effective Date (see section 7.2 below), Franchisor may cancel this Agreement. If Franchisor cancels this Agreement for either of those reasons, Franchisor will refund the Initial Franchise Fee Franchisee paid. Otherwise, the Initial Franchise Fee is not refundable.

4.2 Royalty.

(a) If Franchisee is an Established Office, beginning on the Opening Date, Franchisee must pay Franchisor a monthly royalty of (i) \$300 for each of the first 10 Real Estate Brokers or Agents employed or engaged by Franchisee at the end of each calendar month, and (ii) beginning 24 months after the Opening Date (provided that Franchisee has added at least one Real Estate Broker or Agent each calendar month after the Opening Date), \$300 for each of the 11th and additional Real Estate Broker or Agent employed or engaged by Franchisee.

(b) If Franchisee is an Established Office XL, beginning on the Opening Date, Franchisee must pay Franchisor a flat monthly royalty of \$5,000 (or \$60,000 every 12 months) for a combined minimum of 17 Real Estate Brokers or Agents and Junior Agents employed or engaged by Franchisee at the end of each calendar month up to a maximum of 75 Real Estate Brokers or Agents, Junior Agents and office staff members employed or engaged by Franchisee. In any month where Franchisee has more than 75 Real Estate Brokers or Agents, Junior Agents and office staff members employed or engaged by it, in addition to the flat royalty for that month, Franchisee will pay an expanded staff surcharge of \$100 per Real Estate Broker or Agent and Junior Agent and \$50 per office staff member over the combined maximum of 75. (For example, if Franchisee had 80 Real Estate Brokers or Agents and Junior Agents and 20 office staff employees, Franchisee would pay an aggregate expanded staff surcharge of \$1,500 (five x \$100 and 20 x \$50) for that month.)

(c) If Franchisee is not an Established Office or an Established Office XL, beginning on the Opening Date, Franchisee must pay Franchisor a monthly royalty of \$300 for each Real Estate Broker or Agent and Junior Agent (subject to section 4.2(d) below) employed or engaged by Franchisee at the end of each calendar month.

(d) Notwithstanding sections 4.2(a) and 4.2(c) above, no monthly royalty would be payable for the earlier of (i) the first six months of a Junior Agent’s new employment or engagement by Franchisee or (ii) the Junior Agent’s first closed escrow. Thereafter monthly royalty would be paid for the Junior Agent in accordance with sections 4.2(a) and 4.2(c) above.

(e) In addition to the monthly royalty required by sections 4.2(a) through 4.2(c) above, when Franchisee’s aggregate GCI in a calendar year exceed \$100,000, if Franchisee is not an Established Office XL, it must pay Franchisor a “Royalty Override” of 2% of the GCI received by Franchisee during the previous month, and if

Franchisee is an Established Office XL, it must pay Franchisor a "Royalty Override" of 1% of the GCI received by Franchisee during the previous month. Once the \$100,000 annual threshold is reached and the Royalty Override is applicable, Franchisee must report having reached the annual threshold and begin paying the Royalty Override by the next due date, or Franchisee will be subject to the late payment penalty specified in section 4.7(a) below.

(f) Any GCI Franchisee earns from real estate listings that Franchisee had obtained prior to the Effective Date will not be subject to the Royalty Override if the applicable property address, type of transaction (sale, purchase or lease), expected closing date and listing expiration date are included in the Listings Exclusions schedule contained in Exhibit 1 of this Agreement.

(g) Franchisee must also remit a "Lead Referral Fee" of 25% of the gross revenues received by Franchisee from leads for real estate services sent by Franchisor directly to Franchisee.

(h) Royalty, Royalty Overrides and Lead Referral Fees are to be processed through gross commission reporting systems established by Franchisor or otherwise accompanied by a report in the form prescribed by Franchisor. Royalty and Lead Referral Fees are due and payable monthly on the first business day of each calendar month. Royalty Overrides are to be reported on the third business day of each calendar month and are due and payable monthly on the fifth business day of each calendar month. Not later than the 10th business day of each January, Franchisee must confirm its annual GCI earned for the prior calendar just ended, using the Confirmation of Annual Gross Commissions Earned form attached as Exhibit 4 of this Agreement. Franchisee's failure to accurately report GCI and Lead Referral Fees through Franchisor's established gross commission reporting system (including timely completion and submission of the Confirmation of Annual Gross Commissions Earned form) will be a material breach of this Agreement.

(i) If Franchisee executes addenda to this Agreement permitting business brokerage services or property management services, Franchisee will be obligated to pay additional fees as stated in the respective addendum.

(j) Any residential real estate brokerage service marketed or sold by Franchisee using any of the Marks or Franchisee's business name must be promptly entered into Franchisor's gross commission reporting system and will be subject to a "Residential Brokerage Penalty Fee", payable to Franchisor immediately on demand, of 50% of any resulting GCI.

4.3 Promotion Expenditures.

(a) Although Franchisee is not obligated to do so, within the first 60 days after the Opening Date, Franchisor recommends Franchisee spend up to \$2,500 in Franchisee's Primary Area of Responsibility on the grand opening advertising and promotion of Franchisee's Sperry Office, using the grand opening advertising and promotional program that Franchisor designates in the Confidential Operations Manual or otherwise approve.

(b) After Franchisee completes the grand opening advertising and promotion of its Sperry Office, Franchisee is encouraged to additional amounts on the local marketing, advertising and promotion of its Sperry Office, using marketing and promotional materials pre-approved or otherwise authorized in writing by Franchisor ("Local Advertising").

(c) On a regional or system-wide basis, Franchisor may impose an additional assessment upon affected franchisees for special designated advertising or promotional activities if two-thirds of all affected Sperry Offices (each office having one vote) agree to such additional assessment by affirmative vote.

4.4 Technology Fees.

(a) Beginning the second full calendar month after the Opening Date, Franchisee must pay Franchisor a "Technology Support Fee" of \$25 for each telephone call, email, letter or other writing requesting support services or assistance regarding the Sperry Commercial Global Affiliates technology system.

(b) Technology Support Fees are fully earned by Franchisor when paid and not refundable.

4.5 Electronic Funds Transfer.

Franchisor requires payment of the Royalty and Technology Support Fee by electronic funds transfer ("EFT") through the Automated Clearing House ("ACH") electronic network for financial transactions (or such other automatic payment mechanism Franchisor may designate) directly from Franchisee's account into Franchisor's operating account. Franchisee must execute or re-execute and deliver to Franchisor bank-required pre-authorized check forms

and other instruments or drafts to enable Franchisor to draw directly from Franchisee's bank account Franchisee's Royalty and other sums payable under the terms of this Agreement. Franchisee must also, in addition to those terms and conditions set forth in the Confidential Operations Manual, maintain a single bank account for such payments (with overdraft protection from Franchisee's operating account) and must maintain such minimum balance in such account as Franchisor may reasonably specify from time to time. Franchisee must not alter or close such account except upon Franchisor's prior written approval. Any failure of Franchisee to implement such EFT system in strict accordance with Franchisor's instructions will constitute a material default of this Agreement.

4.6 Fees Fully Earned (No Setoffs).

All payments made by Franchisee to Franchisor under this Agreement are fully earned and non-refundable when paid. All payments to be made by Franchisee to Franchisor will be made without setoff, deduction, defense, counterclaim or claims in recoupment.

4.7 Late Fee; Interest on Delinquent Payments.

(a) Any payment of Royalty Override due under section 4.2(e) above which is not received by Franchisor when due will be a material breach of this Agreement and will be subject to a late payment penalty of 20% of the amount past due. Any payment of monthly royalty and Marketing and Promotion Fees not received by Franchisor when due will be a material breach of this Agreement and will be subject to a late payment penalty of 10% of the amount past due.

(b) In addition to late payment penalties, all delinquent amounts will bear interest from the date payment was due at an annual percentage rate ("APR") of 18% (unless the APR allowed by the state in which the Sperry Office is located is limited by law to a lower APR, in which case that lower APR will apply), and Franchisee must reimburse Franchisor immediately upon demand for all reasonable costs of collection relating to delinquent amounts.

4.8 No Accord or Satisfaction.

If Franchisee pays, or Franchisor otherwise receives, a lesser amount than the full amount provided for under this Agreement for any payment due hereunder, such payment or receipt will be applied against the earliest amount due Franchisor. Franchisor may accept any check or payment in any amount without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere will constitute or be construed as an accord or satisfaction.

4.9 CPI Adjustments.

Any stated dollar amount in this Agreement may be adjusted in Franchisor's discretion based on changes in the CPI since the Effective Date.

V. INITIAL TERM AND RENEWAL TERMS

5.1 Initial Term.

The initial term of this Agreement commences on the Effective Date and expires on the following date selected below by Franchisee (as indicated by check mark and initials), unless sooner terminated pursuant to the provisions of this Agreement:

- (i) [] on the third anniversary of the Opening Date (3 year term); or
- (ii) [] on the sixth anniversary of the Opening Date (6 year term); or
- (iii) [] on the 10th anniversary of the Opening Date (10 year term).

5.2 Renewal Terms.

(a) Upon written notice delivered to Franchisor not less than 120 days before the end of the existing term hereof, Franchisee may renew its rights granted under this Agreement for additional terms of one year, three years, six years or 10 years as selected by Franchisee, commencing on the expiration date of the previous term, and subject to the provisions of sections 5.2(b) through 5.2(g) below.

(b) At the time of renewal, Franchisee must (i) then be solvent (which means Franchisee is able to pay Franchisee's debts as and when promised by Franchisee and Franchisee has assets that are greater than Franchisee's debts), (ii) not have abandoned the Franchise, (iii) not be operating the Franchise in a manner

endangering public health or safety or materially harming the Sperry Commercial Global Affiliates brand or reputation, and (iv) not have knowingly submitted false or incomplete reports to Franchisor during the initial term.

(c) Notwithstanding section 5.2(a) above, Franchisor is not obligated to renew Franchisee's rights granted under this Agreement for an additional term if one or more of the following applies or occurs:

(i) Franchisee gives Franchisor written notice of Franchisee's intention not to renew this Agreement at least 180 days before the expiration of the initial term or any successor term.

(ii) During the 180 days prior to expiration of the Franchise, Franchisor permits Franchisee to sell its Franchised Business to a purchaser that meets Franchisor's then-current requirements for granting new Franchises or (if Franchisor is not granting a significant number of new Franchises) the then current requirements for granting renewal Franchises.

(iii) Termination of this Agreement would be permitted pursuant to sections 13.1 or 13.2 hereof.

(iv) Franchisee and Franchisor agree not to renew the Franchise.

(v) Franchisor withdraws from distributing its products or services through Franchises in the geographic market served by Franchisee, provided that:

(A) Upon expiration of the Franchise, Franchisor agrees not to seek to enforce any covenant of the non-renewed franchisee not to compete with Franchisor or franchisees of Franchisor; and

(B) The failure to renew is not for the purpose of converting the business conducted by Franchisee pursuant to this Agreement to operation by Franchisor's employees or agents for Franchisor's own account.

(vi) At the time of renewal, Franchisee or any Principal Equity Owner has been convicted of a felony or a crime involving moral turpitude, consumer fraud or any other offense that is reasonably likely, in Franchisor's reasonable judgment, to have a materially adverse effect on the Marks, the System or the goodwill associated with the Marks or System.

(vii) Franchisor and Franchisee fail to agree to changes or additions to the terms and conditions of this Agreement, if such changes or additions would result in renewal of this Agreement on substantially the same terms and conditions on which Franchisor is then customarily granting renewal franchises, or if Franchisor is not then granting a significant number of renewal Franchises, the terms and conditions on which Franchisor is then customarily granting original franchise agreements. Franchisor may give Franchisee written notice of a date which is at least 30 days from the date of such notice, on or before which a proposed written agreement of the terms and conditions of the renewal Franchise must be accepted in writing by Franchisee. Such notice, when given not less than 180 days before the end of the Franchise term, may state that in the event of failure of such acceptance by Franchisee, the notice will be deemed a notice of intention not to renew at the end of the Franchise term.

(d) As a condition to renewing Franchisee's rights, duties and obligations hereunder, Franchisor and Franchisee must sign a mutual release and Franchisee must sign either (i) Franchisor's then-current standard Renewal Franchise Agreement not later than 90 days before the end of the term that is expiring or (ii) an addendum to this Agreement extending its term for an additional three-year term. **IN ADDITION TO NOT GRANTING ANY ADDITIONAL RIGHTS BEYOND THOSE GRANTED IN THIS AGREEMENT, THE THEN-CURRENT RENEWAL FRANCHISE AGREEMENT MAY CONTAIN OTHER TERMS WHICH ARE SUBSTANTIALLY DIFFERENT FROM THOSE IN THIS AGREEMENT.** The then-current Renewal Franchise Agreement, when executed, will supersede this Agreement.

(e) At the time of renewal, Franchisee must have satisfied all monetary obligations owed by Franchisee to Franchisor and to Franchisor's affiliates and all other material obligations under this Agreement, and Franchisor may examine Franchisee's books and records to verify compliance with this requirement anytime during normal business hours within 60 days of Franchisee's renewal date.

(f) Before or not later than 90 days after Franchisee's execution of a Renewal Franchise Agreement for an additional term, Franchisee must make such physical modifications to Franchisee's Sperry Office as are reasonably necessary so that they are substantially consistent with then-current System requirements, and so that they can accommodate new Sperry Services, if any. Franchisee must also bring Franchisee's Sperry Office, and equipment,

materials and supplies into compliance with the standards then applicable to new Sperry Commercial Global Affiliates franchises.

(g) When Franchisee signs the Renewal Franchise Agreement, Franchisee must pay Franchisor a "Renewal Fee" of \$1,000. This Renewal Fee is subject to upward adjustment in Franchisor's discretion based on corresponding changes in the CPI since the Effective Date.

5.3 Month to Month Extension; Longer Notice of Expiration Required by Law.

(a) At Franchisor's option, if the renewal procedures described in section 5.2 above have not been completed, or in lieu of formal renewal of the Franchise, Franchisor may extend this Agreement on a month-to-month basis by notifying Franchisee Franchisor is doing so. Said month-to-month extension will continue until Franchisor gives Franchisee at least a 30-day notice that the Franchise rights must be formally renewed in accordance with section 5.2, or the Agreement will expire and be terminated.

(b) If applicable law requires Franchisor to give a longer period of notice to Franchisee than herein provided prior to the expiration of the initial term or any successor term, Franchisor will give such additional required notice. If Franchisor does not give such required additional notice, this Agreement will remain in effect on a month-to-month basis only until Franchisee has received such required additional notice.

VI. TRAINING AND ASSISTANCE

6.1 Initial Orientation.

(a) It is critically important for Franchisee's Office Managers and Principal Equity Owners to understand the Franchised Business and the System, and for Franchisee's Office Managers and other key employees to have been trained how to operate the Franchised Business. Accordingly, Franchisor will provide to Franchisee's Office Managers and at least one of Franchisee's Principal Equity Owners, an initial orientation to the System and instruction on how to operate the Franchised Business (collectively, "Initial Orientation"). Unless there are extenuating circumstances which, in Franchisor's reasonable determination, justify a delay, Franchisee's required trainees must attend the next Initial Orientation offered by Franchisor. Franchisee's required trainees must complete Initial Orientation within 180 days after Franchisee signs this Agreement and Franchisee may not open and operate Franchisee's Sperry Office until the applicable Office Manager has satisfactorily completed Initial Orientation. Franchisee acknowledges and agrees only Franchisor will determine whether said Office Manager satisfactorily completes Initial Orientation.

(b) The failure of Franchisee's Office Manager to complete Initial Orientation to Franchisor's satisfaction will be grounds for termination of this Agreement; provided, however, before this Agreement is so terminated, Franchisee's Office Manager who fails to successfully complete Initial Orientation will be offered the opportunity to retake Initial Orientation or Franchisee may send one replacement Office Manager, approved by Franchisor, to the next available Initial Orientation program. Franchisee must pay Franchisor a fee of \$750 for each Initial Orientation attended by a retaking or replacement Office Manager.

(c) Franchisor will determine the contents and manner of conducting the Initial Orientation program in Franchisor's discretion, however, the training course will be structured to provide practical training in the implementation and operation of the Franchised Business and may include such topics as System procedures, standards, marketing and customer service techniques, reports and equipment maintenance.

(d) There is no separate fee payable to Franchisor for the Initial Orientation program provided to Franchisee's initial Office Manager and Franchisee's Principal Equity Owners. Franchisee may be required to pay Franchisor a fee of \$750 for each additional attendee of Initial Orientation.

(e) All costs and expenses (including travel, hotel and meal) of Franchisee's attendees of Initial Orientation will be Franchisee's sole responsibility. All persons attending Initial Orientation on Franchisee's behalf must have a demonstrable relationship to the management and operation of Franchisee's Franchised Business.

6.2 Training and Assistance after Opening.

(a) After Franchisee opens Franchisee's Franchised Business, Franchisor will provide Franchisee with access to, list Franchisee's Sperry Office on, and integrate other information about Franchisee's Sperry Office into,

Franchisor's website. Any future update or modifications to Franchisee's presence on Franchisor's website may be at Franchisee's cost and expense.

(b) After Franchisee begins operating the Sperry Office under this Agreement, Franchisor will provide Franchisee with telephone and e-mail assistance at Franchisee's request or otherwise as Franchisor deems necessary to instruct in all phases of the operation of the Franchised Business. In addition, Franchisor will be available on an ongoing basis at Franchisor's national headquarters for consultation and guidance with respect to the operation and management of the Franchised Business. Other than providing Franchisee general guidelines for tax and federal employment compliance in the Confidential Operations Manual, Franchisor does not provide Franchisee with assistance in contracting with agents or hiring employees.

(c) After Franchisee opens the Sperry Office and begins operating the Franchised Business, and upon reasonable notice, Franchisor may require participation of Franchisee's designated personnel at training courses, seminars, conferences or other programs other than Initial Orientation or mandatory meetings (described in section 6.3 below) deemed by Franchisor to be relevant or appropriate to the operation of the Franchised Business. Franchisee specifically agrees only persons trained by Franchisor or under Franchisor's supervision will have overall responsibility for the operation of the Sperry Office and Franchised Business, and Franchisee will send Franchisee's Office Manager to Franchisor for additional training if Franchisor requests this.

(d) Franchisor may but is not required to make available to Franchisee optional staff training courses, coaching and business mentoring programs, seminars, conferences or other programs, in a suitable location selected by Franchisor. Franchisor may charge Franchisee a separate fee of up to \$750 per day for this optional training.

(e) In addition to updates to the Confidential Operations Manual, Franchisor may provide Franchisee with additional materials relating to the Franchised Business. Franchisor may also from time to time make available to Franchisee for purchase other materials relevant to the System and the Franchised Business.

(f) All costs and expenses (including travel, hotel and meal) of Franchisee's attendees at any post-opening training, conferences or meetings will be Franchisee's sole responsibility. All persons attending post-opening training, conferences or meetings on Franchisee's behalf must have a demonstrable relationship to the management and operation of the Franchise.

(g) In the event of a Transfer of the Franchise (which must be done in full compliance with section 12.2 of this Agreement), the Principal Equity Owners and Office Managers of the transferee must be trained by Franchisor as a condition of Franchisor's consent to such Transfer. The transferred Franchise may not be opened or re-opened by the transferee until Franchisor accepts the transferee in writing as being qualified to operate the Franchise and Franchisor has otherwise consented to the Transfer in accordance with this Agreement.

6.3 Mandatory Meetings.

Not more often than once each year, Franchisor may conduct a system-wide meeting or series of regional meetings to discuss System operations and business activities or other matters relating to the Franchised Business. Attendance of a Principal Equity Owner at these meetings will be mandatory (and is highly recommended for Franchisee's Office Manager and all of Franchisee's other Principal Equity Owners). Franchisor may limit the number of Franchisee's attendees at these meetings. Franchisee must pay the cost of travel, hotel and meal expenses for Franchisee's attendees at these mandatory meetings. The mandatory meetings referenced in this section 6.3 are in addition to any voluntary convention or sales conference coordinated by Franchisor.

6.4 Proprietary Materials.

At Initial Orientation and other training programs and conferences, Franchisor may provide Franchisee with confidential and proprietary information ("Proprietary Information"), as well as training materials, training curricula and related materials for Franchisee's use in servicing customers and training Franchisee's staff. All of these items are and will remain Franchisor's property. Franchisee must not (nor allow its employees or others to) copy, reproduce, disseminate or otherwise reveal to third parties any of the foregoing Proprietary Information and related materials without Franchisor's express prior written consent.

VII. OPENING OF REAL ESTATE OFFICES

7.1 Franchisee's Real Estate Offices.

The Franchised Business may only be operated from Franchisee's Sperry Office. Typically, Franchisee would be converting an existing real estate office to a Sperry Commercial Global Affiliates location. However, if this is not the

case and Franchisee's Sperry Office has not been identified when Franchisee signs this Agreement, but the general location is identified, the exact location of Franchisee's Sperry Office will be inserted into a restated Exhibit 1 attached to this Agreement as soon as its location has been determined.

7.2 Opening Franchisee's Real Estate Office.

(a) If these did not already exist at the time this Agreement is signed, premises acceptable to Franchisor from which Franchisee's Sperry Office will be operated must be located and secured by Franchisee (through ownership or lease) and reviewed and consented to by Franchisor within 60 days after the Effective Date. Franchisor will not unreasonably withhold consent to this location. If within 60 days after the Effective Date Franchisee has not located a site for its Sperry Office that is acceptable to Franchisor, Franchisor may cancel this Agreement on the basis of Franchisee's failing to find an acceptable site and if Franchisor does so, Franchisor may not refund Franchisee's Initial Franchise Fee. If Franchisee has not commenced operation of the Franchised Business within 180 days after the Effective Date, Franchisor may terminate this Agreement effective 30 days after written notice, and if Franchisor does so, Franchisee will not be entitled to receive any refund of Franchisee's Initial Franchise Fee.

(b) Franchisor may assist Franchisee in the site selection process and Franchisor reserves the sole right of final review and consent to any location of the Sperry Office.

(c) Franchisor will consult with Franchisee, to the extent Franchisor deems necessary, on the construction and equipping of the Sperry Office (and Franchisor may require the Sperry Office to have a certain color scheme and decorative trade dress). But it is and will remain Franchisee's sole responsibility to diligently construct, equip and otherwise make ready, and then open the Sperry Office. Franchisee is responsible, at its expense, for obtaining all zoning classifications, permits, clearances, certificates of occupancy and center clearances which may be required by governmental authorities.

(d) Although Franchisor may assist Franchisee with site selection, Franchisee has the sole responsibility for locating and obtaining suitable premises for Franchisee's Sperry Office. Franchisee and Franchisee's landlord may be required to execute a rider to Franchisee's lease, or other agreement or written understanding that requires the landlord to fully cooperate with Franchisor in completing de-identification of the Sperry Office in the event this Agreement is terminated or expires without being renewed.

(e) Franchisor has the right to continually inspect Franchisee's Sperry Office and any other site where Franchisee conducts the Franchised Business to ensure Franchisee complies with System standards prescribed by Franchisor and specified in the Confidential Operations Manual.

7.3 Initial Inventory of Marketing and Promotional Materials.

(a) Within the timeframes that Franchisor specifies before the Opening Date, Franchisee must order from (and, if necessary, pre-pay to) designated or approved suppliers the marketing and promotional materials and other items specified in the Confidential Operations Manual, with delivery scheduled for not later than two business days before the Opening Date. Franchisee must buy interior and exterior signs, other materials containing the Marks, and apparel containing the Marks only from suppliers approved by Franchisor.

(b) Franchisor and its affiliated entities reserve the right to derive and receive revenues, rebates or other material consideration from required purchases or leases by System franchisees, and to retain for itself or use such revenues, rebates or other material consideration as Franchisor deems appropriate.

7.4 Marketing and Advertising Boundaries.

Franchisee may not directly promote, advertise or otherwise market its Sperry Office outside the United States of America without Franchisor's express written consent.

VIII. OPERATION OF FRANCHISED BUSINESS

8.1 Operational Requirements.

(a) At all times, and subject to applicable state real estate law and regulations, Franchisee must employ an Office Manager (may be a Principal Equity Owner, or if Franchisee is an individual acting as a sole proprietor, may be the individual who is Franchisee) who will devote his or her entire time during normal business hours, as defined in the Confidential Operations Manual, and in compliance with all applicable real estate laws and regulations of the state where the Sperry Office is located, to the management, operation and development of the Franchised

Business. The Office Manager must ensure that Franchisee fulfill Franchisee's obligations to Franchisee's customers in a timely and professional manner and he or she may not engage in any other business requiring his or her active participation during normal business hours.

