



FRANCHISE DISCLOSURE DOCUMENT

Storm Guard Franchise Systems, LLC
A Texas Limited Liability Company
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We grant you the right to operate a single Storm Guard® business (“Business”), which allows you to offer Storm Guard products and services within a specific geographic area.

The total investment necessary to begin operation of a Storm Guard® Business ranges from \$185,400 to \$221,600. This includes \$86,000 to \$97,000 that must be paid to us.

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

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 John North at 817-415-0030 or jnorth@stormguardrc.com.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page 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: May 31, 2023

How To Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
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 Item 20 or Exhibit I.
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?	Item 21 or 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 Storm Guard 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 Storm Guard franchisee?	Item 20 or Exhibit I lists 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 C.

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Texas. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Texas than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
4. **Minimum Payments.** You must make minimum royalty and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

**NOTICE REQUIRED BY
STATE OF MICHIGAN**

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise before the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which 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 which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

(i) A provision 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 the Department of Attorney General, Consumer Protection Division (Attention Franchise), P.O. Box 30212 Lansing, Michigan 48909, telephone (517) 373-7117.

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

To simplify the language in this disclosure document, “we” or “us” means Storm Guard Franchise Systems, LLC, the franchisor. “You” means the legal entity or individual that signs the Franchise Agreement and buys the franchise. Because you may be a corporation, partnership, limited liability company, or other legal entity, “you” also may mean the owners of the legal entity signing the Franchise Agreement.

The Franchisor (Us) and Affiliates

We are a Texas limited liability company formed on November 13, 2014. We were initially formed as a Minnesota limited liability company on January 25, 2011, but we converted to a Texas limited liability company in November 2014 in connection with our change in ownership and relocation of our principal place of business to Texas. Our principal place of business is at 5000 Overton Plaza, Suite 200, Fort Worth, Texas 76109. We do business under the name “Storm Guard Franchise Systems, LLC”, “Storm Guard Roofing and Construction” and “Storm Guard” and we do not currently do business under any other name.

Storm Guard Restoration, LLC (“SGR”), our former affiliate and predecessor, began the Storm Guard® concept in Minnesota in 2003 and wound down its operations as a “Storm Guard” branded business in March 2014. As of the date of this disclosure document SGR has been wound down, but the former owner of SGR continues, with our consent, operating a similar business under a new business name, Pro Tech Restoration, in the Minneapolis/St. Paul, Minnesota market area. SGR assigned the ownership rights to the “Storm Guard®” trademarks to us in April 2014.

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

Business Experience of Us and Our Affiliates

We began offering franchises in 2011. We do not offer, and have not offered, franchises in any other line of business.

From 2003 until March 2014, SGR operated one Storm Guard® business in Minnesota similar to those being franchised. In the past, SGR also opened and operated several temporary business locations throughout the United States in areas which had suffered significant storm damage, but no such temporary business locations are in operation as of the date of this disclosure document, and we do not have plans to establish or operate any temporary business locations in the future.

Our former affiliates have operated businesses similar to those being franchised since 2003. As of the date of this disclosure document, we currently operate one Storm Guard business similar to those being franchised in Fort Worth, Texas. Our franchisees are not our employees, but independent business owners.

One of our affiliates, Solatruue, LLC *f/k/a* Southern Solar Franchise Systems, LLC (“Solatruue”), a Texas limited liability company, has offered Solatruue franchises in a different line of business (solar panel systems and related products and services) since November of 2022. Solatruue, which shares our principal business address, currently has 5 franchised locations in operation.

Except as described above, we have no parents or predecessors and no affiliates that provide products or services to our franchisees or offer franchises in any line of business.

The Franchise

We grant you the right to operate a single Storm Guard® business (“Business”) within a specific geographic area and to develop business in that geographic area (your “Franchised Area”) under the terms of the Storm Guard® Franchise Agreement (“Franchise Agreement”). A copy of the Franchise Agreement is included in this disclosure document as Exhibit A.