(b) Franchisee must only operate the Franchised Business at Franchisee's Sperry Office in strict accordance with the procedures set forth in the Confidential Operations Manual or otherwise provided to Franchisee by Franchisor in writing, and in compliance with all applicable real estate laws and regulations of the state where the Sperry Office is located. Franchisee may not engage in the sale or delivery of Sperry Services outside of Franchisee's Sperry Office except as Franchisor may authorize in the Confidential Operations Manual or otherwise in writing. Franchisee must use the standard signs and formats that Franchisor prescribe in operating the Sperry Office and conducting the Franchised Business.

(c) To protect and maintain the integrity, reputation and goodwill of the System and the Marks, Franchisor requires Franchisee to comply with the methodology Franchisor prescribes in providing Sperry Services to commercial real estate brokerage customers.

(d) Franchisee's Sperry Office must be open on a full-time basis in accordance with the hours of operation as designated in the Confidential Operations Manual. The obligation to remain open will not apply in the event of natural or man-made disasters or public emergencies. If for any reason, Franchisee needs to close its Sperry Office for any extended time, to avoid a breach of this Agreement for Abandonment, Franchisee must get Franchisor's written consent allowing such closure within five business days after the day the Sperry Office is first closed.

(e) If Franchisee is not already a member of such service, Franchisor recommends that Franchisee join and maintain affiliation with any Multiple Listing Service covering the area where Franchisee's Sperry Office is located. Franchisee's sales agents must have and maintain all necessary certifications from state real estate agencies permitting them to offer and sell commercial real estate in Franchisee's state.

(f) Franchisee must promptly satisfy as and when due any *bona fide* indebtedness Franchisee incurs in operating Franchisee's Franchised Business. Contractors, subcontractors, vendors and suppliers providing services to the Franchised Business must be paid in accordance with the terms of their agreements with Franchisee.

(g) Franchisee must notify Franchisor in writing within two business days after Franchisee receives actual notice of the commencement of any investigation, action, suit, or other proceeding, or the issuance of any order, writ, injunction, award, or other decree of any court, agency, or other governmental authority that pertains to the Franchised Business or that may adversely affect Franchisee's operations at the Sperry Office, or Franchisee's ability to meet its obligations hereunder.

(h) Upon the occurrence of any event that occurs at the Sperry Office that caused or may cause harm or injury to customers or employees, or that may damage the System, Marks, or image or reputation of the Franchised Business or Franchisor or its affiliates, Franchisee must immediately inform Franchisor's designated contact person as instructed in the Confidential Operations Manual by telephone, e-mail, text or other electronic messaging medium authorized by Franchisor for this purpose. Franchisee must cooperate fully with Franchisor with respect to Franchisor's response to an incident described in this section 8.1(i).

(i) If there is any *bona fide* dispute as to any liability for taxes assessed or other indebtedness, Franchisee may contest the validity of the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, Franchisee may not permit a tax sale or seizure by levy or similar writ or warrant, or attachment by a creditor to occur against the premises of the Sperry Office.

(j) Franchisee may not engage in any co-branding at Franchisee's Sperry Office or in connection with the Franchised Business except with Franchisor's prior written consent. Franchisor is not required to approve any co-branding chain or arrangement except in Franchisor's discretion, and only if Franchisor recognizes that co-branding chain as an approved co-brand for operation within the System. "Co-branding" includes the operation of an independent business, product line or operating system owned or licensed by another entity (not Franchisor) that is featured or incorporated within or adjacent to Franchisee's Sperry Office and operated in a manner that is likely to cause the public to perceive it to be related to the Sperry Office licensed and franchised to Franchisee hereunder.

8.2 Confidential Operations Manual.

(a) Franchisee must operate the Franchised Business in accordance with the Confidential Operations Manual, a copy of which will be provided to Franchisee. Franchisee may have access to a digital copy of the Confidential Operations Manual on or through Franchisor's website. Franchisee may also be provided with a hard copy of all or portions of the Confidential Operations Manual at Initial Orientation or afterwards. Franchisor has the right to modify the Confidential Operations Manual at any time by the addition, deletion or other modification of the provisions thereof. All such additions, deletions or modifications are effective on the next business day after the digital copy maintained on Franchisor's website is changed.

(b) All additions, deletions or modifications to the Confidential Operations Manual are equally applicable to all similarly situated Sperry Commercial Global Affiliates franchisees. As modified by Franchisor from time to time, the Confidential Operations Manual will be deemed to be an integral part of this Agreement and references to the Confidential Operations Manual made in this Agreement, or in any amendments or exhibits hereto, are deemed to mean the Confidential Operations Manual. However, the Confidential Operations Manual, as modified or amended by Franchisor from time to time, will not alter Franchisee's fundamental status and rights under this Agreement. If there is any discrepancy or dispute about the version of the Confidential Operations Manual that Franchisee may have printed and maintain, the master copy of the Confidential Operations Manual that Franchisor maintains at its headquarters (and which may be available on Franchisor's website) will be the controlling version and will supersede all prior versions.

(c) If Franchisee loses printed portions of, or allows unauthorized access to or duplication of, the Confidential Operations Manual or any other confidential manuals or proprietary materials loaned to Franchisee by Franchisor, Franchisee will be deemed to be in material breach of this Agreement and all other agreements Franchisee has with Franchisor and its affiliated entities.

(d) Upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee must immediately return to Franchisor any printed portions of the Confidential Operations Manual then in Franchisee's possession. Except as specifically permitted by Franchisor, at no time may Franchisee or its employees or agents (i) make, or cause to be made, any copies or reproductions of all or any portion of the Confidential Operations Manual, (ii) give online access to the Confidential Operations Manual to unauthorized persons, or (iii) disclose any part of the Confidential Operations Manual to any other person except Franchisee's authorized employees and agents when required in the operation of the Franchised Business. Franchisee must also permanently erase anything relating to Franchisor's trade secrets or other Proprietary Information from any computers and other media storage devices Franchisee retains after expiration, cancellation or termination of this Agreement.

8.3 Standards of Operation.

Franchisee agrees that Franchisor, Franchisee and everyone else involved in the System benefits from the maintenance of the highest standards of uniformity, quality, similar appearance and prominent display of the Marks at Franchisee's Sperry Office. Therefore, Franchisee agrees to maintain the uniform standards of quality, appearance and display of the Marks in strict accordance with this Agreement and the Confidential Operations Manual as it may be revised from time to time, and as Franchisor may otherwise direct in writing. In order that Franchisor may establish and maintain an effective network of franchisees, Franchisee specifically agrees it will not display the Marks except in the manner Franchisor authorizes.

8.4 Computer System and Proprietary Technology.

(a) Franchisee must use and maintain a personal computer system as specified in the Confidential Operations Manual or otherwise by Franchisor in writing for use in connection with the Sperry Office (the "Computer System"). Franchisor requires Franchisee to maintain an e-mail account and always connect the Computer System to a dedicated, state of the art Internet or other high-speed communications medium specified or approved by Franchisor and be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, in the manner designated by Franchisor in the Confidential Operations Manual or otherwise by Franchisor in writing. Franchisee must obtain all software and hardware, including digital still and video cameras, as Franchisor may specify to enable Franchisee to provide ample security against viruses and computer malware, send and receive e-mail, contact and track customers, perform accounting functions, perform marketing and access and transmit digital photos and streaming video or other multimedia signals and information to and from the Sperry Office, and Franchisee must, from time to time, upon Franchisor's request transmit digital photos and real time video and audio signals of the Sperry Office to Franchisor, and in the form and manner prescribed by Franchisor. Franchisee must purchase any upgrades, enhancements or replacements to the Computer System or hardware and software as Franchisor may from time to time require by 30 days written notice; provided however that Franchisee will not be

required to update or replace the Computer System any more frequently than once every five years. Franchisor may access the Computer System on a daily or other basis at such times and in such manner as determined by Franchisor, with or without notice, to retrieve files and data stored therein relating to the Sperry Office and the Franchised Business.

(b) Franchisor may designate that certain computer software must be used in the operation of the Computer System ("Designated Software"). And if so, Franchisee must then license or sublicense such Designated Software from Franchisor's designee and execute a software license agreement on the software licensor's then-current form and pay any related license or maintenance fees. From time to time, Franchisee may also be required to purchase any upgrades, enhancements, or replacements to the Designated Software. Franchisee must incorporate any required modifications or additions within 30 days after receiving written notice from Franchisor, unless a longer time period is stated in the notice.

(c) Franchisee may not install, and must prohibit others from installing, unauthorized software on the Computer System. Franchisee must take all commercially reasonable measures to ensure that no virus, Trojan horse, malicious code or other unauthorized code or software is installed on, or transmitted by, the Computer System. Franchisee must from time to time communicate to Franchisor all passwords, access keys and other security devices or systems necessary to permit Franchisor to access the Computer System and obtain the data Franchisor is permitted to obtain under this Agreement including accounting, sales, marketing, client and other information to assist in and support the operation of the Franchised Business. The Computer System must also be configured and enabled to send daily and weekly sales reports to the email address provided by Franchisor.

8.5 Maintenance, Upgrades and Refurbishments to Offices.

(a) Franchisor requires that Franchisee maintain, and from time to time refurbish, the Sperry Office to conform to the then-current building design, Trade Dress, and color schemes then applicable for a Sperry Commercial Global Affiliates real estate office. Such maintenance and refurbishment may require that Franchisee upgrade or refurbish to conform to the then-current building design, Trade Dress, and color schemes then applicable for. Such refurbishment may require expenditures by Franchisee on, among other things, structural changes, installing new equipment, remodeling, redecoration and modifications to existing improvements and such modifications as may be necessary to comply with System-wide standards then in effect for Sperry Commercial Global Affiliates real estate offices or to accommodate new Sperry Services.

(b) Franchisor will only require the types of modifications and expenditures described herein where there is good cause. In this context, "good cause" means that Franchisor must make a good faith determination that Franchisee's Sperry Office are substantially inconsistent with prevailing System-wide standards (including the Trade Dress, safety issues regarding customers and employees, the overall condition of the Sperry Office, or the type, quality or condition of the equipment needed to adequately promote and sell Sperry Services) and that, because of its appearance or condition, Franchisee's Sperry Office is either (i) not adequately positioned to promote and sell Sperry Services as then required or (ii) damaging the integrity of the Sperry Commercial Global Affiliates image, brand or Marks. Such updates will be contained in the Confidential Operations Manual or otherwise provided to Franchisee in writing. Such updates may require Franchisee to install new color schemes, logos, signage, or other visual elements. Franchisor anticipates such Trade Dress updates will be required no more frequently than once every five years.

8.6 Relocation of Franchisee's Offices.

(a) If Franchisee desires to relocate its Sperry Office, Franchisee may do so provided that not less than 90 days prior to the desired date of relocation (unless prior notice is impractical because of a required relocation in which event notice must be given as soon as possible), Franchisee makes a written request for consent to relocate, describing the reasons for the relocation and providing complete written details respecting any proposed new location.

(b) Within 20 business days after receiving Franchisee's request, Franchisor will either approve or disapprove in writing such closure or relocation in Franchisor's reasonable discretion. In the event of disapproval of a proposed relocation, Franchisee may request an alternative proposed new location for this real estate office pursuant to the provisions of this section 8.6.

(c) Franchisee and the landlord may be required to execute a rider to Franchisee's lease for the new location for the real estate office (or other agreement or written understanding) that (i) grants Franchisor an option to assume Franchisee's position as lessee under the lease for the relocated real estate office premises if Franchisee is in

material default of either (A) the lease for the relocated real estate office premises (including an obligation of the landlord to notify Franchisor if Franchisee is in such default) or (B) this Agreement, and (ii) requires the landlord to fully cooperate with Franchisor in completing de-identification of the relocated real estate office in the event this Agreement is terminated or expires without being renewed and Franchisor does not exercise its option to assume the lease for the relocated real estate office premises.

8.7 Record Keeping and Reporting Requirements.

(a) Not later than 10 business days after Franchisor requests them, Franchisee must submit to Franchisor financial or statistical reports, records, statements or information as required in the Confidential Operations Manual or otherwise by Franchisor in writing.

(b) Within 90 days after the end of each of Franchisee's fiscal years (or any permitted extension for filing same), Franchisee must submit to Franchisor a copy of the Schedule C or equivalent portion of Franchisee's federal tax return that relates to the Sperry Office and Franchisee's operation of the Franchised Business. Franchisor agrees to maintain the contents of these portions of Franchisee's tax returns in strict confidence and not to disclose them to any third party without Franchisee's express written consent. On the Effective Date (and any time thereafter that this date changes), Franchisee must notify Franchisor of Franchisee's fiscal year end date.

(c) All financial or statistical information Franchisee provides to Franchisor must be accurate and correct in all material respects.

(d) Franchisor has the right to use any financial or statistical information Franchisee provides to Franchisor, as Franchisor deems appropriate, including sharing the information with potential investors in Franchisor, buyers of Franchisor, lenders, attorneys, accountants and advisors on a need-to-know basis and with an acknowledgment by them the information is only being provided in connection with the transaction between Franchisor and the disclosee and is not for public dissemination. However, Franchisor will not identify Franchisee or its Sperry Office as the source of the information and will not disclose any of this information except (i) with Franchisee's written consent, (ii) as required by law or compulsory order or (iii) in connection with audits or collections under this Agreement.

(e) Franchisor has the right at all reasonable times to examine, copy and audit the books and records (including applicable Schedules C or equivalent portions of Franchisee's tax returns) relating to the Sperry Office and Franchisee's operation of the Franchised Business. If an examination or audit discloses any underpayment of any fee, Franchisee must promptly pay the deficient amount plus interest calculated daily from the due date until paid at an APR of 18% (unless the APR on delinquent amounts allowed by the state in which the Sperry Office is located is limited by law to a lower APR, in which case that lower APR will apply). If an examination or audit discloses an underpayment or understatement of any amount due Franchisor by 5% or more, or if the examination or audit is made necessary by Franchisee's failure to furnish required information or documents to Franchisor in a timely manner, or it takes Franchisor's auditors an unreasonable amount of time (more than eight hours) to assemble Franchisee's records for audit, Franchisee must reimburse Franchisor for the cost of having Franchisee's books examined or audited (this remedy will be in addition to any other rights or remedies Franchisor has under this Agreement or otherwise, including Franchisor's right to terminate this Agreement).

(f) Franchisee must maintain and preserve all books, records and accounts of or relating to the Franchised Business for at least five years after the close of the fiscal year to which the books records and accounts relate.

8.8 Signs and Display Materials.

(a) All signs, display materials and other materials containing the Marks must be in full compliance with the specifications provided in, and in conformity with, the Confidential Operations Manual. Franchisor will designate or approve the suppliers of signs and display materials containing the Marks in accordance with Confidential Operations Manual guidelines.

(b) Subject to applicable governmental ordinances, regulations and statutes, Franchisee agrees to post and maintain, at the Sperry Office, entirely at Franchisee's expense, any minimum signage recommended by Franchisor. Any signage containing the Marks will be designed by a vendor designated by Franchisor and manufactured by a vendor designated or approved by Franchisor.

8.9 Telephone Numbers.

At its sole expense, Franchisee must list the telephone number for Franchisee's Sperry Office in accordance with procedures prescribed by the Confidential Operations Manual. Unless Franchisee provides Franchisor with written

substantiation reasonably acceptable to Franchisor that the telephone number for Franchisee's Sperry Office was obtained prior to the Effective Date, at the time of termination or expiration of this Agreement, for any reason, Franchisee must transfer the telephone numbers for Franchisee's Sperry Office to Franchisor or cancel them and de-list them from any applicable telephone directory or other telephone number listing service.

8.10 Insurance.

(a) Franchisee must have in effect on the Opening Date and maintain during the term of this Agreement comprehensive general liability insurance, errors and omissions insurance, automobile insurance, and other insurance legally required for Franchisee to operate Franchisee's business at the Sperry Office (*i.e.*, workers' compensation insurance) or reasonably prudent for the Franchised Business. Required coverage, policy coverage limitations and other terms relating to insurance will be set forth in the Confidential Operations Manual. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A: VII which are authorized to do business in the state where Franchisee's Outlet is located, unless otherwise approved in writing by Franchisor. Any policies of insurance maintained by Franchisee must contain a separate endorsement naming Franchisor (and Franchisor's other affiliated companies identified by Franchisor in writing) as additional insureds to the full extent of coverage provided under the insurance policies. Franchisee must provide Franchisor a copy of the policy and endorsement upon issuance and upon every renewal. Franchisee hereby grants Franchisor a waiver of any right of subrogation which any insurer of Franchisee may acquire against Franchisor by payment of any loss under such insurance. This provision applies regardless of whether Franchisor has received a waiver of subrogation endorsement from the insurer. Franchisee's obligation to obtain and maintain the foregoing policies of insurance in the amount specified will not be limited in any way by reason of any insurance that may be maintained by Franchisor, nor will Franchisee's procurement of required insurance relieve it of liability under the indemnity provisions set forth in section 16.2 of this Agreement. Franchisee's insurance procurement obligations under this section 8.10 are separate and independent of Franchisee's indemnity obligations under section 16.2 of this Agreement.

(b) Within 30 days after the Opening Date and promptly after each succeeding anniversary of the Opening Date, Franchisee must promptly notify Franchisor of all claims against Franchisee or Franchisor under said policies of insurance and deliver to Franchisor a certificate evidencing such insurance is in full force and effect. Such insurance certificate must contain a statement to the effect the certificate cannot be canceled without 30 days prior written notice to Franchisee and to Franchisor. Franchisee must notify Franchisor in writing immediately regarding any cancellation, non-renewal or reduction in coverage or limits.

8.11 Review and Inspection.

(a) Franchisor has the right to send representatives at reasonable intervals at any time during normal business hours, to Franchisee's Sperry Office (or other administrative office, if applicable) to review and inspect Franchisee's operations, business methods, service, management and administration relating to the Franchised Business or its equivalent, to determine the quality thereof and the faithfulness of Franchisee's compliance with the provisions of this Agreement and the Confidential Operations Manual and to ensure Franchisee is in compliance with System standards prescribed by Franchisor and specified in the Confidential Operations Manual.

(b) Franchisee must permit Franchisor's representatives to access Franchisee's Sperry Office at any time (announced or unannounced) during normal business hours to conduct reviews and inspections. Franchisee must cooperate with such reviews and inspections by rendering such assistance as Franchisor's representatives may reasonably request and upon notice from Franchisor or Franchisor's representatives, immediately begin such steps as may be necessary to correct any deficiencies noted during any such inspection. Within 10 business days after any such inspection, Franchisor's representatives may re-inspect Franchisee's Sperry Office (or other facility, if applicable) to ensure noted deficiencies have been corrected. If the deficiencies have not been corrected by the time of the initial re-inspection, Franchisor's representatives may make additional re-inspections every five business days thereafter until noted deficiencies have been corrected and Franchisee must reimburse Franchisor the travel and lodging expenses of Franchisor's representatives who conduct the additional re-inspection.

8.12 Compliance with Laws.

Franchisee must (i) at all times maintain in good standing a real estate broker's license issued by the appropriate state agency, (ii) operate the Franchised Business in compliance with all applicable laws, rules and regulations of all governmental authorities, (iii) comply with all applicable wage, hour and other laws and regulations of the federal, state or local governments, (iv) prepare and file all necessary tax returns and (v) pay promptly all taxes imposed upon Franchisee or upon Franchisee's business or property. Franchisee represents and warrants it will obtain and always maintain all necessary permits, certificates or licenses necessary to conduct the Franchised Business in the locality within which the Sperry Office are situated. Franchisee must immediately notify Franchisor of any litigation,

arbitration, disciplinary action, criminal proceeding, or any other legal proceeding or action brought against or involving Franchisee, or any entity affiliated with Franchisee, or any agent, employee, owner, director or partner of Franchisee, which notification must include all relevant details in respect thereof, according to the procedures set forth in the Confidential Operations Manual.

8.13 Web Site and Internet Marketing.

(a) Except as specifically authorized by Franchisor in section 6.2(a) of this Agreement, the Confidential Operations Manual or otherwise in writing, Franchisee may not during the term of this Agreement (i) engage in Franchised Business directly or indirectly through the Internet, (ii) establish a website or social networking media outlet, or register an Internet domain or social networking media outlet name using any of the Marks, or (iii) otherwise advertise on the Internet or anywhere else, the mark "Sperry Commercial Global Affiliates", or any other Mark, or any mark similar to "Sperry Commercial Global Affiliates", or any combination or derivations thereof.

(b) Any alternative distribution methods and programs Franchisee would like to use to engage in the Franchised Business, including e-commerce, web sites, Internet sub-dealers, telesales and telemarketing, or any other non-retail method of distribution, is subject to the prior written approval of Franchisor, which approval will be in Franchisor's sole discretion.

8.14 Intranet.

(a) Franchisor may, at its option, establish and maintain an "Intranet" through which Sperry Commercial Global Affiliates franchisees may communicate, and through which Franchisor and Franchisee may communicate with each other and through which Franchisor may disseminate the Confidential Operations Manual, updates thereto and other confidential information. Franchisor has full discretion and control over all aspects of this Intranet, including the content and functionality thereof. Franchisor will have no obligation to maintain the Intranet indefinitely and may dismantle it at any time without liability to Franchisee.

(b) If and when Franchisor establishes an Intranet, Franchisee must use it in strict compliance with the standards and specifications, protocols and restrictions Franchisor establishes regarding such use. Such standards and specifications, protocols and restrictions may relate to, among other things, (i) the use of abusive, slanderous or otherwise offensive language in electronic communications, (ii) communications between or among franchisees that disparage Franchisor or endorse or encourage default of any Sperry Commercial Global Affiliates franchise agreement, or other agreement with Franchisor or Franchisor's affiliates, (iii) confidential treatment of materials Franchisor transmits via the Intranet, (iv) password protocols and other security precautions, including limitations on the number and types of employees who may be granted access to the Intranet, (v) grounds and procedures for Franchisor's suspending or revoking a franchisee's access to the Intranet, and (vi) a privacy policy governing Franchisor's access to and use of electronic communications that franchisees post to the Intranet. Franchisee acknowledges Franchisor, as administrator of the Intranet, can technically access and view any communication that any person posts on the Intranet. Franchisee further acknowledges the Intranet facility and all communications posted to it are or will become Franchisor's property, free of any claims of privacy or privilege Franchisee or any other person may assert.

(c) So long as the Intranet is operating, Franchisee must establish and continually maintain (during all times that the Intranet is operational and until the termination of this Agreement) an electronic connection (the specifications of which will be specified in the Confidential Operations Manual) with the Intranet allowing Franchisor to send messages to and receive messages from Franchisee, subject to the standards and specifications.

IX. PROPRIETARY MARKS

9.1 License of the Marks.

(a) Franchisor hereby grants Franchisee the right during the term hereof to use and display the Marks and use Franchisor's Intellectual Property in accordance with the provisions contained in this Agreement and in the Confidential Operations Manual, solely in connection with Franchisee's operation of the Franchised Business at Franchisee's Sperry Office. Neither Franchisee nor any Principal Equity Owner may use, display or permit the use or display of trademarks, trade names, service marks, insignias or logo types other than the Marks (and other trademarks and service marks specifically approved for use by Franchisor) in connection with the Franchised Business. Neither Franchisee nor any Principal Equity Owner may use or display the Marks and Franchisor's Intellectual Property in connection with the operation of any business or other activity outside the scope of the

Franchised Business. Franchisee may only use the Marks and Franchisor's Intellectual Property on the Internet or other electronic media in the manner and as specifically authorized by Franchisor in the Confidential Operations Manual or otherwise in writing. Franchisee agrees to be responsible for and supervise all of Franchisee's employees and agents to ensure the proper use of the Marks and Franchisor's Intellectual Property in compliance with this Agreement.

(b) Franchisee acknowledges the Marks have been licensed to Franchisor by the Owner of the Marks to use in the franchised System. Franchisee acknowledges and agrees (i) Franchisee's use of the Marks and Franchisor's Intellectual Property is a temporary authorized use under this Agreement, (ii) the Owner of the Marks retains all ownership interests in the Marks and (iii) Franchisor and the Owner of the Marks retain all ownership of the goodwill generated by the Marks and Franchisor's Intellectual Property. Franchisee acknowledges the use of the Marks and Franchisor's Intellectual Property outside the scope of the terms of this Agreement without Franchisor's written consent is an infringement of the Owner of the Marks' and Franchisor's exclusive rights, titles and interest in and to the Marks. Franchisee agrees as between Franchisee and Franchisor, all rights to use the Marks and Franchisor's Intellectual Property within the franchised System are Franchisor's exclusive property. Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation, or ownership thereof by virtue of Franchisee's franchised use thereof or otherwise. It is expressly understood and agreed that ownership and title of the Trade Dress, Confidential Operations Manual and Franchisor's other manuals, bulletins, instruction sheets, forms, methods of operation and goodwill are and, as between Franchisee and Franchisor, remain vested solely in Franchisor, and the use thereof is only co-extensive with the term of this Agreement.

(c) Franchisee agrees during the term of the Franchise, and after the repurchase, expiration or termination of the Franchise, Franchisee will not, directly or indirectly, commit an act of infringement or contest or aid others in contesting the validity, distinctiveness, secondary meaning, ownership or enforceability of the Marks or Franchisor's Intellectual Property or take any other action in derogation of the Marks and Franchisor's Intellectual Property, and that no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of the System, the Marks or Franchisor's Intellectual Property.

(d) Franchisee hereby grants Franchisor the right at any time to use the name, image and likeness of Franchisee and all Principal Equity Owners for commercial purposes in connection with the marketing and promotion of the Marks, Franchisor's Intellectual Property, Sperry Services, the Sperry Office, the Franchised Business and the System, without compensation. Franchisee also agrees (i) to have any affected employee of Franchisee who is not a Principal Equity Owner sign a release in the form contained in the Confidential Operations Manual that authorizes Franchisor to also use the employee's name, image and likeness for the purposes described in this section 9.1(d), without compensation, and (ii) to provide Franchisor with a copy of such signed release. The terms of this section 9.1(d) survive termination or expiration of this Agreement.

[Franchisee's Initials: _____]

(e) Franchisee acknowledges Franchisor prescribes uniform standards respecting the nature and quality of Sperry Services provided by Franchisee regarding how the Marks are to be used. Nothing herein gives Franchisee any right, title or interest in or to any of the Marks, except a mere privilege and license during the term hereof to display and use the same and Franchisee agrees that all of Franchisee's use of the Marks under this Agreement inures to Franchisor's benefit and the benefit of the Owner of the Marks.

(f) Franchisee agrees that all materials associated with Franchisor, Sperry Services or other services, artwork, graphics, layouts, slogans, names, titles, text or similar materials incorporating, or being used in connection with, the Marks which may be created by Franchisee, Franchisee's employees, agents and subcontractors and any other party with whom Franchisee may contract to have such materials produced pursuant to this Agreement will become the sole property of the Owner of the Marks, including copyright and trademark rights. In furtherance thereof, Franchisee hereby and irrevocably assigns to Franchisor all such materials, artwork, graphics, layouts, slogans, names, titles, text or similar materials, whether presently or hereafter existing. Furthermore, Franchisee agrees on behalf of itself, Franchisee's employees, Franchisee's agents, Franchisee's subcontractors, and any other party with whom Franchisee may contract to have such materials produced, to promptly execute all appropriate documents in this regard. As between Franchisee and Franchisor, the Suggestions, and all Intellectual Property Rights in and to the Suggestions are owned exclusively by Franchisor, except as otherwise set forth herein. Franchisee's Suggestions will not entitle Franchisee to any Intellectual Property Rights in and to the System; the System will not become a joint work of authorship because of Franchisee's Suggestions under any circumstances. Franchisee's Suggestions will be considered as a "work for hire" (as defined under the United States Copyright Act), and such Suggestions will be owned by and for the benefit of Franchisor. To the extent that any such Suggestions by Franchisee may not constitute a work for hire, Franchisee hereby grants, assigns and transfers all right, title and

interest in and to such Suggestions, including all rights in and to the Intellectual Property therein, to Franchisor and agrees to execute all further documents and things reasonably required by Franchisor to effect and record such assignment. If Franchisee has any such rights that cannot be assigned to Franchisor, Franchisee hereby grants to Franchisor an exclusive, irrevocable, perpetual, worldwide, fully paid license (with right to sublicense through multiple tiers) to such rights. Franchisee acknowledges there are, and may be, future rights that Franchisee may otherwise become entitled to with respect to the Suggestions not yet existing, as well as new uses, media, means and forms of exploitation throughout the universe exploiting current or future technology yet to be developed, and Franchisee specifically intends the foregoing assignment of rights to Franchisor will include all such now known or unknown uses, media, and forms of exploitation throughout the universe.

(g) If necessary, Franchisee agrees to join with Franchisor and share the expenses in any application to enter Franchisee as a registered or permitted user, or the like, of the Marks with any appropriate governmental agency or entity. Upon termination of this Agreement for any reason whatsoever, Franchisor may immediately apply to cancel Franchisee's status as a registered or permitted user and Franchisee hereby consents to the cancellation and agrees to join in any cancellation petition. Franchisee will bear the expense of any cancellation petition.

9.2 Franchisee's Business Name.

(a) In connection with Franchisee's operation of the Sperry Office, Franchisee agrees at all times and in all advertising, promotions, signs and other display materials, on Franchisee's letterheads, business forms, and at the Sperry Office and other authorized business sites, in all of Franchisee's business dealings related thereto and to the general public, Franchisee will identify the Franchised Business solely under a trade name containing the Mark "Sperry Commercial Global Affiliates" and authorized by Franchisor ("Business Name") together with the words "INDEPENDENTLY OWNED AND OPERATED" on Franchisee's letterhead, contract agreements, invoices, advertising and other written materials containing the Marks as Franchisor may direct. The Business Name may not include the word "Advisors" or personal first names.

(b) Franchisee must file and keep current a fictitious business name statement, assumed name certificate or similar document regarding Franchisee's Business Name in the county or other designated jurisdiction in which Franchisee is conducting business and at such other places as may be required by law. Before Franchisee commences engaging in the Franchised Business under the Marks, Franchisee must supply evidence satisfactory to Franchisor that Franchisee has complied with relevant laws regarding the use of fictitious or assumed names.

(c) On expiration or sooner termination of this Agreement, Franchisor may, if Franchisee do not do so, execute in Franchisee's name and on Franchisee's behalf all documents necessary, in Franchisor's judgment, to end and cause a discontinuance of the use by Franchisee of the Marks and Business Name registrations and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact to do so.

(d) Franchisee further agrees it will not identify itself as (i) Franchisor, (ii) a subsidiary, parent, division, shareholder, partner, agent or employee of Franchisor or the Owner of the Marks or (iii) any of Franchisor's other franchisees.

(e) If Franchisee is an entity and not an individual proprietor, Franchisee cannot use any of the Marks in its legal name.

9.3 Trade Secrets and Proprietary Information.

(a) Under this Agreement, Franchisor is licensing Franchisee access to Franchisor's Proprietary Information, trade secrets and other confidential data and information. Franchisee acknowledges the material and information now and hereafter provided or revealed to Franchisee pursuant to this Agreement (including in particular, but without limitation, the contents of the Confidential Operations Manual) are confidential trade secrets of Franchisor and are revealed in confidence, and Franchisee expressly agrees to keep and respect the confidences so reposed, both during the term of this Agreement and thereafter. Franchisor expressly reserves all rights with respect to the Marks, confidential trade secrets, methods of operation and other proprietary information, except as may be expressly granted to Franchisee hereby or in the Confidential Operations Manual. Franchisor will disclose to Franchisee certain trade secrets as reasonably needed for the operation by Franchisee of the Franchised Business by loaning to Franchisee, for the term of this Agreement, the Confidential Operations Manual and other written materials containing the trade secrets, through training and assistance provided to Franchisee hereunder, and by and through the performance of Franchisor's other obligations under this Agreement.

(b) Franchisee acknowledges (i) Franchisor is the sole owner of all Proprietary Information and Franchisor's trade secrets, (ii) such information is being imparted to Franchisee only by reason of Franchisee's special status as a franchisee of the System and (iii) Franchisor's trade secrets are not generally known to Franchisor's industry or the public at large and are not known to Franchisee except by reason of such disclosure. Franchisee further acknowledges it will acquire no interest in the Proprietary Information and trade secrets disclosed to Franchisee, other than the right to use them in the development and operation of the Franchised Business during the term of this Agreement. In addition, Franchisee acknowledges the use or duplication of Franchisor's trade secrets except as expressly permitted by this Agreement constitutes an unfair method of competition and Franchisor will suffer irreparable injury thereby.

(c) Franchisee agrees it will not do or permit any act or thing to be done in derogation of any of Franchisor's rights in connection with the Marks, either during the term of this Agreement or thereafter, and it will use the Marks only for the uses and in the manner franchised and licensed hereunder and as herein provided. Furthermore, Franchisee and Franchisee's employees and agents will not engage in any act or conduct impairing the goodwill associated with the Marks.

9.4 Modification of Marks and Trade Dress.

Franchisor may add to, substitute or modify any or all of the Marks or Trade Dress from time to time, by directive in the Confidential Operations Manual. Franchisee agrees to accept, use, display, or cease using, as may be applicable, the Marks and Trade Dress, including but not limited to, any such modified or additional trade names, trademarks, service marks, logo types and commercial symbols, and agrees, within 30 days of receiving notification, to commence implementing such changes and using its best efforts to complete such changes as soon as practicable.

9.5 Mark Infringement Claims and Defense of Marks.

(a) If Franchisee receives notice or otherwise becomes aware of any claim, suit or demand against Franchisee by any party other than Franchisor, the Owner of the Marks or any of Franchisor's affiliates on account of any alleged infringement, unfair competition or similar matter arising from Franchisee's use of the Marks in accordance with the terms of this Agreement, or any misuse of the Marks by third parties on the Internet or otherwise, Franchisee must promptly notify Franchisor of any such claim, suit, demand or misuse. Franchisee will have no power, right or authority to settle or compromise any such claim, suit or demand by a third party or to intervene to stop misuse, without Franchisor's prior written consent. Franchisor will defend, compromise or settle at Franchisor's discretion any such claim, suit or demand and take steps to stop misuse at Franchisor's cost and expense, using attorneys selected by Franchisor or the Owner of the Marks, and Franchisee agrees to cooperate fully in such matters.

(b) Franchisor will indemnify Franchisee and hold Franchisee harmless from and against all judgments resulting from any claim, suit or demand arising from Franchisee's authorized and proper use of the Marks or Franchisor's Intellectual Property in accordance with the terms of this Agreement. Franchisor has the sole discretion to determine whether a similar trademark or service mark that is being used by a third party is confusingly similar to the Marks or Franchisor's Intellectual Property being used by Franchisee or constitutes a misuse of the Marks or Franchisor's Intellectual Property, and whether and what subsequent action, if any, should be undertaken with respect to such similar trademark or service mark or misuse.

(c) Franchisee hereby indemnifies Franchisor and holds Franchisor harmless from and against all judgments resulting from any claim, suit or demand arising from Franchisee's unauthorized and improper use of the Marks or Franchisor's Intellectual Property.

X. MARKETING AND PROMOTION

10.1 Advertising Content and Costs.

Franchisor solely determines the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure), location and all other matters relating to local, regional or system-wide advertising, public relations and promotional campaigns involving the Marks.

XI. NON-COMPETITION COVENANTS

11.1 Exclusive In-Term Dealing.

(a) Franchisee acknowledges it will receive valuable specialized training and access to Proprietary Information and Franchisor's trade secrets, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of the System. In consideration for the use and license of such valuable information, Franchisee agrees it will not during the term of this Agreement operate, manage, own, assist or hold an interest in (direct or indirect as an employee, officer, director, shareowner, partner or otherwise), or engage in, any competing business selling goods or offering services equivalent to Sperry Services or the Franchised Business, without Franchisor's express prior written consent.

(b) It is the intention of both Franchisee and Franchisor for Franchisee to maximize the Franchised Business at Franchisee's Sperry Office, and any action of Franchisee diverting business to another entity or diminishing the Franchised Business being conducted at Franchisee's Sperry Office will be a material breach of this Agreement. Accordingly, neither Franchisee nor any Principal Equity Owner may, either directly or indirectly, for itself or themselves, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity, (i) divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or (ii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

11.2 Post Termination Non-Competition Covenants.

At all times after termination of this Agreement or its expiration without renewal pursuant to section 5.2 of this Agreement, Franchisee agrees it will not (either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity) use for any purpose Franchisor's trade secrets, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of the Sperry franchise system.

11.3 General Provisions Regarding Non-Competition Covenants.

(a) Franchisee acknowledges the restrictions contained in this Article XI are reasonable and necessary to protect Franchisor's legitimate interests, and in the event of violation of any of these restrictions, Franchisor is entitled to recover damages including, without limitation, Royalties, Marketing and Promotion Fees and other fees which would have been payable if such business were included in the Franchised Business (and to receive an accurate and complete accounting of all earnings, profits and other benefits arising from such violation), which rights and remedies will be cumulative and in addition to any other rights or remedies to which Franchisor is entitled at law or in equity.

(b) This Article XI applies to Franchisee's Office Managers, Principal Equity Owners and each of Franchisee's other managers, directors, officers, general partners and affiliates.

(c) Each provision of this Article XI is independent of each other provision of this Agreement. If any provision of this Article XI is held unreasonable or unenforceable by any court, agency or other tribunal of competent jurisdiction, Franchisee agrees to be bound by the maximum duty permitted by law with respect to that provision, which will be deemed restated accordingly, and Franchisee agrees to be bound by all other provisions of this Article XI.

XII. ASSIGNMENT

12.1 Assignment by Franchisor.

Franchisor has the right to Transfer this Agreement, and all of Franchisor's rights and privileges hereunder to any other person, firm or corporation ("Franchisor's Assignee"); provided that, in respect to any Transfer ("Assignment by Franchisor") resulting in the subsequent performance by Franchisor's Assignee of the functions of franchisor hereunder (i) at the time of Assignment by Franchisor, Franchisor's Assignee will be financially responsible and economically capable of performing the obligations of franchisor hereunder; and (ii) Franchisor's Assignee must expressly assume and agree to perform such obligations. If there is an Assignment by Franchisor in compliance with the terms set forth in the preceding sentence, Franchisor will be relieved of all obligations or liabilities after the effective date of the assignment.

12.2 Assignment by Franchisee.

(a) This Agreement is being entered into in reliance upon and in consideration of the singular personal skills and qualifications of Franchisee and its Principal Equity Owners and the trust and confidence Franchisor reposes in Franchisee and them. Therefore, neither Franchisee's interest in this Agreement and the Franchise granted hereunder, nor more than 50% of the equity interest in Franchisee (if Franchisee is an entity), nor all or substantially all of the assets of the Franchised Business, nor any controlling interest or non-controlling interest in the Franchised Business may be assigned, transferred, shared or divided, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, in any manner (collectively, "Assignment by Franchisee"), without Franchisor's prior written consent and, except for any transfer of a non-controlling interest, subject to Franchisor's right of first refusal provided for in section 12.3 hereof. Franchisor's consent to a specific Assignment by Franchisee is not cumulative and will not apply to any subsequent assignments, in respect of each of which Franchisee must comply with this section 12.2.

(b) Prior to any Assignment by Franchisee, Franchisee must notify Franchisor of Franchisee's intent to sell, transfer or assign the Franchise, the Outlet, all or substantially all of the assets of the Franchised Business, or a controlling or non-controlling interest in the Franchised Business. The notice must be in writing, delivered to Franchisor in accordance with section 16.1 hereof and include all of the following:

(i) The name and address of the proposed assignee ("Franchisee's Assignee");

(ii) A copy of all agreements related to the sale, assignment, or transfer of the Franchise, the assets of the Franchised Business, or the interest in the Franchised Business; and

(iii) Franchisee's Assignee's application for approval to become the successor franchisee. The application must include all forms, financial disclosures and related information generally used by Franchisor when interviewing prospective new franchisees, if those forms are readily made available to Franchisee. If the forms are not readily available, Franchisee must request that Franchisor deliver the forms to Franchisee by business courier in accordance with section 16.1 hereof within 15 calendar days. As soon as practicable after the receipt of Franchisee's Assignee's application, Franchisor will notify Franchisee and Franchisee's Assignee, in writing, of any additional information or documentation necessary to complete the transfer application. If Franchisor's then-existing standards for the approval of new or renewing franchisees are not readily available to Franchisee when Franchisee notifies Franchisor of Franchisee's intent to sell, transfer, or assign the Franchise, all or substantially all of the assets of the Franchised Business, or the controlling or non-controlling interest in the Franchised Business, Franchisor will communicate the standards to Franchisee within 15 calendar days.

(c) Within 60 days after the receipt of all necessary information and documentation required pursuant to section 12.2(b) above, or as specified by written agreement between Franchisor and Franchisee, Franchisor will notify Franchisee of the approval or disapproval of the proposed Assignment by Franchisee. The notice will be in writing and delivered to Franchisee by business courier in accordance with section 16.1 hereof. Should Franchisor elect not to exercise Franchisor's right of first refusal, or should such right of first refusal be inapplicable, as herein provided, the proposed Assignment by Franchisee will be deemed approved, unless disapproved by Franchisor in writing and for reasons permitted by the law governing this Agreement. If the proposed sale, assignment or transfer is disapproved, Franchisor shall include in the notice of disapproval a statement setting forth the reasons for the disapproval. Franchisor may impose, among other things, the following conditions precedent to Franchisor's consent to any such Assignment by Franchisee (these conditions are consistently applied to similarly situated franchisees operating under the Franchise brand):

(i) Franchisee's Assignee must complete Franchisor's application for a franchise, and in connection therewith, Franchisee and Franchisee's Assignee must fully disclose in writing all terms and conditions of the Assignment by Franchisee;

(ii) Franchisee's Assignee and the principal equity owners of Franchisee's Assignee demonstrate they have the skills, qualifications, moral and ethical reputation, and economic resources necessary, in Franchisor's sole judgment, to conduct the business contemplated by this Agreement;

(iii) Franchisee's Assignee and each principal equity owner of Franchisee's Assignee expressly assume in writing for Franchisor's benefit all of Franchisee's obligations under this Agreement;

(iv) Franchisee's Assignee executes the then current form of Franchise Agreement being used by Franchisor for the remainder of the term of this Agreement or, in Franchisor's sole discretion, for the initial term of

the then current form of Franchise Agreement (unless Franchisor has a reasonable basis not to allow this, Franchisee may elect to have Franchisee's Assignee assume this Agreement for the remainder of its term);

(v) Franchisee must have complied fully as of the date of any such Assignment by Franchisee with all of Franchisee's material obligations to Franchisor, whether under this Agreement or any other agreement, arrangement or understanding with Franchisor;

(vi) Franchisee's Assignee agrees (A) an Office Manager successfully trained by Franchisor must at all times be employed to operate the Sperry Office and (B) Franchisor's Initial Orientation program described in section 6.1 hereof and any other training or orientation programs then required by Franchisor will be satisfactorily completed by Franchisee's Assignee's General Manager and other necessary personnel within 30 days after the execution by Franchisee's Assignee of a Franchise Agreement, provided, however, Franchisee's Assignee must also agree to pay for all of their expenses incurred in connection therewith, including any fee Franchisor charges for training (at the rate in effect at the time of transfer), travel, hotel and meal expenses; and

(vii) Not later than 10 days before the transfer, Franchisee must pay Franchisor a non-refundable "Transfer Fee" of \$1,000 (the Transfer Fee is not payable if Franchisor exercises its right of first refusal pursuant to section 12.3 of this Agreement). The Transfer Fee is subject to adjustment in Franchisor's discretion based on corresponding changes in the CPI since the Effective Date.

(d) Franchisee does not have a right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever (except that with Franchisor's consent, which will not be unreasonably withheld, Franchisee may pledge a security interest in this Agreement in connection with a Small Business Administration loan), nor subfranchise or otherwise transfer, or attempt to subfranchise or otherwise transfer the Franchised Business, or to transfer or subfranchise a portion but not all of Franchisee's rights hereunder without Franchisor's express prior written consent, which may be withheld for any reason in Franchisor's sole discretion.

(e) Any attempt by Franchisee to assign or any purported Assignment by Franchisee in violation of this section 12.2 is void and will (i) constitute a material breach of this Agreement, (ii) cause this Agreement (and in Franchisor's sole discretion any or all other agreements between Franchisee and Franchisor, or between Franchisee and Franchisor's affiliates) to be subject to immediate termination without further notice, and (iii) confer no rights or interest whatsoever under this Agreement upon any other party.

(f) Upon Franchisor's consent to any Assignment by Franchisee, Franchisee must bring all accounts with Franchisor current and transfer to Franchisee's assignee all service agreements or contracts signed by customers of the Franchised Business conducted at Franchisee's Outlet. Also, Franchisee must (i) execute an agreement among Franchisee, Franchisor and Franchisee's assignee effecting the Assignment by Franchisee, which will include a mutual release between Franchisee and Franchisor and (ii) execute an assignment of the lease for the Outlet premises (including an assignment to the assignee of Franchisee's rights, title and interest to telephone numbers and utilities respecting the Outlet).

12.3 Right of First Refusal.

(a) Except for a Transfer (i) to Franchisee's heirs, personal representatives or conservators in the case of death or legal incapacity as provided in section 12.6 hereof or (ii) between or among individuals (including their immediate family members) who have guaranteed obligations under a Small Business Administration loan, Franchisee's right to Transfer Franchisee's entire interest in the Franchise granted by this Agreement under section 12.2 hereof is subject to Franchisor's right of first refusal, which will be exercised in accordance with the terms of this section 12.3.

(b) Franchisee must deliver to Franchisor a written notice setting forth (i) all of the terms and conditions of any *bona fide* offer relating to a proposed Assignment by Franchisee, and (ii) all available information concerning Franchisee's Assignee including a detailed summary of how the proposed assignee meets Franchisor's qualifications for a new Sperry Commercial Global Affiliates franchisee, and any other related information requested by Franchisor. If the specified terms and conditions include consideration of a non-monetary nature, such consideration must be expressed in reasonably equivalent monetary terms, and if it involves matters which cannot be stated in monetary terms, such consideration will not be considered in connection with Franchisor's right of first refusal.

(c) Within 15 days after Franchisor's receipt of such notice (or if Franchisor requests additional information, within 10 days after receipt of such additional information), Franchisor may either (i) consent or withhold Franchisor's

consent to such Assignment by Franchisee, in accordance with section 12.2 hereof, or (ii) at Franchisor's option, accept itself (or on behalf of Franchisor's nominee) the Assignment by Franchisee upon the terms and conditions specified in the notice.

(d) If Franchisor elects not to exercise its right of first refusal and consent to the Assignment by Franchisee, Franchisee will for a period of 60 days, and subject to the provisions of section 12.2 hereof, be free to assign this Agreement to such proposed Assignee upon the terms and conditions specified in said notice. If, however, these terms are modified in any material manner (as determined by Franchisor), or if said 60-day period expires, Franchisor will again have such right of first refusal with respect thereto and Franchisee will again be required to comply with section 12.3(b) above. Detailed terms of assignment must be delivered to Franchisor no later than 72 hours following the close of escrow or other consummation of the transaction.

12.4 Transfers to Certain Family Members.

Franchisee or a Principal Equity Owner, if a natural person, may with Franchisor's consent, which will not be unreasonably withheld, transfer the Franchised Business or an equity interest in Franchisee's franchised entity to such person's immediate family member (defined as a spouse or person having equivalent rights under applicable federal or state law, parent, sibling, niece, nephew, descendant or spouse's descendant) provided a qualified and trained Office Manager remains employed at the Sperry Office or other adequate (in Franchisor's reasonable determination) provision is made for the management of the Franchised Business and the transferor guarantees, in form and substance satisfactory to Franchisor, the performance of the transferee's obligations under this Agreement. No transfer under this section 12.4 will be subject to Franchisor's right of first refusal set forth in section 12.3 hereof or the Transfer Fee set forth in section 12.2(b)(vii) hereof. However, Franchisee must comply with sections 12.2(b)(i) through (vi) and (to the extent applicable) section 12.2(c) above, as well as provide full disclosure of the terms of said transfer and deliver to Franchisor no later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to Franchisor no less than three business days following the close of the transaction.

12.5 Transfers to Affiliated Entities.

Franchisee or a Principal Equity Owner may without Franchisor's consent, but upon 30 days prior written notice to Franchisor, Transfer the Franchised Business or an equity interest in Franchisee's franchised entity to an entity that is (i) organized for the purpose of operating the Franchised Business and (ii) owned in the same proportionate amount of ownership as prior to such Transfer, provided a qualified and trained Office Manager remains employed at the Sperry Office or other adequate (in Franchisor's reasonable determination) provision is made for the management of the Franchised Business. No Transfer under this section 12.5 will be subject to Franchisor's right of first refusal set forth in section 12.3 hereof or the Transfer Fee set forth in section 12.2(b)(vii) hereof. However, Franchisee must comply with sections 12.2(b)(i) through (vi) and (to the extent applicable) section 12.2(c) above, as well as provide full disclosure of the terms of said transfer and deliver to Franchisor no later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to Franchisor no less than three business days following the close of the transaction. Also, Franchisee acknowledges and agrees that any Transfer to an affiliate will not relieve Franchisee from its obligations under this Agreement.

12.6 Transfers upon the Death or Incapacity of an Individual Franchisee or Majority Equity Owner.

(a) Notwithstanding the foregoing, in the event of Franchisee's death or legal incapacity if Franchisee is an individual, or the death or legal incapacity of a Principal Equity Owner of Franchisee owning a majority equity interest in the Franchisee if an entity ("Majority Equity Owner"), the transfer of Franchisee's or the deceased Majority Equity Owner's interest in this Agreement to his or her spouse, parent or adult children, will not be deemed Assignment by Franchisee, provided a qualified and trained Office Manager remains employed at the Sperry Office or another responsible management employee or agent of Franchisee satisfactorily trained by Franchisor will be responsible for the Franchised Business.