You must operate the Business under the Storm Guard® system (the “System”), which includes methods, techniques and know-how for the sale of commercial and residential building restoration services under the Storm Guard® trademark, as well as certain other service marks, trademarks, trade names, domain names, logos and commercial symbols designated by us (the “Marks”), including but not limited to repairing and replacing damaged roofing, siding, gutters and windows, ceiling repair and replacement, sheetrock and painting, carpentry, flooring and cabinetry repair, using all related business techniques, methods of communication with insurance companies and owners, procedures and technology, signs, vehicles, equipment, supplies, Confidential Information (as defined in Item 14), training, development, software, services, including geographic weather tracking and satellite building measurement tools, advertising, marketing, sales promotion and materials, and incentive programs, all of which we periodically may change, improve and further develop.

Storm Guard® Businesses are allowed under the Franchise Agreement to offer and provide exterior restoration services to repair damage to commercial and residential buildings, usually caused by age, weather damage or storms. In the event that exterior damage to a building requires some interior restoration services in order to properly complete the external restoration work, we may, at our option, permit you to perform limited interior restoration work. Unless we otherwise consent in writing, you may directly solicit customers only in your Franchised Area, and you may only provide restoration services to customers in your Franchised Area.

The Market and Competition

The market for Storm Guard services is developed. Storm Guard® businesses primarily target owners of commercial and residential buildings that have been damaged by weather, storms or age. Storm Guard® businesses offer restoration services for buildings and homes that include repairing or replacing roofing, siding, windows, gutters or any other damaged exterior and by working with the owner or the owner’s insurance company to cover the cost of the restoration. You will compete with other companies offering building and home restoration services in areas damaged by weather, age or storms. Some of these businesses will, like Storm Guard®, offer restoration services that include working with the owner’s insurance company, and some of these businesses will offer estimates on damaged buildings or homes, but require the owner to handle the insurance coverage for the damage. Businesses will also work directly with owners to complete the restoration without submission to the owner’s insurance company.

Laws and Regulations; Licenses and Permits

The Business will be subject to various federal, state and local laws, statutes, codes, rules, regulations and ordinances that apply to businesses generally, such as the Americans with Disabilities Act (“ADA”), Fair and Accurate Credit Transactions Act, wage and hour laws, and business and construction-related licensing and permit requirements. In addition, the Business’ owners and any subcontractors used in the Business are subject to state contractor or subcontractor licensing requirements, as well as specific construction licensing and insurance law requirements. Failure to maintain the proper licensing and permits is a material breach of the Franchise Agreement. It is your sole responsibility to comply with all applicable laws, statutes, codes, rules, regulations and ordinances, and to obtain and keep in force all other necessary licenses, certifications and permits required by public authorities. You should research these requirements before investing in a Storm Guard® business. In some states, you are not permitted to negotiate directly

with a homeowner's or building owner's insurance company, and may only be permitted to assist the homeowner or building owner.

You must comply with all payment card infrastructure ("PCI") industry and government security standards and requirements designed to protect cardholder data. PCI standards apply to both technical and operational aspects of credit card and other payment card transactions and apply to all organizations which store, process or transmit cardholder data.

We recommend that you consult with legal counsel or other professional advisors to help you investigate and understand these laws before you purchase a Storm Guard® business. It is your sole responsibility to thoroughly investigate which regulations and/or licensing requirements are imposed by your state and local government authorities.

ITEM 2 **BUSINESS EXPERIENCE**

Chief Executive Officer and Co-Owner: Glenn Lynch

Glenn Lynch became one of our owners in March 2014 and took on the role of Chief Executive Officer in August 2014. He also serves as Property Development and Construction Manager for Bobby Cox Companies, Inc. in Fort Worth, Texas, a position he has held since March 2012. Glenn Lynch has also served as CEO of our affiliate, Solatrue, LLC, based in Fort Worth, Texas, since July 2022. Mr. Lynch offices in Fort Worth, Texas.

President: Shane Lynch

Shane Lynch has served as our President since January 2015. Shane Lynch has also served as President of our affiliate, Solatrue, LLC, based in Fort Worth, Texas, since July 2022. Mr. Lynch offices in Fort Worth, Texas.