(b) In the event of Franchisee's death (if Franchisee is an individual) or the death of a Majority Equity Owner, such person's interest in this Agreement or its equity interest in the franchise entity must Transfer within 270 days after the date of death in accordance with such person's will or, if such person dies without a will, in accordance with laws of intestacy governing the distribution of such person's estate, provided that adequate provision is made for the management of the Franchised Business. If Franchisor determines (i) there is no imminent sale to a qualified successor or (ii) there is no heir or other Principal Equity Owner capable of operating the Franchise, Franchisor may (but is not obligated to) immediately commence operating the Franchised Business on Franchisee's behalf for a period of up to 90 days, renewable as necessary for up to one year and Franchisor will periodically discuss the status with Franchisee or its heirs. For such management assistance, Franchisee or the successor in interest must pay a reasonable *per diem* charge Franchisor set for the interim manager.

(c) No Transfer under this section 12.6 will be subject to (i) Franchisor's right of first refusal set forth in section 12.3 hereof or (ii) the Transfer Fee set forth in section 12.2(b)(vii) above, although such refusal right and Transfer Fee will be applicable to any subsequent Transfer by Franchisee's (or a Majority Equity Owner's) heirs, personal representatives or conservators. However, Franchisee must comply with sections 12.2(b)(i) through (vi) and (to the extent applicable) section 12.2(c) above, as well as provide Franchisor with full disclosure of the terms of said transfer not later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to Franchisor no less than three business days following the close of the transaction.

12.7 Consent of Franchisor to Transfers.

Except as otherwise provided in this Agreement and subject to Franchisor's right of first refusal provided in section 12.3 hereof, Franchisee or an Principal Equity Owner may consummate any Transfer of a direct or indirect interest in this Agreement, the Franchised Business or the economic benefits derived therefrom, or any equity interest in Franchisee's franchised entity, not permitted by the preceding sections 12.4, 12.5 and 12.6, only after written notice to Franchisor and only with Franchisor's written consent, which will not be unreasonably withheld. Franchisor will exercise Franchisor's good faith business judgment in determining whether to give or withhold Franchisor's consent to a Transfer under this section 12.7. Such exercise of good faith business judgment may include Franchisor's consideration of certain skills and qualifications of the prospective transferee which are of business concern to Franchisor, including without limitation, the following: experience in businesses similar to the Franchised Business, financial and operational skills and qualifications, economic resources, reputation and character of such prospective transferee; the ability of such prospective transferee to fully and faithfully conduct the Franchised Business as contemplated by this Agreement; and the effect that the Transfer and the prospective transferee will have or may reasonably be expected to have on the reputation or business operations of the Franchised Business, the System or Franchisor or any of Franchisor's affiliates.

XIII. DEFAULT AND TERMINATION

13.1 General.

(a) This Agreement may be terminated only for good cause, which means the failure of a party to substantially comply with the lawful requirements imposed upon it by this Agreement after being given notice at least 30 days in advance of the termination and a reasonable opportunity, which in no event will be less than 30 days from the date of the notice of noncompliance, to cure the failure (provided that this section 13.1(a) does not apply when there are grounds for immediate termination without notice pursuant to section 13.2 below).

(b) If Franchisor is in material breach of this Agreement, Franchisee may terminate this Agreement by giving Franchisor prior written notice setting forth the asserted breach of this Agreement and giving Franchisor 30 days in which to cure the default. A material breach of this Agreement by Franchisor means any unauthorized action or omission seriously impairing or adversely affecting Franchisee or the relationship between Franchisor and Franchisee created by this Agreement. However, if Franchisor becomes insolvent or declares bankruptcy, Franchisee will continue to have the right to operate under this Agreement until and unless a court issues an order otherwise. If because of the nature of the breach, it would be unreasonable for Franchisor to be able to cure the default within 30 days, Franchisor will be given additional time (up to 30 additional days) as is reasonably necessary to cure said breach, upon condition that Franchisor must, upon receipt of such notice from Franchisee, immediately commence to cure such breach and continue to use best efforts to do so.

(c) Notwithstanding anything contained herein to the contrary, in those circumstances under which Franchisor has the right to terminate this Agreement, Franchisor also has the option, to be exercised in its sole discretion, to choose alternative remedies to Franchisor's right to terminate the entire Agreement.

(d) Notwithstanding anything contained herein to the contrary, in those circumstances under which Franchisor has the right to terminate this Agreement, Franchisor also has the right to exercise all remedies available to it at law or in equity, including without limitation specific performance and damages (including punitive damages). All rights and remedies provided herein are in addition to and not in substitution of all other rights and remedies available to a party at law or in equity.

13.2 Immediate Termination.

(a) Franchisor has the right to immediately terminate this Agreement upon notice to Franchisee without an opportunity to cure if:

(i) Franchisee or the business to which the Franchise relates has been the subject of an order for relief in bankruptcy, is judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or Franchisee admits its inability to pay its debts as they come due;

(ii) Franchisee Abandons the Franchise by failing to operate the Outlet for five consecutive business days (without Franchisor's written consent) during which Franchisee is required to operate the business under the terms of the Franchise, or any shorter period after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the franchise, unless such failure to operate is due to fire, flood, earthquake or other similar causes beyond the franchisee's control;

(iii) Franchisor and Franchisee agree in writing to terminate the Franchise;

(iv) Franchisee makes any material misrepresentations relating to the acquisition of the Franchise or Franchisee engages in conduct that reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the System;

(v) Franchisee fails, for a period of 10 business days after notification of noncompliance, to comply with any federal, state, or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the Franchise;

(vi) after curing any failure in accordance with section 13.3 below, Franchisee engages in the same noncompliance even if such noncompliance was previously corrected after notice;

(vii) Franchisee repeatedly fails to comply with one or more material requirements of this Agreement, even if previously corrected after notice;

(viii) the Franchised Business or the business premises of the Franchise are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lien holder or lessor, provided that a final judgment against Franchisee remains unsatisfied for 30 days (unless an appeal bond has been filed); or a levy of execution has been made upon the license granted by this Agreement or upon any property used in the Franchised Business, and it is not discharged within five days of such levy;

(ix) Franchisee fails to pay any franchise fees or other amounts due to Franchisor or its affiliate within five days after receiving written notice that such fees are overdue;

(x) Franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the Franchise; or

(xi) Franchisor makes a reasonable determination that Franchisee's continued operation of the Franchise will result in an imminent danger to public health or safety.

(b) The parties recognize that some breaches may involve conduct which undermines the basis for the Agreement such that the expectation of full and proper contract performance cannot be restored, even if the specific activity giving rise to the claim of breach has ended. In such cases, no period of "cure" will be required. However, the termination will not take effect for 10 days to enable the parties to consider whether other alternatives may be possible.

(c) If Franchisee's rights under this Agreement are terminated by Franchisor because of an event described in section 13.2(a) above, section 14.1 below is not applicable, and Franchisor may immediately commence an action under section 14.2 or 14.3 below, as applicable, to collect damages or otherwise enforce its rights.

13.3 Termination After Notice.

(a) Except as provided in section 13.2 above, Franchisor may terminate this Agreement only for good cause (as defined in section 13.1(a) above) after giving Franchisee prior written notice setting forth the asserted breach of this Agreement and giving Franchisee 30 days in which to cure the default. Upon receipt of a notice of default, Franchisee must immediately commence diligently to cure said breach, and if Franchisee cures said breach within 30 days, Franchisor's right to terminate this Agreement will cease. If because of the nature of the breach, it would be unreasonable for Franchisee to be able to cure the default within 30 days, Franchisee will be given additional time (up to 15 additional days) as is reasonably necessary in Franchisor's determination to cure said breach, upon

condition that Franchisee must, upon receipt of such notice from Franchisor, immediately commence to cure such breach and continue to use Franchisee's best efforts to do so.

(b) If Franchisee's rights under this Agreement are terminated by Franchisor for material breach, Franchisor may, at its option, declare Franchisee in default of all of the other franchise agreements or other agreements Franchisee has with Franchisor, and terminate Franchisee's rights under those other agreements as well.

(c) If Franchisee's rights under this Agreement are terminated by Franchisor for Franchisee's failure to make any payment due under this Agreement, section 14.1 below is not applicable, and Franchisor may immediately commence an action under section 14.2 below to collect damages or otherwise enforce its rights.

(d) The description of any default in any notice served by Franchisor hereunder upon Franchisee in no way precludes Franchisor from specifying additional or supplemental defaults in any action, arbitration, mediation, hearing or suit relating to this Agreement or the termination thereof.

(e) If Franchisee and Franchisor agree to mutually terminate this Agreement, Franchisee must return a signed counterpart of any document Franchisor prepares to effect the termination not later than 10 days after Franchisee receives it, or the mutual agreement to terminate will be voidable by Franchisor, and Franchisor may thereafter immediately and unilaterally terminate this Agreement and require payment of all sums due and payable to Franchisor at the date of termination.

13.4 Description of Default.

The description of any default in any notice served by Franchisor hereunder upon Franchisee in no way precludes Franchisor from specifying additional or supplemental defaults in any action, arbitration, mediation, hearing or suit relating to this Agreement or the termination thereof.

13.5 Statutory Limitations.

Notwithstanding anything to the contrary in this Article XIII, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto limits Franchisor's rights of termination hereunder or requires longer notice periods than those set forth herein, and if the parties are prohibited by law from agreeing to the shorter periods set forth herein, then this Agreement will be deemed amended to conform to the requirements of such laws and regulations, but in such event the provisions of the Agreement thus affected will be amended only to the extent necessary to bring it within the requirements of the law or regulation.

13.6 Extended Cure Period.

Notwithstanding anything contained herein to the contrary, including, without limitation, section 13.3(c) hereof, in those circumstances under which Franchisor has the right to terminate this Agreement, Franchisor also has the right, to be exercised in Franchisor's sole discretion, to grant to Franchisee in writing only, in lieu of termination of this Agreement, an extended period of time to cure the breach which gave rise to Franchisor's right to terminate, but in no event may such extended cure period exceed six months from the last day of the cure period otherwise applicable to such breach. Franchisee acknowledges Franchisor's election to grant an extended cure period to Franchisee will not operate as a waiver of any of Franchisor's rights hereunder.

13.7 Franchisor's Right to Cure Franchisee's Defaults.

In addition to all other remedies herein granted, if Franchisee defaults in the performance of any of its obligations or breaches any term or condition of this Agreement or any related agreement involving third parties, Franchisor may, at Franchisor's election, immediately or at any time thereafter, without waiving any claim for breach hereunder, and after providing written notice of the default to Franchisee and an opportunity to cure the default within 30 days after the notice, cure the default for Franchisee's account and on Franchisee's behalf. If Franchisor does so, all costs or expenses including attorney's fees incurred by Franchisor on account thereof are due and payable by Franchisee to Franchisor on demand.

13.8 Waiver and Delay.

No waiver by Franchisor of any breach or series of breaches or defaults in performance by Franchisee and no failure, refusal or neglect of Franchisor either to exercise any right, power or option given to Franchisor hereunder or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or the Confidential Operations Manual, constitutes a waiver of the provisions of this Agreement or the Confidential Operations Manual with respect to any subsequent breach thereof or a waiver by Franchisor of Franchisor's right at any time thereafter to require exact and strict compliance with the provisions thereof.

13.9 Recovery of Lost Royalty.

If this Agreement is terminated because of Franchisee's material breach, based on the estimated time it takes for a replacement franchisee to achieve a similar revenue stream, in addition to any other damages or relief, Franchisor may recover damages equal to the amount of the Royalty actually paid by Franchisee or what Franchisee was obligated to pay, whichever is greater, (i) during the 18 months prior to the date this Agreement was terminated or (ii) if the Opening Date is less than 18 months before the termination date, during the time since the Opening Date.

13.10 Collection Costs.

Franchisor is entitled to reimbursement from Franchisee upon Franchisor's demand of all costs Franchisor incurs (including reasonable attorneys' fees and investigator's fees) to enforce Franchisor's rights under this Agreement, including actions to collect any amounts due and delinquent hereunder.

13.11 Continuance of Business Relations.

Any continuance of business relations between Franchisee and Franchisor after termination of this Agreement will not be construed as a renewal, extension or continuation of this Agreement.

XIV. DISPUTE RESOLUTION

14.1 Initial Steps to Resolve a Dispute; Mediation.

(a) Franchisor and Franchisee have entered a long-term franchise relationship which gives rise to an obligation, subject to and consistent with the terms of this Agreement, to endeavor to make the relationship succeed, subject to and consistent with the overall best interests of the System, as contemplated by this Agreement. To that end, Franchisee and Franchisor acknowledge that Franchisee and Franchisor need to attempt to resolve disagreements or disputes before such disagreements or disputes negatively impact the relationship. Good faith communications between Franchisee and Franchisor are important aspects of that obligation. The parties hereby pledge and agree that they will first attempt to resolve any dispute, claim or controversy arising out of or relating to this Agreement or any alleged breach hereof, including any claim that this Agreement or any part hereof is invalid, illegal or otherwise voidable or void (collectively, "Dispute") by first having Franchisor's executive officers and Franchisee's Principal Equity Owners meet in person within five business days after a party notifies the other party that a Dispute has arisen at Franchisor's principal executive office (without their respective legal counsel) to conduct a good faith discussion and negotiation of the issues with a view to arriving at a settlement. Franchisor may proceed to terminate this Agreement in either of the following two situations without a settlement meeting or mediation proceeding: (i) if there is any breach of this Agreement by Franchisee that may result in an immediate termination of this Agreement pursuant to section 13.2 above, or (ii) if Franchisee fails to pay any sums due Franchisor under this Agreement which may result in termination of this Agreement pursuant to section 13.3 above. Also, if a party refuses to participate in the settlement meeting or mediation within the respective time frames set forth in this section 14.1, the other party may immediately commence an arbitration proceeding pursuant to section 14.2 below.

(b) If the parties are unable to settle the Dispute at the settlement conference described in section 14.1 above, within 10 business days after the date this conference took place (or should have taken place), the parties may submit the dispute to non-binding mediation conducted by and before a mediator, and at a location, mutually agreeable to both parties; provided however the mediator must be an attorney who is a State Bar of California Board of Legal Specialization Certified Specialist in Franchise and Distribution Law. If the Dispute is not referred to mediation within 10 business days after the settlement conference took place (or should have taken place), the Dispute may be immediately submitted to binding resolution through arbitration proceedings pursuant to section 14.2 below. Any mediation proceedings may take place at any mutually agreed location in California and should be completed within 60 days following the date either party first gives notice of mediation. The fees and expenses of the mediator will be shared equally by the parties. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter.

(c) Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission because of its use in the mediation.

14.2 Arbitration.

(a) Except as specifically provided in sections 13.2(c) and 13.3(c) above, any Dispute between Franchisor (or its affiliated entities) and Franchisee (or its Principal Equity Owners or affiliated entities) not

settled through the procedures described in section 14.1 above will be resolved through binding arbitration by and before JAMS, Inc. in accordance with its Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than \$250,000) or its Comprehensive Arbitration Rules and Procedures (if the amount in controversy is \$250,000 or more), or if the parties in dispute mutually agree, through binding arbitration by any other mutually agreeable arbitrator. It is explicitly agreed by each of the parties hereto no arbitration of any Dispute may be commenced except in accordance with this section 14.2.

(b) All hearings and other proceedings will take place at the JAMS business location in Orange County, California, or other county where Franchisor's headquarters is then located, or if Franchisor so elects, at the JAMS business location nearest where Franchisee's (or an applicable Principal Equity Owner's) principal place of business is then located.

(c) Either party may present briefs and affidavits of witnesses who are unable to attend hearings. A limited amount of discovery is permitted within the discretion of the arbitrator (including affidavits, interrogatories and depositions). The arbitrator will have the right to award or include in the award any relief that the arbitrator deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance and injunctive relief, provided that the arbitrator will not have the right to declare any Mark generic or otherwise invalid or to award punitive damages. If either party fails to appear or participate in the arbitration proceeding, the other party will be entitled to a default judgment award. The arbitration award will be final and binding on the parties, and judgment on the award may be entered in any federal or state court having jurisdiction.

(d) TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALL CLAIMS BROUGHT UNDER THIS AGREEMENT WILL BE BROUGHT IN AN INDIVIDUAL CAPACITY. THIS AGREEMENT MAY NOT BE CONSTRUED TO ALLOW OR PERMIT THE CONSOLIDATION OR JOINDER OF OTHER CLAIMS OR CONTROVERSIES INVOLVING ANY OTHER FRANCHISEES OR PERMIT SUCH CLAIMS OR CONTROVERSIES TO PROCEED AS A CLASS ACTION, CLASS ARBITRATION, COLLECTIVE ACTION, OR ANY SIMILAR REPRESENTATIVE ACTION. NO ARBITRATOR WILL HAVE THE AUTHORITY UNDER THIS AGREEMENT TO ORDER ANY SUCH CLASS OR REPRESENTATIVE ACTION. BY SIGNING BELOW, FRANCHISEE EXPRESSLY WAIVES ANY SUBSTANTIVE OR PROCEDURAL RIGHTS IT MAY HAVE TO BRING AN ACTION ON A CLASS, COLLECTIVE, REPRESENTATIVE OR OTHER SIMILAR BASIS.

(e) TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE PARTIES WAIVE ALL RIGHTS THEY MAY HAVE TO SEEK PUNITIVE DAMAGES FROM ONE ANOTHER. ACCORDINGLY, THE ARBITRATOR WILL HAVE NO POWER TO ASSESS PUNITIVE DAMAGES AGAINST EITHER PARTY.

(f) This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Agreement.

(g) The provisions of this section 14.2 are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect after (and notwithstanding) the expiration or termination of this Agreement. Furthermore, this section 14.2 will be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with the law.

[Franchisor's Initials: _____ Franchisee's Initials: _____]

14.3 Injunctive Relief.

Any party has the right in a situation where there is an imminent threat of harm to the legal rights of a party and damages would not be adequate relief to seek a temporary restraining order and temporary or preliminary injunctive relief from a court of competent jurisdiction in California, without the necessity of first complying with sections 14.1 and 14.2 above or posting any bond, and if bond is nevertheless required by a court of competent jurisdiction, the parties agree that the sum of \$1,000 will be a sufficient bond (this amount may be adjusted by changes in the Consumer Price Index since the Effective Date). If an arbitration proceeding has already commenced pursuant to section 14.2 above when a party seeks injunctive relief, then the party seeking such injunctive relief agrees to contemporaneously submit the merits of its dispute to the arbitrator. The existence of a proceeding commenced under section 14.1 or 14.2 above will in no event abate or otherwise affect the ability of party to seek injunctive relief under this section 14.3. Franchisee acknowledges that failure on Franchisee's part to comply fully with any of the terms of this Agreement respecting the obligations regarding examinations, audits and the Marks could cause irreparable damage to Franchisor or other affiliated persons or entities, and Franchisor or Franchisor's affiliates are

empowered to seek injunctive relief to protect the Marks. This covenant is independent, severable and enforceable notwithstanding any other rights or remedies that any party may have.

14.4 Legal Fees and Expenses.

The prevailing party in any arbitration or litigation to resolve a dispute between any of the parties hereto will be entitled to recover from the losing party reasonable legal fees (and incurred costs of the prevailing party's counsel) and all other expenses incurred by the prevailing party in bringing or defending such arbitration, action or proceeding or enforcing any resulting award or judgment (including without limitation arbitration or court filing fees, expert and other witness fees, discovery expenses and compensation payable to the arbitrator), whether incurred prior to or in preparation for or in contemplation of the filing of the action or thereafter. The prevailing party will be determined by the arbitrator or court. This section 14.4 is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

14.5 Survival.

The terms of this Article XIV survive termination, expiration or cancellation of this Agreement.

XV. OBLIGATIONS AND RIGHTS UPON TERMINATION OR EXPIRATION

15.1 Franchisee's Obligations.

(a) In the event of termination, cancellation or expiration of this Agreement whether by reason of Franchisee's breach, default, non-renewal, lapse of time or other cause, in addition to any other obligations provided for in this Agreement, Franchisee must forthwith discontinue the use or display of the Marks in any manner whatsoever, and Franchisee may not thereafter operate or do business under the Marks or any other Sperry Commercial Global Affiliates brand or any other name or in any manner which might tend to give the general public the impression Franchisee is in any way associated or affiliated with Franchisor, the System, or any of the businesses conducted by Franchisor or the Owner of the Marks, including without limitation repainting the business premises in a distinctively different color and removing or rearranging distinctive elements of the Sperry Commercial Global Affiliates trade dress. Franchisee must contact online review sites and other online directories and websites which have made reference to Franchisee's Sperry Office during the 18 months prior to the date this Agreement terminates, is cancelled or expires, and request the removal of all use of the trademarks in connection with the former Sperry Office (and the physical address of the former Sperry Office) and all use of former reviews from the period Franchisee was a Sperry Commercial Global Affiliates franchisee. And, Franchisee also must comply with section 15.2 respecting the return to Franchisor of certain materials and must not thereafter use, in any manner, or for any purpose, directly or indirectly, any of Franchisor's trade secrets, procedures, techniques, or materials acquired by Franchisee by virtue of the relationship established by this Agreement, including, without limitation, (i) any training or other materials, manuals, bulletins, instruction sheets, or supplements thereto, or (ii) any equipment, videotapes, videodiscs, forms, advertising matter, devices, insignias, slogans or designs used from time to time in connection with the Franchised Business.

(b) If there is a termination, cancellation or expiration as described in section 15.1(a) above, Franchisee must comply with section 11.2 of this Agreement respecting post-termination competition and also promptly:

(i) Remove at Franchisee's expense all signs erected or used by Franchisee and bearing the Marks, or any word or mark indicating that Franchisee is associated or affiliated with Franchisor;

(ii) Erase or obliterate from letterheads, stationery, printed matter, advertising or other forms used by Franchisee the Marks and all words indicating that Franchisee is associated or affiliated with Franchisor;

(iii) Permanently discontinue all advertising of Franchisee that states or implies that Franchisee is associated or affiliated with Franchisor or the System;

(iv) If Franchisee engages in any business thereafter, Franchisee must use trade names, service marks or trademarks which are significantly different from those under which Franchisee had done business and must use sign formats which are significantly different; and take all necessary steps to ensure Franchisee's present and former employees, agents, officers, shareholders and partners observe the foregoing obligations; and

(v) Assign all interest and right to use all telephone numbers and all listings applicable to the Sperry Office in use at the time of such termination to Franchisor and take all action necessary to change all such telephone numbers immediately and change all such listings as soon as possible.

(c) If Franchisee fails or omits to make or cause to be made any removal or change described in section 15.1(b)(i) through 15.1(b)(vi) above, then Franchisor will have the right within 15 days after written notice to enter Franchisee's Sperry Office or other premises from which the Franchised Business is being conducted without being deemed guilty of trespass or any other tort, and make or cause to be made such removal and changes at Franchisee's expense, which expenses Franchisee agrees to pay to Franchisor promptly upon demand; and Franchisee hereby irrevocably appoints Franchisor as Franchisee's lawful attorney upon termination of this Agreement with authority to file any document in the name of and on Franchisor's behalf for the purpose of terminating all of Franchisee's rights in any trade name Franchisee has used containing any of the Marks.

15.2 Franchisor's Rights as Franchisor.

(a) The termination, cancellation, expiration or assignment of this Agreement will be without prejudice to any rights of Franchisor against Franchisee and such termination, cancellation, expiration or assignment will not relieve Franchisee of any of Franchisee's obligations to Franchisor existing at the time of termination, cancellation, expiration or assignment or terminate those obligations of Franchisee which, by their nature, survive the termination, cancellation, expiration or assignment of this Agreement.

(b) Franchisor may direct all applicable suppliers immediately cease providing Franchisee with equipment, marketing materials, email access, website access, accessories and other items comprising or to be used to provide Sperry Services.

(c) Franchisee is obligated to return, at no expense to Franchisor, all copies of the Confidential Operations Manual and all other Sperry Commercial Global Affiliates proprietary materials and any other items supplied by Franchisor for Franchisee's use without additional charge in connection with the operation of the Franchised Business. Franchisee must also permanently erase anything relating to Franchisor or the Franchised Business from any computers and other media storage devices Franchisee retain after expiration, cancellation or termination of this Agreement.

XVI. GENERAL TERMS AND PROVISIONS

16.1 Notices.

(a) All notices that the parties hereto are required or may desire to give under or in connection with this Agreement must be in writing and (unless personally delivered by an agent of the sending party) must be sent by reliable overnight courier, for delivery on the next business day and addressed as follows:

(i) If to Franchisor:

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
18881 VON KARMAN AVE STE 800
IRVINE CA 92612-1571
Phone: 1-949-705-5000

(ii) If to Franchisee:

Phone:

(b) Notices between Franchisee and Franchisor will be deemed given the earlier of (i) the next business day after deposit with a reliable overnight courier, properly addressed and marked for delivery on the next business day or (ii) when otherwise delivered in person by an agent of the sending party.

(c) Any change in the addresses listed in section 16.1(a) above must be sent to the other party as soon as practicable after the change occurs by reliable overnight courier.

(d) Any notices sent to Franchisee which include a statement of intent to terminate or not renew the Franchise must provide (i) the reasons why Franchisee is terminating or not renewing and (ii) the effective date of such termination or nonrenewal or expiration.

16.2 Indemnity.

(a) Franchisee hereby agrees to protect, defend and indemnify Franchisor, and Franchisor's past, present and future owners, affiliates, officers, directors, employees, attorneys and designees, and each of them, and hold them harmless from and against "Losses" (as defined in section 16.2(d) below) arising out of or in connection with any "Proceeding" (as defined in section 16.2(f) below) concerning Franchisee's intentional tort or negligence, or the intentional tort or negligence of Franchisee's agents, servants or representatives, relating to Franchisee's development, maintenance or operation of the Sperry Office and the Franchised Business, except if caused by Franchisor's intentional misfeasance, gross negligence or material default of any terms of, or Franchisor's obligations arising under, this Agreement.

(b) Franchisor hereby agrees to protect, defend and indemnify Franchisee, Franchisee's Principal Equity Owners, other owners, affiliates, officers, directors, employees, attorneys and designees, and each of them, from any Losses any of them may incur from any third party Proceeding arising out of Franchisor's intentional misfeasance, gross negligence or material breach of Franchisor's obligations under this Agreement, except if caused by the intentional misfeasance of, gross negligence of, or material breach by Franchisee (or Franchisee's Office Manager, any Principal Equity Owner, or other of Franchisee's owners, affiliates, officers, directors, employees or attorneys) of any terms of, or Franchisee's obligations arising under, this Agreement.

(c) For the indemnification to be effective, each indemnified party ("Indemnified Party") must give the indemnifying party ("Indemnifying Party") reasonable notice of each claim or Loss for which the Indemnified Party demands indemnity and defense, except that failure to provide such notice will not release the Indemnifying Party from any obligations hereunder except to the extent that the Indemnifying Party is materially prejudiced by such failure. The Indemnifying Party will assume, at its sole cost and expense, the defense of such Proceeding through legal counsel reasonably acceptable to the Indemnified Party, except that the Indemnified Party may at its option and expense select and be represented by separate counsel. The Indemnifying Party will have control over the Proceeding, including the right to settle in its reasonable discretion (but only if the settlement includes a full release of all claims against the Indemnified Party), and provided further, the Indemnifying Party will not, absent the written consent of the Indemnified Party, consent to the entry of any judgment or agree to any settlement that: (i) provides for any admission of liability on the part of the Indemnified Party or relief other than the payment of monetary damages for which the Indemnifying Party will be solely liable; or (ii) adversely affects the rights of the Indemnified Party under this Agreement, or (iii) does not release the Indemnified Party from all Proceedings and "Losses" (as defined in section 16.2(d) below) in respect thereof. In no event will the Indemnified Party be liable for any Losses that are compromised or settled in violation of this section 16.2. The Indemnifying Party's duty to defend is independent of its duty to indemnify. Each indemnified party must submit all its claims to its insurers in a timely manner. Any payments made by an indemnified party will be net of benefits received by any indemnified party from insurance coverage in respect of such claims.

(d) The term "Losses" means, refers to, and includes all "Expenses" (as defined in section 16.2(e) below), liabilities, obligations, losses, fines, penalties, costs, or damages including all reasonable out of pocket fees and disbursements of legal counsel in the investigation or defense of any of the same or in asserting any party's respective rights hereunder but excluding punitive damages (unless resulting from third party claims).

(e) The term "Expenses" means, refers to, and includes, all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding casts, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses will also include Expenses incurred in connection with any appeal resulting from any Proceeding and any federal, state, local or foreign taxes imposed on the Indemnitee because of the actual or deemed receipt of any payments under this Agreements, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent.

(f) The term "Proceeding" means, refers to, and includes any threatened pending or completed suit, claim, demand, action, suit, arbitration, alternative dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether civil, criminal, administrative or investigative.

(g) The indemnification provided in this section 16.2 is a continuing right and will survive the expiration or termination of this Agreement. The parties hereto further acknowledge and agree that they intend the indemnification

provided in this section 16.2 to be interpreted and enforced in a manner providing the fullest extent of indemnification to the Indemnified Party now or hereafter permitted by law.

16.3 Franchisee's Relationship to Franchisor as Franchisee.

(a) It is expressly agreed by the parties they intend by this Agreement to establish between themselves the relationship of franchisee and franchisor. It is further agreed neither Franchisee nor any Principal Equity Owner has the authority to create or assume in Franchisor's name or on Franchisor's behalf, any obligation, express or implied, or to act or purport to act as agent or representative on Franchisor's behalf for any purpose whatsoever. Neither Franchisee (nor any Principal Equity Owner) nor Franchisor is the employer, employee, agent, partner, fiduciary or co-venturer of or with the other, each being independent. Franchisee and all Principal Equity Owners jointly and severally agree none will hold itself out as Franchisor's agent, employee, partner or co-venturer or the Owner of the Marks.

(b) All employees or agents hired or engaged by or working for Franchisee will be only the employees or agents of Franchisee and will not for any purpose be deemed employees or agents of Franchisor or the Owner of the Marks, nor subject to Franchisor's control; and in particular, Franchisor will have no authority to exercise control over the hiring or termination of these employees, independent contractors, or others who work for Franchisee, their compensation, working hours or conditions, or their day-to-day activities, except to the extent necessary to protect the Marks.

16.4 Customer Reviews.

Franchisee agrees to diligently consider customer reviews and respond to customer indications of dissatisfaction with services rendered by Franchisee in a diligent and professional manner and agrees to cooperate with representatives of Franchisor or the Owner of the Marks in any investigation undertaken by Franchisor of complaints respecting Franchisee's activities. Franchisee and Franchisor agree to file their own tax, regulatory and payroll reports with respect to their respective employees or agents and operations.

16.5 No Third-Party Beneficiaries.

This Agreement is not intended to benefit any other person or entity except the named parties hereto and no other person or entity (other than Franchisor's financing sources to whom Franchisor may have granted or consented to a collateral assignment of this Agreement) will be entitled to any rights hereunder by an assertion of so-called "third party beneficiary rights" or otherwise.

16.6 Survival of Covenants.

The covenants contained in this Agreement which by their terms require performance by the parties after the expiration or termination of this Agreement will be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

16.7 Successors and Assigns.

Subject to restrictions on Assignment by Franchisee contained herein, this Agreement is binding upon Franchisor and Franchisee and inures to the benefit of their respective successors and assigns.

16.8 Joint and Several Liabilities.

If Franchisee consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to Franchisor is joint and several.

16.9 Titles for Convenience Only.

Section titles used in this Agreement are for convenience only and do not affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

16.10 Gender.

All terms used in any one number or gender will extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any section may require.

16.11 Severability; Partial Invalidity.

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between (i) any provisions of this Agreement or the Confidential Operations Manual and (ii) any present or future statute, law, ordinance, regulation or judicial decision, contrary to which the parties have no legal right under this Agreement, the latter will prevail, but in such event the provision of this Agreement or the Confidential Operations Manual thus affected will be curtailed and limited only to the extent necessary to bring it

within the requirements of the law. If any part, article, section, sentence or clause of this Agreement or the Confidential Operations Manual is held to be indefinite, invalid or otherwise unenforceable, that specific language will be deemed deleted but the remaining parts thereof will continue in full force and effect.

16.12 Counterparts.

This Agreement may be executed in multiple copies, each of which will be deemed to be an original, and both of which together will be deemed to be one and the same instrument.

16.13 Compliance with U.S. Anti-Terrorism and Other U.S. Federal Laws.

(a) Franchisee certifies that neither it nor any Principal Equity Owners or employees of Franchisee, or anyone else who is associated with Franchisee is listed in the Annex to Executive Order 13224 (available at <http://treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>). Franchisee covenants not to hire or have any dealings with a person listed in the Annex. Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee, the Principal Equity Owners, employees, or anyone associated with Franchisee being listed in the Annex to Executive Order 13224. Franchisee and each of the Principal Equity Owners will comply with and assist Franchisor as much as possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents and warrants that none of Franchisee's respective property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and the Principal Equity Owners are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws. Franchisee specifically acknowledges and agrees that its indemnification responsibilities as provided in this Agreement also pertain to its obligations under this section 16.13. Any misrepresentation by Franchisee under this section 16.12 or any violation of the Anti-Terrorism Laws by Franchisee, any of the Principal Equity Owners, or employees will constitute grounds for immediate termination of this Agreement and any other agreement Franchisee executed with Franchisor or one of Franchisor's Affiliates. "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), 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 United States governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

(b) Neither Franchisee nor any Principal Equity Owner conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under any applicable Anti-Terror Legislation.

(c) Neither Franchisee nor any Principal Equity Owner nor any employee of either is named as a "Specially Designated National" or "Blocked Person" as designated by the U.S. Department of the Treasury's Office of Foreign Assets Control and published at www.treas.gov/offices/enforcement/ofac/sdn/. Franchisee acknowledges that Franchisee is not directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States of America, nor does Franchisee or any Principal Equity Owner act directly or indirectly on behalf of the government of any country that is subject to an embargo imposed by the United States of America. Franchisee agrees that Franchisee will notify Franchisor in writing immediately of the occurrence of any event that renders the foregoing representations and warranties of this section 16.13 incorrect.

[Franchisee's Initials: _____]

16.14 Governing Law.

The Federal Arbitration Act (9 U.S.C. §1 *et seq.*) governs the arbitration of disputes under this Agreement. Otherwise, the laws of the state where the Sperry Office is located govern this Agreement and all related matters, documents and agreements, without regard to conflicts of laws. If any provision of this Agreement is impermissible under a governing law, the provision will be deemed amended to conform to that law while maintaining to the maximum extent possible the original intent of the provision, or if the provision as amended cannot substantially maintain the original intent, then the provision will be deemed deleted.

16.15 Entire Agreement.

(a) The parties to this Agreement each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement and the Confidential Operations

Manual. Recognizing the costs on all parties which attend uncertainty, the signatories to this Agreement each confirm that neither wishes to enter a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings (which have been or may in the future be exchanged between them) serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, the signatories each agree and promise each other that this Agreement, the Confidential Operations Manual, and the representations made by Franchisor in the Sperry Commercial Global Affiliates franchise disclosure document ("FDD") that was provided to Franchisee, supersede and cancel any prior or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements, understandings or any other term), by any of the parties or by anyone acting on their behalf, with respect to the rights and obligations of the parties to this Agreement or the relationship between them.

(b) In accordance with the foregoing section 16.15(a), the parties to this Agreement agree that this Agreement, and the Confidential Operations Manual, constitutes the entire agreement between the parties and contain all of the terms, conditions, rights and obligations of the parties with respect to the franchised business contemplated by this Agreement and any other aspect of the relationship between the parties. No statement, questionnaire, or acknowledgment signed or agreed to by 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 Franchisor, any franchise seller, or other person acting on behalf of Franchisor. This provision supersedes any other term of this Agreement, or any other document executed in connection with the franchise.

(c) This Agreement cannot be modified or changed except by written instrument signed by all the parties hereto.

XVII. EFFECTIVENESS OF AGREEMENT

This Agreement will become effective upon its execution by Franchisee and by Franchisor. HOWEVER, THIS AGREEMENT IS NOT BINDING ON FRANCHISOR UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY FRANCHISOR.

XVIII. ACKNOWLEDGMENTS AND REPRESENTATIONS

18.1 Acknowledgments and Representations.

(a) Franchisee hereby represents and warrants that all statements in this section 18.1 are true and accurate.

(b) Franchisee does not seek to obtain the Franchise for speculative or investment purposes and has no present intention to sell or transfer or attempt to sell or transfer the Franchised Business or the Franchise within 12 months after the Opening Date.

(c) Franchisee understands and acknowledges the value to the System of uniform and ethical standards of quality, appearance and service described in and required by the Confidential Operations Manual and the necessity of operating the Franchised Business under the standards set forth in the Confidential Operations Manual. Franchisee represents it has the capabilities, professionally, financially, and otherwise, to comply with Franchisor's standards.

(d) If Franchisee is an entity, Franchisee is duly organized and qualified to do business in the state and any other applicable jurisdiction within which the Sperry Office is located.

(e) Franchisee's execution of this Agreement will not constitute or violate any other agreement or commitment to which Franchisee is a party.

(f) Any individual executing this Agreement on Franchisee's behalf is duly authorized to do so and the Agreement constitutes a valid and binding obligation of Franchisee and all of Franchisee's Principal Equity Owners.

(g) Franchisee and Franchisee's Principal Equity Owners (i) carefully read this Agreement and all other related documents to be executed by Franchisee concurrently or in conjunction with the execution hereof, (ii) conducted an independent investigation of the business contemplated by this Agreement, (iii) obtained, or had the opportunity to obtain, the advice of counsel in connection with the execution and delivery of this Agreement, (iv) understand the nature of this Agreement, and (v) intend to comply with the terms hereof and be bound hereby.

(h) Franchisee agrees complete and detailed uniformity among Franchisor's franchisees under varying conditions may be inadvisable, impractical or impossible, and accordingly agrees that Franchisor, its sole discretion, may modify or vary aspects of the System as to any franchisee or group of franchisees based on, for example, local sales potential, demographics, competition, business practices or other conditions. Franchisee further agrees Franchisor will have no obligation to disclose or offer the same or similar variances to Franchisee. Franchisee is aware that other System franchisees may operate under different agreements and, consequently, that Franchisor's obligations and rights as to those franchisees may differ materially in certain circumstances.

(i) Franchisee received an FDD and a copy of this Agreement at least 14 calendar days before it signed this Agreement.

(j) Franchisee made no payment to Franchisor before Franchisee signed this Agreement.

(k) Franchisee and each Principal Equity Owner acknowledge that in operating the System, Franchisor must consider the needs of the System as a whole, and the need to protect the Marks, even if Franchisor's actions are contrary to Franchisee's individual interests as a franchisee.

18.2 Additional Information Respecting Franchisee and Franchisee's Principal Equity Owners.

(a) Franchisee must fully complete the schedule attached as Exhibit 2 of this Agreement with required information about Franchisee's Principal Equity Owners.

(b) The address (written notice of any change in this information after the Effective Date must be delivered to Franchisor pursuant to section 16.1 hereof) where Franchisee's financial and other records are maintained is either [] the same address as provided in section 16.1 hereof, or [] the following address:

_____.

This Agreement and its exhibits may be executed and delivered by facsimile, email with scanned attachment or any electronic signature complying with the U.S. federal E-SIGN Act of 2000 (including DocuSign) and, upon such execution and delivery, will have the same force and effect as an original.

IN WITNESS WHEREOF, the parties hereto executed this Agreement as of the Effective Date:

FRANCHISEE:

FRANCHISOR:
SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC

By: _____

By: _____
Rand Sperry, Chief Executive Officer

[PRINTED NAME AND TITLE]

By _____

By: _____
Mark Hinkins, President

[PRINTED NAME AND TITLE]

List of Exhibits to Franchise Agreement:

Exhibit 1 – Location of Sperry Office; Listings Exclusions

Exhibit 2 – Names and Addresses of Principal Equity Owners

Exhibit 3 - Guarantee of Franchise Agreement

Exhibit 4 - Confirmation of Annual Gross Commissions Earned

EXHIBIT 1 - LOCATION OF SPERRY OFFICE; LISTINGS EXCLUSIONS

The Sperry Office is located at:

(If the address of the Sperry Office is unknown when this Agreement is signed, when the address is determined it will be inserted later into the space above or added by addendum attached to this Exhibit 1.)

Franchisee's Primary Area of Responsibility is either:

(i) the U.S. Postal Service ZIP Code _____; or

(ii) the portion of that ZIP Code described as follows (or by map attached to this Exhibit 1):

LISTINGS EXCLUSIONS (GCI earned from the following listings are not subject to royalty under this Agreement. To be eligible for exclusion Franchisee must include below the property address, type of transaction (sale, purchase or lease), expected closing date and listing expiration date):

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

9. _____

10. _____

[If necessary, add additional lines in an attachment after this page.]

EXHIBIT 2 - NAMES AND ADDRESSES OF PRINCIPAL EQUITY OWNERS

If Franchisee is an entity, list below the names, residential addresses and respective percentage equity ownership interests of each Principal Equity Owner:

1. _____

_____ %

2. _____

_____ %

3. _____

_____ %

4. _____

_____ %

5. _____

_____ %

EXHIBIT 3 - GUARANTEE OF FRANCHISE AGREEMENT

In consideration of the execution by Franchisor of the Franchise Agreement (the "Franchise Agreement") dated _____, 20 ____ between Sperry Commercial Global Affiliates, LLC ("Franchisor") and _____ ("Franchisee") and for other good and valuable consideration, each of the undersigned "Principal Equity Owners" (as defined in the Franchise Agreement), for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby absolutely and unconditionally guarantee the payment of all amounts and the performance of all of the covenants, terms, conditions, agreements and undertakings contained and set forth in said Franchise Agreement and in any other agreement(s) by and between Franchisee and Franchisor.

If more than one person has executed this Guarantee of Franchise Agreement ("Guarantee"), the term "the undersigned", as used herein, refers to each such person, and the liability of each of the undersigned hereunder will be joint and several and primary as sureties.

The undersigned, individually and jointly, hereby agree to be personally bound by every covenant, term, condition, agreement and undertaking contained and set forth in said Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor.

The undersigned further hereby agree that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder: (i) any term, covenant or condition of the Franchise Agreement may be amended, compromised, released or otherwise altered by Franchisor and Franchisee, and the undersigned do guarantee and promise to perform all the obligations of Franchisee under the Agreement as so amended, compromised, released or altered; (ii) any guarantor of or party to the Franchise Agreement may be released, substituted or added; (iii) any right or remedy under the Agreement, this Guarantee or any other instrument or agreement between Franchisor and Franchisee may be exercised, not exercised, impaired, modified, limited, destroyed or suspended; and, (iv) Franchisor or any other person may deal in any manner with Franchisee, any of the undersigned, any party to the Franchise Agreement or any other person.

Should Franchisee be in breach or default under the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, Franchisor may proceed directly against any or each of the undersigned without first proceeding against Franchisee and without proceeding against or naming in such suit any other Franchisee, signatory to the Franchise Agreement or any others of the undersigned.

Notice to or demand upon Franchisee or any of the undersigned will be deemed notice to or demand upon Franchisee and all the undersigned, and no notice or demand need be made to or upon any of the undersigned. The cessation of or release from liability of Franchisee or any of the undersigned will not relieve any other guarantors from liability hereunder, under the Franchise Agreement, or under any other agreement(s) between Franchisor and Franchisee, except to the extent that the breach or default has been remedied or moneys owed have been paid.

Any waiver, extension of time or other indulgence granted by Franchisor or its agents, successors or assigns, related to the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, will not modify or amend this Guarantee, which will be continuing, absolute, unconditional and irrevocable.

It is understood and agreed by the undersigned that the provisions, covenants, and conditions of this Guarantee inure to the benefit of the Franchisor, its successors and assigns. This Guarantee may be assigned by Franchisor voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder.

The Lanham Act (15 U.S.C. §1051 et seq.) governs any issue involving Franchisor's proprietary trademarks. To the extent applicable, the laws of the state where the Store is located govern all issues involving modification of this Guarantee while it is in effect. If the Store is located in Washington, this Guarantee does not waive any liability the Franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder. Otherwise, this Guarantee and the legal relations among the parties hereto will be governed by and construed in accordance with the laws of the State of California. Nothing in this Guarantee is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of California or any other state, which would not otherwise apply.

Any litigation arising out of or related to this Guarantee will be instituted exclusively in the Superior Court of the State of California, County of Orange, or the United States District Court for the Central District of California. Guarantors hereby covenant never to assert or claim that this venue is for any reason improper, inconvenient, prejudicial, or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of *forum non conveniens*). Guarantors further hereby covenant never to assert or claim that such courts lack personal jurisdiction over Guarantors. In the event both such courts lack jurisdiction to enter any requested injunctive relief, an action or proceeding requesting such relief may be brought before any court having jurisdiction to grant such relief.

Should any one or more provisions of this Guarantee be determined to be illegal or unenforceable, all other provisions will nevertheless be effective.

IN WITNESS WHEREOF, each of the undersigned has executed this Guarantee effective as of the date of the Franchise Agreement.

PRINCIPAL EQUITY OWNERS

x _____

Printed Name of Principal Equity Owner

x _____

Printed Name of Principal Equity Owner

x _____

Printed Name of Principal Equity Owner

x _____

Printed Name of Principal Equity Owner

x _____

Printed Name of Principal Equity Owner

EXHIBIT 4 - CONFIRMATION OF ANNUAL GROSS COMMISSIONS EARNED

CONFIRMATION OF ANNUAL GROSS COMMISSIONS EARNED

In my capacity as the principal executive officer of _____
("Franchisee"), which has been granted the right under a Franchise Agreement with Sperry Commercial
Global Affiliates, LLC to operate as a franchisee in _____,
I hereby confirm that in calendar year _____, Franchisee and its Real Estate Brokers and Agents and
Junior Agents had total combined "Annual Gross Commissions Earned" of \$_____.

I certify under penalty of perjury that the statements herein are true and correct.

Executed at _____, _____ on _____, 20__.

[Typed Name and Title]

SPERRY

**ADDENDUM TO FRANCHISE AGREEMENT
AUTHORIZING BUSINESS BROKERAGE SERVICES**

ADDENDUM TO FRANCHISE AGREEMENT AUTHORIZING BUSINESS BROKERAGE SERVICES

This Addendum to Franchise Agreement Authorizing Business Brokerage Services (“Addendum”) is made and executed on _____, 20__ (the “Effective Date”), by and between (i) Sperry Commercial Global Affiliates, LLC, a Delaware limited liability company, doing business as Sperry (“Franchisor”) and (ii) _____ (“Franchisee”).

RECITALS

Franchisor and Franchisee entered into that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”) granting Franchisee a franchise to operate a Sperry commercial real estate brokerage franchise from an office in _____.

Franchisee desires to provide business brokerage services during the term of the Franchise Agreement, and Franchisor desires to authorize Franchisee to provide business brokerage services under the Franchise Agreement and in accordance with the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein and in the Franchise Agreement, and other good and valuable consideration, the parties hereby agree as follows:

1. Unless otherwise defined herein, all capitalized terms will have the meanings ascribed to such terms in the Franchise Agreement. If there is any conflict or inconsistency between any term in this Addendum and the Franchise Agreement, the definition in this Addendum will prevail.

2. In this Addendum the term “Business Brokerage Services” means acting as an intermediary who facilitates the sale of privately held businesses by working with buyers or sellers. Such business brokerage services involve (i) pricing the business with a professional valuation, (ii) drafting an offering summary (or confidential business review), which is provided to prospective buyers only after they have signed a confidentiality agreement and been qualified by the broker, (iii) marketing the business to the widest possible audience while maintaining strict confidentiality, (iv) introducing prospective buyers to the business after insuring confidentiality agreements have been executed, (v) facilitating meetings between the seller and potential buyers, (vi) writing offers to purchase the business, (vii) handling negotiations between the parties after an offer has been made, (viii) facilitating the due diligence investigation, (ix) assisting the buyer in obtaining business acquisition financing, and (x) scheduling and facilitating the closing of the transaction.

3. Beginning on the Effective Date and during the term of the Franchise Agreement, Franchisee is authorized to provide Business Brokerage Services using Franchisor’s trademarks and at the business locations authorized under the Franchise Agreement, subject to Franchisee’s representation and warranties under sections 4 and section 5 herein.

4. Franchisee warrants and agrees that it holds and will maintain in full force and effect, at Franchisee’s sole cost and expense, all applicable licenses required to facilitate the selling and buying of businesses in the state where the Franchisee is located.

5. Franchisee warrants and agrees that it has or will immediately procure and maintain in full force and effect, at Franchisee’s sole cost and expense, insurance policies required to provide business brokerage services, including Errors and Omissions insurance coverage with limits of not less than one million dollars (\$1,000,000). At all times during the term of the Franchise Agreement and this Addendum, Franchisee agrees to furnish to Franchisor certificates of insurance evidencing the term and limits of coverage in force, names of applicable insurers and persons insure, and a statement that coverage may not be canceled, altered or permitted to lapse or expire without 30 days advance written notice to Franchisor.

6. If Franchisee is in breach of sections 4 or 5 of this Addendum, Franchisor may terminate this Addendum immediately. Upon termination of this Addendum, Franchisee must not provide or attempt to provide business brokerage services using Franchisor’s trademarks and at the business locations authorized under the Franchise Agreement.