Controller: Jacob Briggs

Jacob Briggs has served as our Controller since November 2020. Prior to joining us, Jacob served as Controller at Averett Financial, LLC (September 2019 to November 2020), VP-Controller at Property Damage Appraisers, Inc. (October 2018 to September 2019), Controller at Structural & Steel Products, Inc. (December 2017 to October 2018), Assistant Controller at Food Business Services, LLC (April 2017 to November 2017), and as Assistant Controller at Cash America International, Inc. (December 2013 to April 2017). Jacob Briggs has also served as Controller of our affiliate, Solatrue, LLC, based in Fort Worth, Texas, since July 2022. Mr. Briggs offices in Fort Worth, Texas.

Co-owner: Bobby Cox

Bobby Cox became one of our Co-owners in August 2014. He is also the founder and CEO of Bobby Cox Companies, Inc. based in Fort Worth, Texas, positions he has held since December 1985. Mr. Cox is also currently an owner and the Chief Executive Officer of numerous companies operating throughout the United States, including marketing companies, custom food manufacturers, ranching, real estate, and restaurants such as Rosa's Café (from December 1995 to the present), Taco Villa (from December 1992 to the present), and Texas Burger (from December 1967 to the present). Mr. Cox is also an owner of our affiliate, Solatrue, LLC, based in Fort Worth, Texas, since July 2022. Mr. Cox offices in Fort Worth, Texas.

Chief Financial Officer: Mike Whelan

Mike Whelan has served as our CFO since January 2020. Since June 2018, he has also served as the CFO of Bobby Cox Companies, Inc. in Fort Worth, Texas. Bobby Cox Companies, Inc. is a holding company with interests in restaurants, real estate and ranching, and is also one of the owners of Storm Guard. From December 2009 to May 2018, Mike served as the CFO of Cooper Natural Resources, Inc., a holding company located in Fort Worth, Texas, with operating businesses in chemicals, oilfield products and services and consumer products. Mike Whelan has also served as CFO of our affiliate, Solatrue, LLC, based in Fort Worth, Texas, since July 2022. Mr. Whelan offices in Fort Worth, Texas.

Sean “Kyle” Barr: Vice President of Franchise Operations

Kyle Barr has served as our Vice President of Franchise Operations since November 2019 and has been employed by us since November 2014, working as a franchise business consultant on our franchise operations team from November 2014 to November 2019. After five years of consulting our franchisees, Kyle was appointed to his current leadership role. Mr. Barr offices in Lillian, Alabama.

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

Initial Franchise Fee

Upon signing a Franchise Agreement, you must pay us a nonrefundable initial franchise fee (“Initial Franchise Fee”) in the amount of Sixty-Five Thousand Dollars (\$65,000) for a Franchised Area that consists of one Standard Territory. Each “Standard Territory” is a geographic area containing at least 100,000 owner-occupied single-family homes and/or duplexes as determined by us in our sole discretion.

We have the right, however, to periodically decrease or increase the amount of the Initial Franchise Fee or how we calculate it. The Initial Franchise Fee is uniformly imposed, is fully earned upon our receipt and is not refundable.

Initial Franchise Fee for United States Military Veterans

If you are a retired or honorably discharged veteran of the United States military, you will receive a \$6,500 discount on our Initial Franchise Fee.

Opening Package

Before opening, you must obtain from us your initial sales promotion, print materials, and certain materials for conducting your Business (“Opening Package”). The Opening Package includes Storm Guard® signs, clothing, banners, door hangers, brochures, letterhead, business cards, Storm Guard® tarping equipment, vehicle wrap, and some technology set-up and service fees. The price of the Opening Package will range from \$21,000 to \$32,000, including shipping and handling. Your payment for the Opening Package is not refundable.

ITEM 6
OTHER FEES

Type of Fee (Note 1)	Amount	Due Date	Remarks
Royalty Fee	<p>6.25% of your Gross Sales, subject to the following minimum revenue and royalty requirements:</p> <p>We have established minimum royalty requirements. SEE Remarks column and the footnotes following this table for details regarding the minimum royalty requirements.</p>	<p>Once per week (currently Monday of each week). Payable via electronic funds transfer.</p>	<p>(1) During your first full calendar year of operation you must achieve at least \$1,000,000 in Gross Sales and if you fail to do so, your royalty payments for that year must equal 6.25% of \$1,000,000; and (2) during your second full calendar year of operation you must achieve at least \$1,500,000 in Gross Sales and if you fail to do so, your royalty payments for that year must equal 6.25% of \$1,500,000; and (3) during your third full calendar year of operation and each subsequent year you must achieve at least \$2,000,000 in Gross Sales and if you fail to do so, your royalty payments for that year must equal 6.25% of \$2,000,000.</p> <p>See Note 2 below for further information regarding minimum royalties.</p>
Emergency Tarping Roll	<p>You must obtain from us, and continue to have on hand, a minimum of one tarp roll, consisting of 6,000 square feet. Currently, we charge \$1,250 per tarp roll (plus shipping costs). In the future, we may reduce the size of the rolls and increase the minimum number of tarps.</p>	As incurred	See Note 4

	The initial inventory of tarping rolls is provided with your Opening Package.		
Promotional Materials	You must obtain certain promotional materials from us, which may include, among other things, clothing and home show materials, etc.	As incurred	
Interest Charges	1.5% per month or maximum rate provided by law.	As incurred.	
Late Payment Service Charges	\$100 for each delinquent payment.	As incurred.	
Late Reporting Fee	\$100 for each delinquent report.	Payable when the delinquent report is due, and continuing for each period that the report remains delinquent.	
Tax Indemnification and Reimbursement (Note 3)	You must indemnify and reimburse us for all income, capital, gross receipts, sales, and other taxes that the state in which the Business is located imposes as a result of your operation of the Business or the license of any of your intangible property in the jurisdiction in which the Business is located.	Payable at the same time as the Royalty Fee, or as we otherwise prescribe.	If more than one franchisee is located in the jurisdiction in which the Business is located, they will share the liability in proportion to their Gross Sales from the franchised business, except in the case of sales taxes and gross receipts taxes, which will be divided in proportion to taxable sales to the franchisees.
Brand Development Fee	.75% of Gross Sales	Payable by electronic funds transfer at the same time as Royalty Fee.	Placed in a Brand Development Fund we own and manage. See Item 11.
Local Advertising and Cooperatives	You must spend at least \$2,500 per month total on approved promotional activities during your first year of operations, \$5,000 per month total during your second year of operations, and \$7,500 per month during all subsequent years of	Minimum amount must be spent during each month.	See Item 11. If you fail to spend the minimum amount, you must pay us the amount of the difference for deposit in the Brand Development Fund. We have the sole right to designate any geographic area in which 2 or more company-owned or franchised Storm Guard Businesses are located as a

	operations.		region for purposes of establishing a local advertising cooperative (“Cooperative”). You will be required to contribute monthly amounts determined by a majority vote of the members of your Cooperative. Any amounts you contribute to a Cooperative will be applied to satisfy your local advertising requirement. We reserve the right to form or dissolve Cooperatives at any time upon written notice to you, and we or our designee will administer the Cooperatives.
Audits of franchisees (Note 5)	Cost of audit plus interest charges, as described above.	Immediately upon receipt of bill.	
Transfer Fee	\$12,500, plus any applicable broker fees that we incur, for transfers to new franchisees; \$2,500 for transfers to current Storm Guard® franchisees.	Upon completion of transfer.	
Management Fees	Will vary under the circumstances, depending on the extent and duration of the management services your business will require during any transitions. Currently, we plan to charge a Management Fee of 5% of Gross Sales in the event we must manage your Business.	When incurred by us.	Upon death or disability of your Primary Owner (as defined in Item 15) we or our designee may manage the Business during a transition period to a new Primary Owner. We or our designee may charge you a fee for any management services.
Additional or Ongoing Training	Then-current fee, currently \$300 per person, per day.	30 days prior to training.	See Item 11.
Annual Meeting or Convention	We charge a fee for attendance at our annual meetings and conventions. Currently, the fee is \$1,000 per franchisee (up to 2 people) to attend the meeting or convention.	Before annual meeting or convention.	Does not include the cost of travel, lodging or meals and may be increased at our discretion.
Technology Fee and e-mail Fees	The Technology Fee is currently up to \$100 per month per franchised territory. In addition, we	Payable by electronic funds transfer at the same time as Royalty Fee	If imposed, support provided by us or suppliers. We charge you \$12 per month for each e-mail address. At your option, you