7. All revenues derived and received from Franchisee's business brokerage services will be a part of the Franchisee's overall Gross Commission Income (or "GCI") under the Franchise Agreement Income and will be included in applicable Royalty Override payments under the Franchise Agreement.

8. The Federal Arbitration Act (9 U.S.C. §1 *et seq.*) governs the arbitration of disputes under this Addendum. Otherwise, the laws of the state where the Sperry Office is located govern this Addendum and all related matters, documents and agreements, without regard to conflicts of laws. If any provision of this Addendum is impermissible under a governing law, the provision will be deemed amended to conform to that law while maintaining to the maximum extent possible the original intent of the provision, or if the provision as amended cannot substantially maintain the original intent, then the provision will be deemed deleted.

Except for modifications and other text contained in this Addendum, the terms and conditions of the Franchise Agreement are unchanged and remain in full force and effect.

This Addendum may be executed and delivered by facsimile, email with scanned attachment or any electronic signature complying with the U.S. federal ESIGN Act of 2000 (including DocuSign) and, upon such execution and delivery, will have the same force and effect as an original.

IN WITNESS WHEREOF, the parties executed this Addendum as of the Effective Date.

FRANCHISEE:

By: _____

[PRINTED NAME AND TITLE]

By _____

[PRINTED NAME AND TITLE]

FRANCHISOR:

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC

By: _____
Rand Sperry, Chief Executive Officer

By: _____
Mark Hinkins, President

SPERRY

**ADDENDUM TO FRANCHISE AGREEMENT
AUTHORIZING PROPERTY MANAGEMENT SERVICES**

ADDENDUM TO FRANCHISE AGREEMENT AUTHORIZING PROPERTY MANAGEMENT SERVICES

This Addendum to Franchise Agreement Authorizing Property Management Services ("Addendum") is made and executed on _____, 20__ (the "Effective Date"), by and between (i) Sperry Commercial Global Affiliates, LLC, a Delaware limited liability company ("Franchisor") and (ii) _____ ("Franchisee").

RECITALS

Franchisor and Franchisee executed a Franchise Agreement dated _____, 20__ (the "Franchise Agreement") granting Franchisee a franchise to operate a Sperry commercial real estate brokerage franchise from an office in _____, _____ (the "Franchised Office").

Franchisee desires to provide "Property Management Services" (as defined below) as an ancillary additional service at the Franchised Office during the term of the Franchise Agreement, and Franchisor desires to authorize Franchisee to provide such Property Management Services under the Franchise Agreement and in accordance with the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein and in the Franchise Agreement, and other good and valuable consideration, the parties hereby agree as follows:

1. Unless otherwise defined herein, all capitalized terms will have the meanings ascribed to such terms in the Franchise Agreement. If there is any conflict or inconsistency between any term in this Addendum and the Franchise Agreement, the definition in this Addendum will prevail.

2. In this Addendum, the term "Property Management Services" means supervising and administering commercial, industrial and multi-unit (at least four dwellings) residential property owned by another party or entity, excluding commissions received from leasing property, which are included in Franchised Business and GCI under the Franchise Agreement.

3. Beginning on the Effective Date and during the term of the Franchise Agreement, Franchisee is authorized to provide Property Management Services using Franchisor's trademarks and at the business locations authorized under the Franchise Agreement. The rights granted under this Addendum are for the right to use Franchisor's trademarks, however, other than email address for each property manager of Franchisee, Franchisor does not provide any technology, software or property management systems to support Franchisee's property management business.

4. Beginning on the Effective Date, Franchisee will pay Franchisor "Property Management Services Fees" as follows:

(A) On the first day of each calendar month, Franchisee will pay Franchisor a monthly fee of \$300 for the initial Franchised Office and \$175 if the Franchise Agreement is for an additional Franchised Office.

(B) Property Management Services are reported on the third business day of each month, and once cumulative revenues from Franchisee's Property Management Services exceed \$100,000, on the fifth business day of each month thereafter, Franchisee will pay Franchisor an override fee of 2% revenues received from Property Management Services greater than \$100,000.

5. Franchisee warrants and agrees that it holds and will maintain in full force and effect, at Franchisee's sole cost and expense, all applicable licenses required to provide Property Management Services in the state where Franchisee is located.

6. Franchisee warrants and agrees that it has or will immediately procure and maintain in full force and effect, at Franchisee's sole cost and expense, insurance policies required to provide Property Management Services, including Errors and Omissions insurance coverage with limits of not less than one million dollars (\$1,000,000). At all times during the term of the Franchise Agreement and this Addendum, Franchisee agrees to furnish to Franchisor certificates of insurance evidencing the term and limits of coverage in force, names of applicable insurers and persons insure, and a statement that coverage may not be canceled, altered or permitted to lapse or expire without 30 days advance written notice to Franchisor.

7. If Franchisee is in breach of section 4 of this Addendum for failure to make required payments of Property Management Services Fees on a timely basis, Franchisor may terminate this Addendum upon 30 days' notice of default, unless Franchisee cures the default by paying all past-due sums. If Franchisee is in breach of sections 5 or 6 of this Addendum, Franchisor may terminate this Addendum immediately. Upon termination of this Addendum, Franchisee must not provide or attempt to provide Property Management Services using Franchisor's trademarks and at the business locations authorized under the Franchise Agreement.

8. The Federal Arbitration Act (9 U.S.C. §1 *et seq.*) governs the arbitration of disputes under this Addendum. Otherwise, the laws of the state where the Sperry Office is located govern this Addendum and all related matters, documents and agreements, without regard to conflicts of laws. If any provision of this Addendum is impermissible under a governing law, the provision will be deemed amended to conform to that law while maintaining to the maximum extent possible the original intent of the provision, or if the provision as amended cannot substantially maintain the original intent, then the provision will be deemed deleted.

Except for modifications and other text contained in this Addendum, the terms and conditions of the Franchise Agreement are unchanged and remain in full force and effect.

This Addendum may be executed and delivered by facsimile, email with scanned attachment or any electronic signature complying with the U.S. federal ESIGN Act of 2000 (including DocuSign) and, upon such execution and delivery, will have the same force and effect as an original.

IN WITNESS WHEREOF, the parties executed this Addendum as of the Effective Date.

FRANCHISEE:

FRANCHISOR:
SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC

By: _____

[PRINTED NAME AND TITLE]

By: _____
Rand Sperry, Chief Executive Officer

By _____

[PRINTED NAME AND TITLE]

By: _____
Mark Hinkins, President

SPERRY

FINANCIAL STATEMENTS

EXHIBIT B

Sperry Commercial Global Affiliates, LLC

Financial Statements

December 31, 2023

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC

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Independent Auditor's Report

To Management and the Board of Directors
Sperry Commercial Global Affiliates, LLC

Opinion

We have audited the accompanying financial statements of Sperry Commercial Global Affiliates, LLC (a Delaware company), which comprise the balance sheet as of December 31, 2023, and the related statements of operations, member's deficit, and cash flows for the year ended December 31, 2023, 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 Sperry Commercial Global Affiliates, LLC as of December 31, 2023, and the results of its operations and its cash flows for the year ended December 31, 2023 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 Sperry Commercial Global Affiliates, LLC 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 Sperry Commercial Global Affiliates, LLC'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 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 Sperry Commercial Global Affiliates, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sperry Commercial Global Affiliates, LLC's ability to continue as a going concern for a reasonable period of time.

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

KHO & PATEL



San Dimas, California
February 28, 2024

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
BALANCE SHEET
DECEMBER 31, 2023

ASSETS

| | |
|--------------------------|-------------|
| ASSETS | |
| Note receivable (Note 4) | \$ 35,000 |
| | <hr/> |
| Total assets | \$ 35,000 |
| | <hr/> <hr/> |

LIABILITIES AND MEMBER'S DEFICIT

| | |
|---|-------------|
| CURRENT LIABILITIES | |
| Outstanding checks payable | \$ 34,464 |
| Due to related party (Note 5) | 1,254,685 |
| Deferred revenues, current portion | 17,917 |
| | <hr/> |
| Total current liabilities | 1,307,066 |
| | |
| Deferred revenues, net of current portion | 30,653 |
| | <hr/> |
| Total liabilities | 1,337,719 |
| | |
| MEMBER'S DEFICIT | |
| Member's deficit | (1,302,719) |
| | <hr/> |
| Total liabilities and member's deficit | \$ 35,000 |
| | <hr/> <hr/> |

See independent auditor's report and accompanying notes to financial statements.

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
STATEMENT OF OPERATIONS AND MEMBER'S DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2023

| | |
|------------------------------------|------------------------------|
| Revenues | |
| Franchise fees | \$ 6,533 |
| Agent fees | 316,182 |
| Other fees | 500 |
| Royalties | <u>93,813</u> |
| Total revenues | 417,028 |
| Operating expenses | |
| Systems and technology | 135,881 |
| Franchise registration | 15,971 |
| Payroll | 431,905 |
| Legal | 44,832 |
| Insurance | 49,350 |
| Entertainment and travel | 23,671 |
| Conferences | 18,213 |
| Marketing and advertising | 33,652 |
| Professional services | 15,000 |
| Bad debts | 82 |
| Supplies | 310 |
| Other | <u>266</u> |
| Total operating expenses | <u>769,133</u> |
| Loss from operations | (352,105) |
| Provision for income taxes | <u>800</u> |
| Net loss | (352,905) |
| Member's deficit beginning of year | <u>(949,814)</u> |
| Member's deficit end of year | <u><u>\$ (1,302,719)</u></u> |

See independent auditor's report and accompanying notes to financial statements.

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

| | | |
|---|-----------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | | \$ (352,905) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Outstanding checks payable | \$ 34,464 | |
| Unearned revenue | 11,716 | 46,180 |
| | | |
| Net cash used in operating activities | | (306,725) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Related party transfers | | 323,728 |
| | | |
| Net cash provided by financing activities | | 323,728 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Note receivable issuance | | (35,000) |
| | | |
| Net cash used in investing activities | | (35,000) |
| | | (17,997) |
| | | (17,997) |
| CASH ON HAND AND IN BANKS - DECEMBER 31, 2022 | | 17,997 |
| | | |
| CASH ON HAND AND IN BANKS - DECEMBER 31, 2023 | | \$ - |
| | | |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for: | | |
| Interest | | \$ - |
| Income Taxes | | 800 |
| | | |

See independent auditor's report and accompanying notes to financial statements.

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 – General

Sperry Commercial Global Affiliates, LLC (the “Company”) was incorporated in December of 2014 and converted into an LLC in April of 2016. The corporate office is in Irvine, California. The company was organized for the purpose of franchising ancillary real estate-related services, programs, and products. The franchise concept is to customize real estate management services around the globe through a network of locally owned and operated locations offering commercial real estate sales, leasing services, and property management services.

Note 2 – Summary of Significant Accounting Policies

The summary of significant accounting policies of Sperry Commercial Global Affiliates, LLC (the “Company”) is presented to assist in the understanding of the Company’s financial statements. The financial statements and notes are representations of the Company’s management, who is responsible for their integrity and objectivity.

Use of Estimates and Assumptions

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Income Taxes

The Company is a limited liability company. All years are subject to income tax examinations. The Company became a single member limited liability company at the end of 2018. Accordingly, the tax profits of the Company are included in the separate tax returns of the member.

The Company reports its income and expenses and calculates its income tax liability for income tax purposes on the cash method of accounting. Under the cash method of accounting, revenue is not recognized until received and expenses are not deducted until actually paid. In addition, there are other differences in recognizing and reporting income between federal income tax law and generally accepted accounting principles used for financial statement purposes. These differences include direct expensing election allowed under IRC Section 179, the use of tax credits, and the use of tax loss carry backs and carry forwards allowed under tax law. These differences may create assets and liabilities which represent expected benefits and obligations that are expected to be realized at some time in the future and must then be recognized in the financial statements.

The Company evaluates tax positions, makes a determination regarding their likelihood of being upheld under examination, and records a liability for any uncertain tax positions. The company has not identified any uncertain tax positions which would require recognition of a liability as of December 31, 2023.

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 2 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company, from time to time, maintains cash balances that exceed the Federal Deposit Insurance Corporation limits. As of December 31, 2023, amounts in excess of these limits was \$0.

Revenue Recognition and Deferred Revenue

The Company adopted Accounting Standard Codification 606 (“ASC 606”) as of January 1, 2020 using the modified retrospective method and applied the new guidance to all contracts that had not been completed to that date. Accordingly, results for the year ended December 31, 2023 are presented in accordance with ASC 606.

ASC 606, as amended, is based on the principle that revenue is recognized to depict the contractual transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services utilizing a new five-step revenue recognition model, which steps include (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize when (or as) the entity satisfies a performance obligation.

The Company’s revenue consists of: a) initial franchise payments, b) monthly agent fees, and c) monthly royalty overrides.

The revenue guidance in ASC 606 did not impact the timing of monthly agent fees or monthly royalty overrides.

The Company recognizes franchise payments revenue on a straight-line basis over the life of the related franchise agreements and any exercised renewal periods. Cash payments are typically due upon the obtainments of a territory or upon executions of a renewal of the related franchise agreement. The Company’s performance obligation with respect to franchise payments revenues consists of a license to utilize the Company’s trademarks, service marks, and other intellectual property for a specified period of time, which is satisfied over the life of each franchise agreement.

Deferred revenue resulting from cash collected for initial franchise fees paid by franchisees are classified as liabilities in the balance sheet based on the expected timing of revenue recognition associated with these liabilities. The following table reflects the changes in deferred revenue between January 1, 2023 and December 31, 2023:

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 2 – Summary of Significant Accounting Policies (concluded)

Deferred contract revenues:

| | | |
|---|--------|--------------------------|
| Deferred revenue, January 1, 2023 | \$ | 36,853 |
| Cash collected for initial franchise payments | | 32,500 |
| Revenue recognized | | <u>(20,783)</u> |
| Deferred revenue, December 31, 2023 | \$ | <u><u>48,570</u></u> |

The following table illustrates estimated revenues expected to be recognized in the future related to unsatisfied performance obligations.

Estimated revenue related to unsatisfied performance obligations as of December 31, 2023:

| Year ending December 31: | Contract Revenue |
|--------------------------|-------------------------|
| 2024 | \$ <u>17,917</u> |
| 2025 | 13,684 |
| 2026 | 8,729 |
| 2027 | 2,875 |
| 2028 | 2,875 |
| Thereafter | <u>2,490</u> |
| | <u>\$ <u>48,570</u></u> |

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents. The carrying amount of all significant financial instruments approximates fair value due either to length of maturity or the existence of variable interest rates that approximate prevailing market rates and credit risk of the Company.

Advertising Costs

Advertising costs are expensed as incurred.

Note 3 – Provision for Income Taxes

The provision for income taxes as of December 31, 2023:

| | | |
|--------------------------------------|--------|-----------------------|
| Federal | \$ | - |
| State | | <u>800</u> |
| Total Provision for Income taxes | \$ | <u><u>800</u></u> |

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 4 – Note Receivable

Note receivable to an individual dated August 2, 2023, in the original amount of \$35,000. This promissory note, secured by a pledge of certain limited liability company membership interests, bears a fixed interest rate of 7% per annum. The note provides for monthly interest only payments due the first day of every month commencing September 1, 2023, with a maturity date of September 1, 2026.

Note 5 – Related Party

The Company received a loan from a related party in prior years. During the 2023 year, the Company received additional funds from this related party and made repayments. As of December 31, 2023, funds due to the related party totaled \$1,254,685. In addition, the Company is operating rent free at the related party's office facility.

The Company had an operating agreement with two related parties. These related parties agreed to pay monthly royalties to the Company for agents they added to their business entities after signing the operating agreement. One of the parties became the sole member in 2018.

Note 6 – Franchisee Information

The Company executes franchise agreements that set the terms of its agreement with each franchisee. The franchise agreement requires the franchisee to pay an initial, non-refundable fee ranging from \$2,500 to \$10,000, and continuing fees based upon the gross revenues and the number of brokers. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon its expiration. Direct costs of sales and servicing of franchise agreements are charged to expense as incurred.

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee, including territory approval and training. Continuing fees are recognized when earned, with an appropriate provision for estimated uncollectible charged to expense. The Company recognized renewal fees as income when a renewal agreement becomes effective.

| | |
|--|-------|
| Outlets as of January 1, 2023 | 59 |
| Outlets sold | 9 |
| Outlets terminated | 1 |
| Outlets not renewed | 8 |
| | <hr/> |
| Outlets in operation as of December 31, 2023 | 59 |

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 7 – Commitments and Contingencies

The Company is from time to time involved in ordinary routine litigation incidental to the conduct of its business. The Company regularly reviews all pending litigation matters in which it is involved and establishes reserves deemed appropriate for such litigation matters, which reserved amounts are charged to operations in the year during which they are accrued. The Company believes that no presently pending litigation matters are likely to have a material adverse effect on the Company's financial statements or results of operations, taken as a whole.

Note 8 – Risks and Uncertainties Related to the Coronavirus Pandemic COVID-19)

The COVID-19 pandemic has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods, restrictions on or closures of non-essential businesses and social distancing, have caused an economic slowdown and material disruption to businesses in the United States of America and globally. Given the continuously evolving circumstances surrounding COVID-19, it is difficult to predict with certainty the nature, extent and duration of COVID-19, and the duration and intensity of resulting business disruptions and related financial, social and public health impacts. Such effects could be adverse and material, including their potential effects on the Company's business, operations, and financial performance both in the short-term and long-term. The amounts recorded in these financial statements are based on the latest reliable information available to management at the time the financial statements were prepared where that information reflects conditions at the date of the financial statements.

Note 9 – Going Concern

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. The company incurred a net loss of \$352,905 for 2023 and has incurred substantial net losses for each of the past five (5) years. Management is optimistic about the Company's growth potential and future profitability, in addition, the member is committed to the continued financial support of the Company to promote this growth. Finally, the Company is supported by the Sperry group of affiliated companies and these companies have committed to continue the monetary support necessary to run the business indefinitely.

Sperry Commercial Global Affiliates, LLC

Financial Statements

December 31, 2022

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC

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Independent Auditor's Report

To Management and the Board of Directors
Sperry Commercial Global Affiliates, LLC

Opinion

We have audited the accompanying financial statements of Sperry Commercial Global Affiliates, LLC (a Delaware company), which comprise the balance sheet as of December 31, 2022, and the related statements of operations, member's deficit, and cash flows for the year ended December 31, 2022, 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 Sperry Commercial Global Affiliates, LLC as of December 31, 2022, and the results of its operations and its cash flows for the year ended December 31, 2022 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 Sperry Commercial Global Affiliates, LLC 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 Sperry Commercial Global Affiliates, LLC'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 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 Sperry Commercial Global Affiliates, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sperry Commercial Global Affiliates, LLC's ability to continue as a going concern for a reasonable period of time.

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

KHO & PATEL



San Dimas, California
February 21, 2023

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
BALANCE SHEET
DECEMBER 31, 2022

ASSETS

ASSETS

| | |
|---------------------------|-----------|
| Cash and cash equivalents | \$ 17,997 |
|---------------------------|-----------|

| | |
|--------------|------------------|
| Total assets | <u>\$ 17,997</u> |
|--------------|------------------|

LIABILITIES AND MEMBER'S DEFICIT

CURRENT LIABILITIES

| | |
|-------------------------------|------------|
| Due to related party (Note 4) | \$ 930,958 |
|-------------------------------|------------|

| | |
|------------------------------------|---------------|
| Deferred revenues, current portion | <u>15,865</u> |
|------------------------------------|---------------|

| | |
|---------------------------|---------|
| Total current liabilities | 946,823 |
|---------------------------|---------|

| | |
|---|---------------|
| Deferred revenues, net of current portion | <u>20,988</u> |
|---|---------------|

| | |
|-------------------|---------|
| Total liabilities | 967,811 |
|-------------------|---------|

MEMBER'S DEFICIT

| | |
|------------------|------------------|
| Member's deficit | <u>(949,814)</u> |
|------------------|------------------|

| | |
|--|------------------|
| Total liabilities and member's deficit | <u>\$ 17,997</u> |
|--|------------------|

See independent auditor's report and accompanying notes to financial statements.

**SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
STATEMENT OF OPERATIONS AND MEMBER'S DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2022**

| | |
|------------------------------------|----------------------------|
| Revenues | |
| Franchise fees | \$ 39,030 |
| Agent fees | 368,595 |
| Other fees | 4,000 |
| Royalties | <u>158,505</u> |
| Total revenues | 570,130 |
| Operating expenses | |
| Systems and technology | 152,371 |
| Franchise registration | 16,671 |
| Payroll | 356,000 |
| Legal | 72,806 |
| Insurance | 58,036 |
| Entertainment and travel | 20,393 |
| Conferences | 6,218 |
| Marketing and advertising | 32,146 |
| Professional services | 14,000 |
| Bad debts | 50,000 |
| Supplies | 629 |
| Other | <u>10,032</u> |
| Total operating expenses | <u>789,302</u> |
| Loss from operations | (219,172) |
| Provision for income taxes | <u>800</u> |
| Net loss | (219,972) |
| Member's deficit beginning of year | <u>(729,842)</u> |
| Member's deficit end of year | <u><u>\$ (949,814)</u></u> |

See independent auditor's report and accompanying notes to financial statements.

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

| | | |
|---|-----------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | | \$ (219,972) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Accounts receivable | \$ 65,000 | |
| Prepaid insurance | 13,543 | |
| Unearned revenue | (13,531) | 65,012 |
| | | |
| Net cash used in operating activities | | (154,960) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Related party transfers | | (661,433) |
| | | |
| Net cash used in financing activities | | (661,433) |
| Net decrease in cash | | (816,393) |
| CASH ON HAND AND IN BANKS - DECEMBER 31, 2021 | | 834,390 |
| | | |
| CASH ON HAND AND IN BANKS - DECEMBER 31, 2022 | | \$ 17,997 |
| | | |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for: | | |
| Interest | | \$ - |
| Income Taxes | | 800 |
| | | |

See independent auditor's report and accompanying notes to financial statements.

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 – General

Sperry Commercial Global Affiliates, LLC (the “Company”) was incorporated in December of 2014 and converted into an LLC in April of 2016. The corporate office is in Irvine, California. The company was organized for the purpose of franchising ancillary real estate-related services, programs, and products. The franchise concept is to customize real estate management services around the globe through a network of locally owned and operated locations offering commercial real estate sales, leasing services, and property management services.

Note 2 – Summary of Significant Accounting Policies

The summary of significant accounting policies of Sperry Commercial Global Affiliates, LLC (the “Company”) is presented to assist in the understanding of the Company’s financial statements. The financial statements and notes are representations of the Company’s management, who is responsible for their integrity and objectivity.

Use of Estimates and Assumptions

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Income Taxes

The Company is a limited liability company. All years are subject to income tax examinations. The Company became a single member limited liability company at the end of 2018. Accordingly, the tax profits of the Company are included in the separate tax returns of the member.

The Company reports its income and expenses and calculates its income tax liability for income tax purposes on the cash method of accounting. Under the cash method of accounting, revenue is not recognized until received and expenses are not deducted until actually paid. In addition, there are other differences in recognizing and reporting income between federal income tax law and generally accepted accounting principles used for financial statement purposes. These differences include direct expensing election allowed under IRC Section 179, the use of tax credits, and the use of tax loss carry backs and carry forwards allowed under tax law. These differences may create assets and liabilities which represent expected benefits and obligations that are expected to be realized at some time in the future and must then be recognized in the financial statements.

The Company evaluates tax positions, makes a determination regarding their likelihood of being upheld under examination, and records a liability for any uncertain tax positions. The company has not identified any uncertain tax positions which would require recognition of a liability as of December 31, 2022.

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company, from time to time, maintains cash balances that exceed the Federal Deposit Insurance Corporation limits. As of December 31, 2022, amounts in excess of these limits was \$0.

Revenue Recognition and Deferred Revenue

The Company adopted Accounting Standard Codification 606 (“ASC 606”) as of January 1, 2020 using the modified retrospective method and applied the new guidance to all contracts that had not been completed to that date. Accordingly, results for the year ended December 31, 2022 are presented in accordance with ASC 606.

ASC 606, as amended, is based on the principle that revenue is recognized to depict the contractual transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services utilizing a new five-step revenue recognition model, which steps include (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize when (or as) the entity satisfies a performance obligation.

The Company’s revenue consists of: a) initial franchise payments, b) monthly agent fees, and c) monthly royalty overrides.

The revenue guidance in ASC 606 did not impact the timing of monthly agent fees or monthly royalty overrides.

The Company recognizes franchise payments revenue on a straight-line basis over the life of the related franchise agreements and any exercised renewal periods. Cash payments are typically due upon the obtainments of a territory or upon executions of a renewal of the related franchise agreement. The Company’s performance obligation with respect to franchise payments revenues consists of a license to utilize the Company’s trademarks, service marks, and other intellectual property for a specified period of time, which is satisfied over the life of each franchise agreement.