	will charge you \$12 per month for each Storm Guard e-mail address.	payments.	may choose to purchase enhanced email addresses including Microsoft Office features, which cost \$22 per month for each e-mail address. See Items 8 and 11. Each Storm Guard e-mail address includes access to our online learning management system. We may increase the monthly Technology Fee and e-mail fees upon 30 days' written notice to you.
Sales App Fee	\$24 per month per user	Payable monthly	The Spotio application is required for each of your employees engaged in the sales process. This product helps track sales and sales calls in the field. We may change sales tracking applications with notice to you. This fee may be increased upon 30 days' written notice to you.
Proprietary Software Licensing or User Fee	Will vary under the circumstances, depending on the cost of the software and the number of users in your business.	As incurred.	Due to us or suppliers. See Items 8 and 11.
Aerial Measurement Services	We estimate the fee will range from \$20 to \$60 per residential unit and \$200 to \$1,000 per commercial unit, depending on your location.	As incurred.	Due to us or suppliers. See Items 8 and 11.
Xactimate® Estimation Software	We estimate the fee will range from \$100 to \$150 per month per user, depending on your location.	Payable monthly or annually, as billed	Due to us or suppliers. See Item 11.
Costs and Attorneys' Fees	Will vary under the circumstances, depending on the nature and extent of any enforcement action or other proceedings and will include all costs associated with the enforcement action and attorneys' fees.	As incurred.	Payable if we incur any costs or expenses in enforcing the Franchise Agreement or in connection with certain related actions or proceedings.
Alternative Supplier Review	Currently, we do not charge to review alternative suppliers, but reserve the right to charge	As incurred	See Item 8.

	in the future.		
Post Termination and Associated Expenses	You must pay for all costs associated with ceasing to be our franchisee or the de-identification of your business office and vehicle(s).	As incurred.	See Item 17.
Indemnification	Will vary under the circumstances and will cover all costs associated with our defense, depending on the costs of attorneys' fees or other related costs we incur.	As incurred.	You must indemnify us, our affiliates or other related parties for any claims or liabilities in connection with your ownership and operation of the Business, or your breach of the Franchise Agreement. You must also indemnify us if we are ever required to collectively bargain or enter into a collective bargaining agreement with any of your employees, contractors, or sub-contractors.
Insurance	Cost of insurance.	Payable before opening.	If you fail to obtain and maintain required insurance, we may obtain insurance on your behalf, and you must immediately reimburse us for that insurance and our expenses.
Work Expense Fee	An amount equal to our costs and expenses incurred in completing work for your client or the amount refunded to your client by us	As incurred	If you fail to complete work for one of your clients or refund the funds allocable to the incomplete work within 10 days after notice from us that you have failed to timely complete a client project, we may, in our sole discretion: (a) complete the work, (b) refund the funds allocable to the incomplete work to the party that advanced such funds to you, (c) take other related actions as we deem appropriate under the circumstances, or (d) take no action. If we perform any work for your clients you must promptly reimburse us for all of our costs and expenses incurred in completing such work. If we refund the funds allocable to the incomplete work, you must reimburse us for the funds that we reimbursed to the customer.