Deferred revenue resulting from cash collected for initial franchise fees paid by franchisees are classified as liabilities in the balance sheet based on the expected timing of revenue recognition associated with these liabilities. The following table reflects the changes in deferred revenue between January 1, 2022 and December 31, 2022:

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 – Summary of Significant Accounting Policies (Concluded)

Deferred contract revenues:

| | |
|---|------------------|
| Deferred revenue, January 1, 2022 | \$ 50,384 |
| Cash collected for initial franchise payments | 25,499 |
| Revenue recognized | <u>(39,030)</u> |
| Deferred revenue, December 31, 2022 | <u>\$ 36,853</u> |

The following table illustrates estimated revenues expected to be recognized in the future related to unsatisfied performance obligations.

Estimated revenue related to unsatisfied performance obligations as of December 31, 2022:

| Year ending December 31: | <u>Contract Revenue</u> |
|--------------------------|-------------------------|
| 2023 | \$ 15,865 |
| 2024 | 8,608 |
| 2025 | 4,375 |
| 2026 | 2,129 |
| 2027 | 1,900 |
| Thereafter | <u>3,976</u> |
| | <u>\$ 36,853</u> |

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents. The carrying amount of all significant financial instruments approximates fair value due either to length of maturity or the existence of variable interest rates that approximate prevailing market rates and credit risk of the Company.

Advertising Costs

Advertising costs are expensed as incurred.

Note 3 – Provision for Income Taxes

The provision for income taxes as of December 31, 2022:

| | |
|----------------------------------|---------------|
| Federal | \$ - |
| State | <u>800</u> |
| Total Provision for Income taxes | <u>\$ 800</u> |

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 – Related Party

The Company received a loan from a related party in prior years. During the 2022 year, the Company received additional funds from this related party and made repayments. As of December 31, 2022, funds due to the related party totaled \$930,958. In addition, the Company is operating rent free at the related party's office facility.

The Company had an operating agreement with two related parties. These related parties agreed to pay monthly royalties to the Company for agents they added to their business entities after signing the operating agreement. One of the parties became the sole member in 2018.

Note 5 - Franchisee Information

The Company executes franchise agreements that set the terms of its agreement with each franchisee. The franchise agreement requires the franchisee to pay an initial, non-refundable fee ranging from \$2,500 to \$5,250, and continuing fees based upon the gross revenues and the number of brokers. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon its expiration. Direct costs of sales and servicing of franchise agreements are charged to expense as incurred.

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee, including territory approval and training. Continuing fees are recognized when earned, with an appropriate provision for estimated uncollectible charged to expense. The Company recognized renewal fees as income when a renewal agreement becomes effective.

| | |
|--|-----------|
| Outlets as of January 1, 2022 | 57 |
| Outlets sold | 3 |
| Outlets not renewed | <u>1</u> |
| Outlets in operation as of December 31, 2022 | <u>59</u> |

Note 6 – Commitments and Contingencies

The Company is from time to time involved in ordinary routine litigation incidental to the conduct of its business. The Company regularly reviews all pending litigation matters in which it is involved and establishes reserves deemed appropriate for such litigation matters, which reserved amounts are charged to operations in the year during which they are accrued. The Company believes that no presently pending litigation matters are likely to have a material adverse effect on the Company's financial statements or results of operations, taken as a whole.

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 7 – Risks and Uncertainties Related to the Coronavirus Pandemic COVID-19)

The COVID-19 pandemic has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods, restrictions on or closures of non-essential businesses and social distancing, have caused an economic slowdown and material disruption to businesses in the United States of America and globally. Given the continuously evolving circumstances surrounding COVID-19, it is difficult to predict with certainty the nature, extent and duration of COVID-19, and the duration and intensity of resulting business disruptions and related financial, social and public health impacts. Such effects could be adverse and material, including their potential effects on the Company's business, operations, and financial performance both in the short-term and long-term. The amounts recorded in these financial statements are based on the latest reliable information available to management at the time the financial statements were prepared where that information reflects conditions at the date of the financial statements.

Note 8 – Going Concern

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. The company incurred a net loss of \$219,172 for 2022 and has incurred substantial net losses for each of the past four (4) years. Management is optimistic about the Company's growth potential and future profitability, in addition, the member is committed to the continued financial support of the Company to promote this growth. Finally, the Company is supported by the Sperry group of affiliated companies and these companies have committed to continue the monetary support necessary to run the business indefinitely.

Sperry Commercial Global Affiliates, LLC
Amended and Restated Financial Statements
December 31, 2021

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC

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Independent Auditor's Report

To Management and the Board of Directors
Sperry Commercial Global Affiliates, LLC

Report on the Financial Statements

We have audited the accompanying financial statements of Sperry Commercial Global Affiliates, LLC (a Delaware company), which comprise the balance sheet as of December 31, 2021, and the related statements of operations, member's deficit, and cash flows for the year ended December 31, 2021, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To Management and the Board of Directors of
Independent Auditor's Report
Page 2

Opinion

In our opinion, the amended and restated financial statements referred to above present fairly, in all material respects, the financial position of Sperry Commercial Global Affiliates, LLC as of December 31, 2021, and the results of its operations and its cash flows for the year ended December 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

Restatement of Financial Statements

Without modifying our opinion, we draw attention to Note 9 to the amended and restated financial statements, which explains that the amended and restated financial statements for the year ended December 31, 2021, have been restated from those which we originally reported on March 11, 2022.

KHO & PATEL

A handwritten signature in blue ink that reads "Kho & Patel".

San Dimas, California
April 26, 2022

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
BALANCE SHEET
DECEMBER 31, 2021

ASSETS

| | |
|---------------------------|--------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 834,390 |
| Accounts receivable | 65,000 |
| Prepaid Insurance | <u>13,543</u> |
| Total assets | <u><u>\$ 912,933</u></u> |

LIABILITIES AND MEMBER'S DEFICIT

| | |
|---|--------------------------|
| CURRENT LIABILITIES | |
| Due to related party (Note 4) | \$ 1,592,391 |
| Deferred revenues, current portion | <u>30,194</u> |
| Total current liabilities | 1,622,585 |
| Deferred revenues, net of current portion | <u>20,190</u> |
| Total liabilities | 1,642,775 |
| MEMBER'S DEFICIT | |
| Member's deficit | <u>(729,842)</u> |
| Total liabilities and member's deficit | <u><u>\$ 912,933</u></u> |

See independent auditor's report and accompanying notes to financial statements.

**SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
STATEMENT OF OPERATIONS AND MEMBER'S DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2021**

| | | |
|------------------------------------|----|-------------------------|
| Revenues | | |
| Franchise | \$ | 26,615 |
| Agent | | 387,325 |
| Royalty | | 120,163 |
| | | <hr/> |
| Total revenues | | 534,103 |
| Operating expenses | | |
| Systems and technology | | 171,689 |
| Franchise registration | | 14,909 |
| Payroll | | 393,667 |
| Legal | | 136,161 |
| Insurance | | 36,921 |
| Entertainment and travel | | 21,789 |
| Conferences | | 7,802 |
| Marketing and advertising | | 71,080 |
| Professional services | | 28,083 |
| Supplies | | 688 |
| | | <hr/> |
| Total operating expenses | | 882,789 |
| Loss from operations | | (348,686) |
| Provision for income taxes | | 800 |
| | | <hr/> |
| Net loss | | (349,486) |
| Member's deficit beginning of year | | (380,356) |
| | | <hr/> |
| Member's deficit end of year | \$ | <u><u>(729,842)</u></u> |

See independent auditor's report and accompanying notes to financial statements.

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

| | | |
|---|-------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | | \$ (349,486) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Accounts receivable | \$ (65,000) | |
| Accrued royalty | 10,041 | |
| Prepaid asset | (13,543) | |
| Accounts payable | (54,535) | |
| Accrued expenses | (61,774) | |
| Unearned revenue | 4,334 | (180,477) |
| | | |
| Net cash used in operating activities | | (529,963) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Related party transfers | | 1,364,353 |
| | | |
| Net cash provided by financing activities | | 1,364,353 |
| Net increase in cash | | 834,390 |
| CASH ON HAND AND IN BANKS - DECEMBER 31, 2020 | | |
| | | - |
| CASH ON HAND AND IN BANKS - DECEMBER 31, 2021 | | |
| | | \$ 834,390 |
| | | |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for: | | |
| Interest | | \$ - |
| Income Taxes | | \$ 800 |
| | | |

See independent auditor's report and accompanying notes to financial statements.

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1 – General

Sperry Commercial Global Affiliates, LLC (the “Company”) was incorporated in December of 2014 and converted into an LLC in April of 2016. The corporate office is in Irvine, California. The company was organized for the purpose of franchising ancillary real estate-related services, programs and products. The franchise concept is to customize real estate management services around the globe through a network of locally owned and operated locations offering commercial real estate sales, leasing services, and property management services.

Note 2 – Summary of Significant Accounting Policies

The summary of significant accounting policies of Sperry Commercial Global Affiliates, LLC (the “Company”) is presented to assist in the understanding of the Company’s financial statements. The financial statements and notes are representations of the Company’s management, who is responsible for their integrity and objectivity.

Use of Estimates and Assumptions

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Income Taxes

The Company is a limited liability company. All years are subject to income tax examinations. The Company became a single member limited liability company at the end of 2018. Accordingly, the tax profits of the Company are included in the separate tax returns of the member.

The Company reports its income and expenses and calculates its income tax liability for income tax purposes on the cash method of accounting. Under the cash method of accounting, revenue is not recognized until received and expenses are not deducted until actually paid. In addition, there are other differences in recognizing and reporting income between federal income tax law and generally accepted accounting principles used for financial statement purposes. These differences include direct expensing election allowed under IRC Section 179, the use of tax credits, and the use of tax loss carry backs and carry forwards allowed under tax law. These differences may create assets and liabilities which represent expected benefits and obligations that are expected to be realized at some time in the future and must then be recognized in the financial statements.

The Company evaluates tax positions, makes a determination regarding their likelihood of being upheld under examination, and records a liability for any uncertain tax positions. The company has not identified any uncertain tax positions which would require recognition of a liability as of December 31, 2021.

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company, from time to time, maintains cash balances that exceed the Federal Deposit Insurance Corporation limits. As of December 31, 2021, amounts in excess of these limits was \$0.

Revenue Recognition and Deferred Revenue

The Company adopted Accounting Standard Codification 606 (“ASC 606”) as of January 1, 2020 using the modified retrospective method and applied the new guidance to all contracts that had not been completed to that date. Accordingly, results for the year ended December 31, 2021 are presented in accordance with ASC 606.

ASC 606, as amended, is based on the principle that revenue is recognized to depict the contractual transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services utilizing a new five-step revenue recognition model, which steps include (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize when (or as) the entity satisfies a performance obligation.

The Company’s revenue consists of: a) initial franchise payments, b) monthly agent fees, and c) monthly royalty overrides.

The revenue guidance in ASC 606 did not impact the timing of monthly agent fees or monthly royalty overrides.

The Company recognizes franchise payments revenue on a straight-line basis over the life of the related franchise agreements and any exercised renewal periods. Cash payments are typically due upon the obtainments of a territory or upon executions of a renewal of the related franchise agreement. The Company’s performance obligation with respect to franchise payments revenues consists of a license to utilize the Company’s trademarks, service marks, and other intellectual property for a specified period of time, which is satisfied over the life of each franchise agreement.

Deferred revenue resulting from cash collected for initial franchise fees paid by franchisees are classified as liabilities in the balance sheet based on the expected timing of revenue recognition associated with these liabilities. The following table reflects the changes in deferred revenue between January 1, 2021 and December 31, 2021:

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 2 – Summary of Significant Accounting Policies (Concluded)

Deferred contract revenues:

| | |
|---|------------------|
| Deferred revenue, January 1, 2021 | \$ 46,050 |
| Cash collected for initial franchise payments | 30,949 |
| Revenue recognized | <u>(26,615)</u> |
| Deferred revenue, December 31, 2021 | <u>\$ 50,384</u> |

The following table illustrates estimated revenues expected to be recognized in the future related to unsatisfied performance obligations.

Estimated revenue related to unsatisfied performance obligations as of December 31, 2021:

| Year ending December 31: | <u>Contract Revenue</u> |
|--------------------------|-------------------------|
| 2022 | \$ 30,194 |
| 2023 | 9,008 |
| 2024 | 3,543 |
| 2025 | 2,088 |
| 2026 | 1,688 |
| Thereafter | <u>3,863</u> |
| | <u>\$ 50,384</u> |

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents. The carrying amount of all significant financial instruments approximates fair value due either to length of maturity or the existence of variable interest rates that approximate prevailing market rates and credit risk of the Company.

Advertising Costs

Advertising costs are expensed as incurred.

Note 3 – Provision for Income Taxes

The provision for income taxes as of December 31, 2021:

| | |
|----------------------------------|---------------|
| Federal | \$ - |
| State | <u>800</u> |
| Total Provision for Income taxes | <u>\$ 800</u> |

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 4 – Related Party

The Company received a loan from a related party in prior years. During the 2021 year, the Company received additional funds from this related party as well as made payments. As of December 31, 2021, funds due to the related party totaled \$1,592,391. In addition, the Company is operating rent free at the related party's office facility.

The Company had an operating agreement with two related parties. These related parties agreed to pay monthly royalties to the Company for agents they added to their business entities after signing the operating agreement. One of the parties became the sole member in 2018. For the year ended December 31, 2021, agent royalties paid to the Company from these related parties totaled \$18,000.

Note 5 - Franchisee Information

The Company executes franchise agreements that set the terms of its agreement with each franchisee. The franchise agreement requires the franchisee to pay an initial, non-refundable fee ranging from \$2,500 to \$5,000, and continuing fees based upon the gross revenues and the number of brokers. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon its expiration. Direct costs of sales and servicing of franchise agreements are charged to expense as incurred.

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee, including territory approval and training. Continuing fees are recognized when earned, with an appropriate provision for estimated uncollectible charged to expense. The Company recognized renewal fees as income when a renewal agreement becomes effective.

| | |
|--|-----------|
| Outlets as of January 1, 2021 | 58 |
| Outlets sold | 6 |
| Terminations | <u>7</u> |
| Outlets in operation as of December 31, 2021 | <u>57</u> |

Note 6 – Commitments and Contingencies

The Company is from time to time involved in ordinary routine litigation incidental to the conduct of its business. The Company regularly reviews all pending litigation matters in which it is involved and establishes reserves deemed appropriate for such litigation matters, which reserved amounts are charged to operations in the year during which they are accrued. The Company believes that no presently pending litigation matters are likely to have a material adverse effect on the Company's financial statements or results of operations, taken as a whole.

SPERRY COMMERCIAL GLOBAL AFFILIATES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 7 – Risks and Uncertainties Related to the Coronavirus Pandemic COVID-19)

The COVID-19 pandemic has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods, restrictions on or closures of non-essential businesses and social distancing, have caused an economic slowdown and material disruption to businesses in the United States of America and globally. Given the continuously evolving circumstances surrounding COVID-19, it is difficult to predict with certainty the nature, extent and duration of COVID-19, and the duration and intensity of resulting business disruptions and related financial, social and public health impacts. Such effects could be adverse and material, including their potential effects on the Company's business, operations, and financial performance both in the short-term and long-term. The amounts recorded in these financial statements are based on the latest reliable information available to management at the time the financial statements were prepared where that information reflects conditions at the date of the financial statements.

Note 8 – Going Concern

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. The company incurred a net loss of \$349,686 for 2021 and has incurred substantial net losses for each of the past three (3) years. Management is optimistic about the Company's growth potential and future profitability, in addition, the members are committed to the continued financial support of the Company to promote this growth.

Note 9 – Restatement of Financial Results

The Company's initial analysis of the deferred revenues balance at the end of the year ended December 31, 2021, was deemed to be immaterial, due to the amount of new franchises added in 2021. However, upon further assessment of the deferred revenues balance in the subsequent year ending December 31, 2022, it was determined that the previous year adjustment (year ended December 31, 2020) to deferred revenue balance was incorrectly recorded as an increase in the amount due to related party, rather than deferred revenues.

The Company has reassessed the deferred revenues balance, under ASC 606, and determined that the following correction was required, and as such, has restated its previously reported financial statements as at and for the year ended December 31, 2021, and all related disclosures. The impact of the correction is as follows:

1. Decrease in franchise fee revenue in the amount of \$5,935.
2. Increase in deferred revenues in the amount of \$50,384.
3. Decrease in due to related party of \$44,449.

Also please refer to changes in Notes 2, 4, 5 & 8 for effects of the above restatement.

SPERRY

LIST OF FRANCHISE OUTLETS

EXHIBIT C

LIST OF FRANCHISE OUTLETS

The following franchised Sperry Offices were open and operating on December 31, 2023:

| STATE | CONTACT NAME | ADDRESS | PHONE NO. |
|---------------|---------------------------|---|--------------|
| ALABAMA | David Cornelius | 1050 W. Main St., Dothan, AL 36301 | 334-699-8400 |
| ARIZONA | Neil Sherman | 2200 E. Camelback Rd., Ste. 101, Phoenix, AZ 85016 | 602-566-7210 |
| | Julian Son Le | 555 Anton Blvd., Ste. 150, Costa Mesa, CA 92626 | 714-277-0468 |
| | Henry Liu | 800 S. Barranca Ave., Ste. 160, Covina, CA 91723 | 626-705-3509 |
| | Leo Gao, Cissy Lee | 1360 Valley Vista Dr., Ste. 200, Diamond Bar, CA 91765 | 909-347-7258 |
| | Larry Kozin, John Bellave | 23121 Verdugo Dr., Ste. 100, Laguna Hills, CA 92653 | 702-622-7051 |
| | Lock Richards | 11300 Willow Valley Rd., Nevada City, CA 95959 | 530-470-1740 |
| | Darrell Hoover | 17 Corporate Plaza, Ste. 200, Newport Beach, CA 92660 | 949-423-6990 |
| | Cristina Hsieh | 3200 E. Guasti Rd., Ste.100, Ontario, CA 91761 | 909-967-9588 |
| | Cedric Ferrell | 333 City Blvd. W., Ste. 1700, Orange, CA, 92867 | 949-446-7147 |
| | David Chen | 155 S. El Molino Ave., Ste. 103, Pasadena, CA 91101 | 310-350-3810 |
| | Tony Karakachian | 215 N. Marengo Ave., 3rd Flr., Pasadena, CA 91101 | 213-226-8703 |
| | Rick Lahkar | 4198 Rennellwood Way, Pleasanton, CA 94566 | 916-821-8886 |
| | David Collantes | 310 Shaw Rd., Ste. A, South San Francisco, CA 94080 | 415-517-7511 |
| | Mark Hinkins | 1875 Olympic Blvd., Ste. 220, Walnut Creek, CA 94596 | 925-878-5176 |
| COLORADO | Cheryle & Tim Powell | 1111 Washington Ave., Ste. 110, Golden, CO 80401 | 720-330-4333 |
| FLORIDA | Kathleen Yonce | 851 Broken Sound Pkwy. NW, Ste. 115, Boca Raton, FL 33487 | 561-526-8332 |
| | Neil Sherman | 980 N. Federal Hwy., Ste. 110, Boca Raton, FL 33432 | 954-249-7080 |
| | Theresa Blauch-Mitchell | 1922 Victoria Ave., Ste. A, Fort Myers, FL 33901 | 239-265-2628 |
| | Ron Osborne | 3730 Ottawa Ln., Hollywood, FL 33026 | 954-381-0412 |
| | Steven Moreira | 421 E. State Rd. 434, Ste. 1015, Longwood, FL 32750 | 407-256-9081 |
| | James Flint | 4100 N. Wickham Rd., Ste. 107A-200, Melbourne, FL 32935 | 321-405-7701 |
| | Jorge Napoles | 333 SE 2 Ave., Ste. 2000, Miami, FL 33131 | 786-871-3342 |
| | Jason Jusko | 2821 Sharer Rd., Tallahassee, FL 32312 | 850-519-2487 |
| | Tina Marie Eloian | 401 E. Palm Ave., Tampa, FL 33602 | 813-935-9600 |
| | Jeffrey Miller | 2675 Paces Ferry Rd., Ste. 145, Atlanta, GA 30339 | 404-519-9880 |
| | Robert Good | 8744 Main St., Ste. 201, Woodstock, GA 30188 | 770-874-9210 |
| ILLINOIS | Linda Durec | 133 S. Addison Rd., Ste. 100, Addison, IL 60101 | 630-201-9293 |
| | David Ellermann | 420 W. Huron St., Chicago, IL 60654 | 630-377-1336 |
| | Wayne Kurchina | 5306 W. Elm St., McHenry, IL 60050 | 815-344-8900 |
| KENTUCKY | Wesley Paul Odle III | 3006 Meadowview Cir., Louisville, KY 40220 | 502-797-828 |
| MASSACHUSETTS | Mark Carangelo | 75 Federal St., Ste 1100, Boston, MA 02110 | 617-833-8400 |
| MICHIGAN | Robert Pliska | 400 W. Maple Rd., Ste. 150, Birmingham, MI 48009 | 313-590-1111 |
| MISSISSIPPI | Jon-David Johnson | 175 Main St., Biloxi, MS 39530 | 228-207-0259 |
| | Jon-David Johnson | 164 Watford Parkway Dr., Canton, MS 39046 | 601-707-5555 |
| MISSOURI | Ben Gakinya | 3013 Orleans Dr., Columbia, MO 65203 | 573-239-2397 |

| STATE | CONTACT NAME | ADDRESS | PHONE NO. |
|----------------|--------------------------------------|---|--------------|
| NEVADA | David Baird | 2831 Saint Rose Pkwy., Ste. 200, Henderson, NV 89052 | 702-765-6005 |
| | | | |
| NEW YORK | Susanna Shao, Henry He | 31 Middle Neck Rd., Great Neck, NY 11021 | 516-321-9662 |
| | Scott Bloom | 1270 Avenue of the Americas, 8th Flr., New York, NY 10020 | 917-327-2109 |
| | | | |
| NORTH CAROLINA | Steven Radekopf | 5925 Carnegie Blvd., Ste. 200, Charlotte, NC 28209 | 843-514-0761 |
| | | | |
| OHIO | Michelle & Steve Masica, Sarah Combs | 2814 Detroit Ave., Ste. 119, Cleveland, OH 44113 | 216-293-8900 |
| | Timothy Treasure | 1123 Goodale Blvd., Ste. 500, Columbus, OH 43212 | 614-403-8162 |
| | Michelle & Steve Masica, Sarah Combs | 225 E. Liberty St., Ste. 100, Medina, OH 44256 | 216-293-8900 |
| | | | |
| OREGON | Jerry Jones, Thomas Cowan Jr. | 3350 Liberty Rd. S., Ste. 209, Salem, OR 97302 | 503-588-3586 |
| | | | |
| SOUTH CAROLINA | Steve Radekopf | 1563 Meeting Street Rd., Charleston, SC 29405 | 843-514-0761 |
| | Mark Griffin | 40 Parkway Commons Way, Greer, SC 29650 | 864-315-3734 |
| | Peter Perry | 221 Cold Water Cir., Myrtle Beach, SC 29588 | 843-691-0134 |
| | Kathleen Yonce | 223 E. Main St., Ste. 600, Rock Hill, SC 29730 | 561-526-8332 |
| | | | |
| | Glenn McDonald | 5865 Ridgeway Center, Ste. 300, Memphis, TN 38120 | 901-289-1374 |
| | | | |
| | Joe Garrett | 6125 Luther Ln., Ste. 267, Dallas, TX 75225 | 214-226-4395 |
| | Heather Konopa | 5751 Kroger Dr., Ste. 275, Fort Worth, TX 76244 | 817-715-1932 |
| | Bill Graham | 3122 Nealy Way, Longview, TX 75601 | 903-738-3886 |
| | Adrian Abel Arriaga | 200 S. 10th St., Ste. 904, McAllen, TX 78501 | 956-682-1111 |
| | Mark Haynie | 672 Ridge Hill Dr., Ste. A3, New Braunfels, TX 78130 | 830-481-9533 |
| | Eric Duxstad | 102 Oak Park Dr., San Antonio, TX 78209 | 210-218-7914 |
| | | | |
| WASHINGTON | Larry Eu, Lien Ma | 10701 Main St., Ste. 103, Bellevue, WA 98004 | 425-306-5458 |
| | Ryan & John Downing | 303 5th Ave., Ste. 209, Edmonds, WA 98020 | 206-324-9427 |

As of December 31, 2023, the following franchisees had signed Franchise Agreements but not yet opened their outlets:

| STATE | CONTACT NAME | ADDRESS | PHONE NO. |
|------------|------------------|--|--------------|
| CALIFORNIA | Rick Lahkar | 6701 Koll Center Pkwy., Ste. 250, Pleasanton, CA 94566 | 916-821-8886 |
| | | | |
| NEVADA | Frank Gatski | 4755 Dean Martin Dr., Las Vegas, NV 89103 | 702-221-8226 |
| | | | |
| TENNESSEE | Ben Van Gaasbeek | 7825 Stonehenge Dr., Chattanooga, TN 37421 | 619-746-8378 |

The following Sperry real estate offices owned by related entities (these are not franchised offices) were open and operating on December 31, 2023:

| STATE | ADDRESS |
|--------------|---|
| CALIFORNIA | 18881 Von Karman Ave., Ste. 800, Irvine, CA 92612 |
| COLORADO | 3600 S. Yosemite Dr., Ste. 950, Denver, CO 80237 |
| GEORGIA | 6030 Unity Dr., Ste. A, Norcross, GA 30071 |
| TEXAS | 13500 Midway, Ste. 310, Farmers Branch, TX 75244 |

SPERRY

LIST OF TERMINATED FRANCHISES

EXHIBIT D

LIST OF TERMINATED FRANCHISES

In 2023, the following franchisees had an outlet terminated, canceled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement:

| STATE | NAME | CITY | LAST KNOWN PHONE NUMBER | REASON FOR LEAVING |
|------------|--|--------------|-------------------------|--|
| CALIFORNIA | Daniel & Philip Hu | Alhambra | 626-593-5289 | Expiration of Franchise Agreement, did not renew |
| | Peter Ingersoll | Oceanside | 925-918-3649 | Expiration of Franchise Agreement, did not renew |
| | Rick Lahkar | Pleasanton | 916-821-8886 | Expiration of Franchise Agreement, did not renew |
| | | | | |
| GEORGIA | Mark Griffin | Atlanta | 706-714-7678 | Expiration of Franchise Agreement, did not renew |
| | | | | |
| KENTUCKY | Courtney Celasun, Katie Thompson, Jonathan Klunk | Louisville | 502-797-8828 | Expiration of Franchise Agreement, did not renew |
| | | | | |
| MISSOURI | Stephen Jacquemin | Saint Louis | 636-227-7900 | Expiration of Franchise Agreement, did not renew |
| | | | | |
| TENNESSEE | J. Max Hamidi | Germantown | 901-606-4941 | Termination |
| | Brian Whidden | Johnson City | 423-791-0536 | Expiration of Franchise Agreement, did not renew |
| | | | | |
| TEXAS | Rich Edison | Austin | 512-994-0154 | Expiration of Franchise Agreement, did not renew |

No franchisee has failed to communicate with Sperry Commercial Global Affiliates, LLC within the 10 weeks ending on the date of this disclosure document.