Notes:

- (1) Payment of Fees. Unless otherwise noted, you must pay all fees to us or to the applicable supplier as applicable (either directly or through the process described in Note 3 below), and all fees are nonrefundable and uniformly imposed.
- (2) Gross Sales and Minimum Royalties. “Gross Sales” means the aggregate amount of the total sales from all goods sold and services performed by your Business, whether or not actually collected, whether for cash, check, on credit, bartered or otherwise, at, from or in connection with the Business or the Marks. The term “Gross Sales” excludes sales tax, gross receipts tax, or other tax that is imposed on the sales of goods and/or services and that is paid directly by you to a taxing authority. For purposes of the “Royalty Fee” described in this Item 6, a sale is made at the time the Business receives payment from the customer (whether paid in full or in part), but we retain the right to collect Royalty Fees on any Gross Sales not collected from a customer or not deposited in your account within 120 days from the date the invoice or bill is sent to the customer.

We may agree to reduce your minimum performance requirements in writing, including the Minimum Royalty Fees that you must pay, in our sole judgment and not subject to review. If you fail to meet the applicable minimum performance requirement for any year, such failure shall constitute a material breach of your franchise agreement, and we shall have the right to terminate your franchise agreement upon written notice to you.

- (3) Collection of Fees. We will compute the amount of Royalty Fees due and owing to us on a certain day of each week, as established in our Operations Manual, for the preceding week’s operation and collect these amounts from your account, electronically or through some other method of payment we designate, on the day the Royalty Fees are due (currently Monday of each week). You will be required to sign electronic transfer of funds authorizations and other documents as we periodically designate to authorize our bank to transfer, either electronically or through some other method of payment we designate, directly to our account all amounts you owe us. We have the right to conduct periodic accountings and, as a result of those accountings, to pay you any amounts we determine are due and owing to you from us or our affiliates, or to bill you any amounts we determine are due and owing to us or our affiliates from you. You agree to execute and complete the Authorization Agreement attached as Appendix A to the Franchise Agreement and/or such other documents as we may require periodically, to authorize and direct your bank or financial institution to pay and deposit directly to our account, and to charge to your account, any amounts we determine are due and owing to us or our affiliates from you, provided that we have billed you for any such amounts and they become delinquent according to the payment terms set forth in the applicable invoice or statement.
- (4) Emergency Tarping Rolls. Before opening your Business, you must purchase from us a Storm Guard® branded tarp for emergency tarping of homeowner’s damaged roofing or siding, the first of which is included in the Opening Package. This tarp must be the only tarp used for tarping damaged property. As described in Item 5 and Item 6, we currently charge \$1,250 per tarp roll (plus shipping costs), and each roll has approximately 6,000 square feet of tarp. In the future, we may reduce the size of each roll and increase the minimum number of rolls you must have as inventory for your Business.
- (5) Audits of Franchisees. If you under-report your Gross Sales for any calendar year or calendar month by 2% or more of the actual Gross Sales for that period, you will (a) reimburse us for all costs of the investigation, including salaries, outside accountant fees, outside attorneys’ fees, travel, meals and lodging, unless such under-reporting is due to an error or omission caused or created by us;

and (b) we may immediately terminate the Franchise Agreement, unless such under-reporting is due to an error or omission caused or created by us. You agree to pay for all costs related to any planned audit that is not conducted or not completed on schedule due to your failure to produce your books and records at the time of audit if we notify you in writing of the audit at least five days before the scheduled date. We may estimate your Gross Sales to determine whether you under-reported Gross Sales.

- (6) Insurance Supplementing. The Xactimate® estimation software is a necessary tool to supplement (or add on to) the restoration work completed by your business. As described in Item 11, we will provide training in how to use and implement the Xactimate® software.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT ^{(1) (15)}