SPERRY

**STATE FRANCHISE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

EXHIBIT E

STATE FRANCHISE ADMINISTRATORS

We intend to register this disclosure document as a franchise in some of or all the following states, in accordance with applicable state law. The following are the state administrators responsible for the review, registration and oversight of franchises in these states:

California:

Commissioner of Financial Protection and Innovation,
Dept. of Financial Protection and Innovation
2101 Arena Blvd.
Sacramento, CA 95834
(866) 275-2677
Website: www.dfpi.ca.gov
Email: Ask.DFPI@dfpi.ca.gov

Hawaii:

Business Registration Division,
Dept. of Commerce and Consumer Affairs
335 Merchant St., Rm. 203
Honolulu, HI 96813
(808) 586-2722

Illinois:

Office of the Attorney General
500 S. 2nd St.
Springfield, IL 62701
(217) 782-4465

Indiana:

Franchise Section
Securities Division
302 W. Washington St., Rm. E111
Indianapolis, IN 46204
(317) 232-6681

Maryland:

Office of the Attorney General
Securities Division
200 Saint Paul Pl.
Baltimore, MD 21202
(410) 576-6360

Michigan:

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Bldg., 1st Flr.
525 W. Ottawa St.
Lansing, MI 48909
(517) 373-7117

Minnesota:

Department of Commerce
85 7th Pl. E., Ste. 280
Saint Paul, MN 55101
(651) 539-1600

New York:

NYS Department of Law
Investor Protection Bureau
28 Liberty St., 21st Flr.
New York, NY 10005
(212) 416-8222

North Dakota:

Franchise Examiner
North Dakota Securities Department
600 E. Boulevard Ave.
State Capitol - 5th Flr., Dept. 414
Bismarck, ND 58505
(701) 328-4712

Rhode Island:

Securities Division
Dept. of Business Regulations
1511 Pontiac Ave., Bldg. 69-1
Cranston, RI 02920
(401) 462-9527

South Dakota:

Division of Insurance
Securities Regulation
124 S. Euclid Ave., Ste. 104
Pierre, SD 57501
(605) 773-3563

Virginia:

State Corporation Commission
Div. of Securities & Retail Franchising
1300 E. Main St., 9th Flr.
Richmond, VA 23219
(804) 371-9051

Washington:

Administrator
Dept. of Financial Institutions
Securities Division
150 Israel Rd. SW
Tumwater, WA 98501
(360) 902-8760

Wisconsin:

Franchise Administrator
Division of Securities
Dept. of Financial Institutions
345 W. Washington Ave.
Madison, WI 53703
(608) 266-8557

AGENTS FOR SERVICE OF PROCESS

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

California:

Commissioner of Financial Protection and Innovation,
Dept. of Financial Protection and Innovation
2101 Arena Blvd.
Sacramento, CA 95834
(866) 275-2677
Website: www.dfpi.ca.gov
Email: Ask.DFPI@dfpi.ca.gov

Hawaii:

Hawaii Commissioner of Securities,
Dept. of Commerce and Consumer Affairs, Business Registration Div.
335 Merchant St., Rm. 205
Honolulu, HI 96813
(808) 586-2744

Illinois:

Illinois Attorney General
500 S. 2nd St.
Springfield, IL 62701
(217) 782-4465

Indiana:

Indiana Secretary of State
200 W. Washington St., Rm. 201
Indianapolis, IN 46204
(317) 232-6681

Maryland:

Maryland Securities Commissioner
200 Saint Paul Pl.
Baltimore, MD 21202
(410) 576-6360

Michigan:

Michigan Corporation & Securities Bureau
Department of Commerce
6546 Mercantile Way
Lansing, MI 48911
(517) 373-7117

Minnesota:

Minnesota Commissioner of Commerce
85 7th Pl. E., Ste. 280
Saint Paul, MN 55101
(651) 539-1600

New York:

Secretary of State
99 Washington Ave.
Albany, NY 12231
(518) 473-2492

North Dakota:

North Dakota Securities Commissioner
600 E. Boulevard Ave., 5th Flr.
Bismarck, ND 58505
(701) 328-4712

Rhode Island:

Director
Rhode Island Dept. of Business Regulations
1511 Pontiac Ave., Bldg. 69-1
Cranston, RI 02920
(401) 462-9527

South Dakota:

Division of Insurance
Securities Regulation
124 S. Euclid Ave., Ste. 104
Pierre, SD 57501
(605) 773-3563

Virginia:

Clerk
Virginia State Corporation Commission
1300 E. Main St., 1st Flr.
Richmond, VA 23219
(804) 371-9733

Washington:

Dept. of Financial Institutions
Securities Division – 3rd Flr.
150 Israel Rd. SW
Tumwater, WA 98501
(360) 902-8760

Wisconsin:

Administrator
Wisconsin Division of Securities
345 W. Washington Ave.
Madison, WI 53703
(608) 261-9555

SPERRY

STATE SPECIFIC ADDENDA

EXHIBIT F

CALIFORNIA

APPENDIX FOR CALIFORNIA FRANCHISEES

1. California Business and Professions Code sections 20000 through 20043 (the "Act") provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the Act, the Act will control.

2. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §101 *et seq.*)

3. The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California Law.

4. The agreements contain a liquidated damage clause, under Civil Code, Section 1671, certain liquidated damage clauses are enforceable.

5. The Franchise Agreement requires binding arbitration. The arbitration will occur in Orange County, California with the costs being borne equally by both parties. Franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code section 20040.5, Code of Civil Procedure section 1281, and the Federal Arbitration Act) to any provision of a franchise agreement that restricts venue to a forum outside of California.

6. The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the disclosure document.

7. Section 31125 of the California Corporations Code requires the franchisor to give you a disclosure document, in a form and containing information that the Commissioner of Financial Protection and Innovation may by rule or order require, before solicitation of a proposed material modification of an existing franchise.

8. The Franchise Agreement requires you to execute a general release of claims upon transfer of the Franchise Agreement. California Corporations Code section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (Corporations Code §§31000-31516). Business and Professions Code section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000-20043).

9. 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.

10. Neither the franchisor, nor any person or franchise broker listed in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934 (15 U.S.C.A. §78A *et seq.*), suspending or expelling these persons from membership in such association or exchange.

11. The Initial Franchise Fee will not be due and payable in full until the franchisor has completed all its pre-opening obligations to you under the Franchise Agreement and you open and begin operating the franchised outlet.

CALIFORNIA

ADDENDUM TO FRANCHISE AGREEMENT FOR CALIFORNIA FRANCHISEES

The Franchise Agreement is amended or clarified as follows:

1. The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and the franchisee is open for business. For any development agreement, the payment of the development and initial fee attributable to a specific unit is deferred until that unit is open.

2. Any interest rate charged to a California franchisee shall comply with the California Constitution. The interest rate shall not exceed either (a) 10% annually or (b) 5% annually plus the prevailing interest rate charged to banks by the Federal Reserve Bank of San Francisco, whichever is higher.

3. In sections 13.1 and 13.3, "30 days" is amended to "60 days".

4. Under California law, Franchisor has the obligation under certain conditions to purchase assets of Franchisee's business if Franchisee does not continue to operate a real estate brokerage business at your location after the Franchise Agreement is terminated or not renewed.

5. No statement, questionnaire, or acknowledgement 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.

Date: _____

Date: _____

FRANCHISEE:

FRANCHISOR:

Sperry Commercial Global Affiliates, LLC

BY: _____

BY: _____

Rand Sperry, Chief Executive Officer

ITS: _____

BY: _____

Mark Hinkins, President

HAWAII

REGISTRATION OF FRANCHISES IN OTHER STATES

1. This proposed registration is effective in all states not requiring franchise registration and in the following states requiring franchise registration or notification:

Michigan
Wisconsin

2. This proposed registration (or one substantially similar) is or will be shortly on file in:

California
Hawaii
Illinois
Indiana
Maryland
Rhode Island
Minnesota
New York
Virginia
Washington

3. No states have refused, by order or otherwise, to register these franchises.
4. No states have revoked or suspended the right to offer these franchises.
5. The proposed registration of these franchises has not been withdrawn in any state.

HAWAII

ADDITIONAL RISK FACTORS REQUIRED TO BE DISCLOSED IN HAWAII

Please consider the following RISK FACTORS before you buy this franchise:

1. THE INITIAL FRANCHISE FEE AND TECHNOLOGY SET UP FEE ARE DUE AND PAYABLE IN FULL TO US WHEN WE COMPLETE ALL OUR INITIAL OBLIGATIONS TO YOU AS A FRANCHISOR UNDER THE FRANCHISE AGREEMENT AND YOU HAVE COMMENCED DOING BUSINESS UNDER YOUR FRANCHISE AGREEMENT.

2. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION AND ARBITRATION ONLY IN CALIFORNIA. OUT-OF-STATE MEDIATION OR ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO MEDIATE OR ARBITRATE WITH US IN CALIFORNIA THAN IN HAWAII.

3. 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 COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

4. 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 FOURTEEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST FOURTEEN 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.

5. 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.

6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Registered agent in the state authorized to receive service of process: Commissioner of Securities, the Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

ILLINOIS

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT FOR ILLINOIS FRANCHISEES

The addendum makes the following specific disclosures and amendments to the Franchise Disclosure Document and Franchise Agreement:

1. The Illinois Attorney General's Office has required a financial assurance. Therefore, all initial fees and payment owed by franchisees in Illinois will be deferred until the Franchisor completes its pre-opening obligations under the franchise agreement and the franchisee has commenced doing business. Item 5 of the Franchise Disclosure Document and sections 4.1 and 4.4 of the Franchise Agreement are amended accordingly. The Illinois Attorney General's Office imposed this deferral requirement due to the Franchisor's financial condition.

2. Your rights upon termination and non-renewal of a Franchise Agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

3. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

4. Illinois Law governs the agreements between the parties to this franchise.

5. Section 41 of the Illinois Franchise Disclosure Act provides that 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.

DATED: _____

FRANCHISOR: _____
(Signature)

DATED: _____

FRANCHISEE: _____
(Signature)

INDIANA

ADDENDUM FOR INDIANA FRANCHISES

The Indiana Securities Division requires the following specific disclosures to be made to prospective Indiana franchisees:

1. Notwithstanding anything different in the Disclosure Document or Franchise Agreement, please note that you do not have to sign any general release to renew or assign your franchise.

2. Notwithstanding anything different in the Disclosure Document or Franchise Agreement, any arbitration or litigation arising under the Franchise Agreement shall take place in Indiana or other place mutually agreed by you and Sperry. Under Indiana law, no litigation brought for breach of the Franchise Agreement may be limited in any manner whatsoever.

3. If there are any differences between California law and Indiana law regarding the franchise relationship, termination or renewal, franchise registration or franchise disclosure, the law of Indiana shall apply.

4. The rights of parties to punitive or exemplary damages in court proceedings in Indiana are not waived.

5. Notwithstanding anything different in the Disclosure Document or Franchise Agreement, no action may be brought for a violation of the Indiana Deceptive Franchise Practices Act (Indiana Code 23-2-2.7) more than 2 years after the violation and no action may be brought to enforce any liability created under the Indiana Franchise Law (Indiana Code 23-2-2.5) more than 3 years after discovery by the plaintiff of the facts constituting the violation.

6. Notwithstanding anything different in the Disclosure Document or Franchise Agreement, Franchisor may not require a franchisee to covenant not to compete with Franchisor in an area greater than the exclusive area granted by the Franchise Agreement, or in the absence of such provision, an area of reasonable size, upon termination or failure to renew the franchise.

DATED: _____

DATED: _____

FRANCHISOR:

FRANCHISEE:

SPERRY COMMERCIAL GLOBAL
AFFILIATES, LLC

(Signature)

(Signature)

MARYLAND

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT FOR MARYLAND FRANCHISEES

The Maryland Division of Securities requires the following specific disclosures to be made to prospective Maryland franchisees:

1. Termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C Section 101 *et seq.*).

2. Any general release required as a condition of renewal, sale, assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law and Item 17 of the disclosure document is amended accordingly.

3. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Regulation and Disclosure Law, and Item 17 of the disclosure document is amended accordingly.

4. Any limitation on the period of time arbitration and/or litigation claims must be brought will not act to reduce the 3-year statute of limitations afforded you to bring a claim arising under the Maryland Franchise Registration and Disclosure Law, and Item 17 of the disclosure document is amended accordingly.

5. 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, and Item 5 of the disclosure document is amended accordingly.

MARYLAND

**ADDENDUM TO FRANCHISE AGREEMENT
FOR MARYLAND FRANCHISEES**

The Franchise Agreement is amended as follows:

- 1. Section 10.2(b) of the Franchise Agreement is amended to provide that a franchisee may sue in Maryland for claims arising under the Maryland Franchise Regulation and Disclosure Law. Any claim arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
- 2. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability 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.
- 3. Any general release required as a condition of renewal, sale, assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- 4. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payment owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.
- 5. 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.

Date: _____

Date: _____

FRANCHISEE:

FRANCHISOR:

Sperry Commercial Global Affiliates, LLC

BY: _____

BY: _____

ITS: _____

ITS: _____

MICHIGAN

ADDENDUM FOR MICHIGAN FRANCHISEES

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel that deprives a franchisee of rights and protection provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need to more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials that have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than five years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, 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 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 that permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualification 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) of this Appendix, above.

(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 ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

Michigan Department of Attorney General
Consumer Protection Division
670 Law Building
Lansing, Michigan 48913
(517) 373-7117

MINNESOTA

APPENDIX FOR MINNESOTA FRANCHISEES

The Minnesota Department of Commerce requires the following specific disclosures to be made to prospective Minnesota franchisees:

1. With respect to Item 5 and 7 of the Disclosure Document and Section 4.1(b) and 4.4(a) of the Franchise Agreement, please note that the Initial Franchise Fee and Technology Set Up Fee is due and payable in full on the opening date and is fully earned by Franchisor when paid.
2. With respect to Item 17(b) of the Disclosure Document and Section 5.3 of the Franchise Agreement, please note that if you do not elect to extend your Franchise for an additional term, you will be given an opportunity to operate your Franchise over a sufficient period of time to enable you to recover the fair market value of the Franchise as a going concern, as determined and measured from the date of the failure to renew. Sperry will not refuse to renew a Franchise for the purpose of converting your business premises to an operation that will be owned by Sperry for our own account.
3. Notwithstanding Item 17(d) of the Disclosure Document and Article 13 of the Franchise Agreement, Minnesota Statutes Section 80C.14, Subdivision 3, 4 and 5 require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement. To the extent the notice provisions of this Agreement are inconsistent with the foregoing, the aforesaid Minnesota statute will govern.

Notwithstanding the immediately preceding paragraph, notice of termination or cancellation of the Franchise shall be effective immediately upon receipt where the alleged grounds for termination or cancellation are:

- (i) voluntary abandonment of the Franchise relationship by you;
 - (ii) your conviction of an offense directly related to the business conducted pursuant to the Franchise; or
 - (iii) failure to cure a default under the Franchise Agreement which materially impairs a goodwill associated with Sperry's trade name, trademark, service mark, logo type or other commercial symbol after you have received written notice to cure at least 24 hours in advance.
4. Minnesota Rule 2860.4400D prohibits Sperry from requiring you to assent to a general release.
 5. Notwithstanding the provisions of Item 17u of the Disclosure Document, Minnesota Rule 2860.4400J prohibits waiver of a jury trial.
 6. Under Minnesota Rule 2860.4400J, (i) the franchisor cannot require you to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes; provided that this rule does not bar an exclusive arbitration clause and (ii) only a court may determine if a bond is required. Also, the franchisee cannot be required to consent in advance to the franchisor obtaining injunctive relief. However, the franchisor may seek injunctive relief.

7. Throughout the Disclosure Document, wherever consent is required, it shall not be unreasonably withheld within the meaning of Minnesota Statutes section 80C.14, part 2860.4400J.

8. Minnesota Statutes section 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring

litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

9. Notwithstanding Item 13 of the Disclosure Document and Section 9.5 of the Franchise Agreement, Sperry will defend you at our cost and expense against liability or claims in connection with your authorized use of our Name or Marks. You will not be responsible for the costs of any litigation to protect or defend the Name or Marks unless your unauthorized use of the Name or Marks caused it. Minnesota considers it unfair to not protect your right to use Sperry's trademarks pursuant to Minn. Stat. Sec. 80C.12, Subd. 1(g).

10. Minnesota Statutes Section 80C.17, Subdivision 5 limits claims against Sperry to 3 years.

11. 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.

To the extent necessary our signatures below amend the Franchise Agreement between Sperry and you in accordance with the above sections 1 through 9.

Date: _____

Date: _____

Franchisor:

Franchisee:

SPERRY COMMERCIAL GLOBAL AFFILIATES LLC.

By: _____

By: _____

NEW YORK

NEW YORK STATE ADDENDUM

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 E 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 THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee":

You may terminate the agreement on any grounds available by law.

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.

RHODE ISLAND

ADDENDUM FOR RHODE ISLAND FRANCHISEES

The following provisions constitute an amendment to the Franchise Agreement. This amendment is hereby incorporated into and made a part of the Franchise Agreement to the extent the following paragraphs amend the respective sections of the Franchise Agreement as set forth below:

1. Notwithstanding Section 14.3 of the Franchise Agreement, and Item 17 of the Disclosure Document, any litigation or arbitration arising under the Franchise Agreement shall take place in Rhode Island or other place mutually agreed to by Franchisee or Franchisor.

2. Notwithstanding Section 16.13 of the Franchise Agreement, and Item 17 of the Disclosure Document, and to the extent required by Section 19-28.1-14 of the Rhode Island Franchise Investment Act, the laws of the State of Rhode Island shall govern the Franchise Agreement. Section 19-28.1-14 of the Rhode Island General Laws 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."

DATED: _____

FRANCHISOR: _____

(Signature)

VIRGINIA

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
AND FRANCHISE AGREEMENT FOR VIRGINIA FRANCHISEES**

As required by the Division of Securities and Retail Franchising of Virginia, this addendum makes the following specific disclosures and amendments to the Franchise Disclosure Document and Franchise Agreement of prospective Virginia franchisees.

In recognition of the restriction contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Sperry Commercial Global Affiliates, LLC, for use in the Commonwealth of Virginia shall be amended as follows:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement do 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.

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

DATED: _____

FRANCHISOR: _____
(Signature)

DATED: _____

FRANCHISEE: _____
(Signature)

WASHINGTON

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AND RELATED AGREEMENTS

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, 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.

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (i) received all initial training that it is entitled to under the franchise agreement or franchise disclosure document, and (ii) is open for business.

Franchisees who receive financial incentives to refer franchise prospects to the Franchisor may be required to register as franchise brokers under the laws of Washington State.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims

under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _____ day of _____ 20_____.

FRANCHISOR:
Sperry Commercial Global Affiliates, LLC

FRANCHISEE:

By _____
(Authorized Signature)

By _____
(Authorized Signature)

WISCONSIN

APPENDIX FOR WISCONSIN FRANCHISEES

The Wisconsin Franchise Investment Division requires the following specific disclosures to be made to prospective Wisconsin franchisees:

1. Notwithstanding Item 17c and Item 17f of this Disclosure Document, the Wisconsin Fair Dealership Law prohibits the termination, cancellation, nonrenewal or substantial change of the competitive circumstances of the franchise without good cause. Sperry Commercial Global Affiliates, LLC must give you 90 days written notice of termination, cancellation, nonrenewal or substantial change of the competitive circumstances of the franchise. You have 60 days in which to cure the deficiency. The Wisconsin Fair Dealership Law supersedes any provisions contained in the franchise agreement that are not consistent with this law.

2. Notwithstanding Item 17v and Item 17w of this Disclosure Document, Wisconsin Statutes, specifically the Wisconsin Fair Dealership Law, Chapter 135, supersedes any provisions of the Franchise Agreement, if such provisions are in conflict with that law.

SPERRY

STATE EFFECTIVE DATES

EXHIBIT G

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:

| State | Effective Date |
|--------------|-------------------|
| California | |
| Hawaii | |
| Illinois | |
| Indiana | |
| Maryland | |
| Michigan | February 28, 2024 |
| Minnesota | |
| New York | |
| Rhode Island | |
| 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.

SPERRY

RECEIPTS

EXHIBIT H

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If Sperry Commercial Global Affiliates, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York law requires a franchisor to provide a Franchise Disclosure document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Sperry Commercial Global Affiliates, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency listed in Exhibit E.

We have no franchise brokers. The name, address and telephone number of the franchise seller for this offering is: Jamie Lung, 18881 Von Karman Avenue, Suite 800, Irvine, California 92612, telephone (949) 705-5000.

Date of Issuance: February 28, 2024.

Sperry Commercial Global Affiliates, LLC authorizes the person identified in Item 1 to receive service of process for it in your state. I received a disclosure document dated February 28, 2024, that included the following Exhibits:

- “A-1” Franchise Agreement
Exhibits to Franchise Agreement:
Exhibit 1: Location of Sperry Office; Listings Exclusions
Exhibit 2: Names and Addresses of Principal Equity Owners
Exhibit 3: Guarantee of Franchise Agreement
Exhibit 4: Confirmation of Annual Gross Commissions Earned
- “A-2” Addendum to Franchise Agreement Authorizing Business Brokerage Services
- “A-3” Addendum to Franchise Agreement Authorizing Property Management Services
- “B” Financial Statements
- “C” List of Franchise Outlets
- “D” List of Terminated Franchises
- “E” State Franchise Administrators and Agents for Service of Process
- “F” State Specific Addenda
- “G” State Effective Dates
- “H” Receipts

DATED: _____
(Do not leave blank)

If a business entity:

If an individual:

(Name of Business Entity)

(Signature of Prospective Franchisee)

(Signature of Primary Contact Owner)

(Print Name)

(Print Name and Title)

Please date and sign this page, and then keep it for your records.

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If Sperry Commercial Global Affiliates, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York law requires a franchisor to provide a Franchise Disclosure document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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- “F” State Specific Addenda
- “G” State Effective Dates
- “H” Receipts

DATED: _____
(Do not leave blank)

If a business entity:

If an individual:

(Name of Business Entity)

(Signature of Prospective Franchisee)

(Signature of Primary Contact Owner)

(Print Name)

(Print Name and Title)

Please date and sign this page, and then return it to Jamie Lung, Sperry Commercial Global Affiliates, LLC, either by mail to 18881 Von Karman Avenue, Suite 800, Irvine, California 92612 or by e-mail to jamie.lung@sperrycga.com.