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee (Note 2)	\$65,000 (Note 2)	Lump Sum	When you sign the Franchise Agreement	Us
Rent Deposits (Note 3)	\$1,500 to \$3,000	Lump Sum	Before Opening	Landlord
Utility Deposits (Note 4)	\$300 to \$600	As Incurred	Before Opening	Utility Providers
Leasehold Improvements (Note 3)	\$0 to \$4,000	As Incurred	Before Opening	Landlord or Third-Party Providers
Insurance Deposits (Note 5)	\$3,000 to \$5,000	As Arranged	Before Opening	Insurance Company
Travel and Living Expenses While Training (Note 6)	\$3,000 to \$5,000	As Incurred	Before Opening	Airline, Hotel, Restaurants
Opening Package (Note 7)	\$21,000 to \$32,000	Lump Sum	Before Opening	Us
Vehicles (Note 8)	\$3,600 to \$4,500	As Incurred/ Lump Sum	Before Opening	Manufacturer
Licenses, Certificates and Permits (Note 9)	\$0 to \$5,000	As Incurred	Before Opening	Licensing Authorities
Additional Signage, Equipment and Supplies (Note 10)	\$500 to \$1,500	As Incurred	Before Opening	Suppliers
Furniture, Fixtures & Equipment (Note 11)	\$10,000 to \$15,000	As Incurred	Before Opening	Suppliers
Professional Fees (Note 12)	\$2,500 to \$5,000	As Arranged	Before Opening	Attorneys, Accountants

Dues and Subscriptions (Note 13)	\$0 to \$1,000	As Incurred	Before Opening	Business and Construction or Contracting Associations
Additional Funds (3 months) (Note 14)	\$75,000	As Incurred	After Opening	Employees, Suppliers, Utility Providers, Landlord, Other Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (Notes 1 and 15)	\$185,400 to \$221,600			

Notes:

- (1) This estimated initial investment assumes that you will initially operate only one Storm Guard® Franchised Area serving an area containing at least 100,000 owner-occupied single-family homes and duplexes. Unless otherwise stated in the notes or payable to vendors or other third parties, all amounts due are generally non-refundable and fully earned upon payment.
- (2) The Initial Franchise Fee will be the same for all similarly situated franchisees. We reserve the right to modify the Initial Franchise Fee in our discretion as we deem appropriate. Any amounts payable to us are generally not refundable.
- (3) This estimate assumes a prepayment of one to two months of rent, based upon one business office with approximately 1,500 to 2,000 square feet of space. Since real estate values vary dramatically from region to region, we cannot accurately estimate your rent. This estimate is indicative of a site within the Austin, Texas area at an annual leasing rate of \$16.00 per square foot for 2,000 square feet on the high end, with a prepayment of two months' rent, and \$12 per square foot for 1,500 square feet on the low end, with a prepayment of one month's rent. Pre-paid rent is generally non-refundable, while security or other deposits may be refundable either in full, or in part, depending upon the applicable lease, rental agreement or other agreement. This minimum estimate also assumes that you will secure a business office that requires no leasehold improvements, with an existing office either needing no modifications or minimal improvements to partition a large room to create work spaces. If you operate your Business in a higher rent area, your rent could exceed \$3,000 and your initial investment will likely be higher than the total estimated initial investment set forth in this Item 7.
- (4) Utility deposits are not typically high expenses; however, a credit check may be required by the issuing company before beginning services, or a higher deposit required for first time customers. These costs will vary and are due to the type of services required for the business office and the municipality from which it is being contracted.
- (5) This estimate is for the cost of all deposits necessary to obtain the minimum required insurance as described in Item 8. You will need to check with your local carrier(s) for actual premium quotes and costs, as well as the actual amounts of the deposits. The cost of coverage will vary based upon the area in which the Business will be located, your experience with the insurance carrier(s), the loss experience of the carrier(s), and other factors beyond our control. You should also check with your insurance agent(s) or broker(s) regarding any additional insurance that you may wish to carry above our stated minimums.

- (6) Although we do not charge for up to two individuals affiliated with the Business, including your Designated Owner (as defined in Item 15) and one Key Manager, to attend our initial training program, you will be responsible for all other costs associated with attendance, including the transportation, lodging, meals, wages and benefits of each of your attendees. See Item 11 for more information on training. The amount expended will depend, in part, on the number of attendees you send, the distance your attendees must travel and the type of accommodations you choose. This estimated range contemplates the training of two individuals commuting by car each day to the training, on the high end, two individuals that must cover airfare and accommodations out of state.
- (7) As described in Item 5, the Opening Package includes most of the smaller promotional and business items you will need to open your Business, such as yard signs, clothing, promotional materials, door hangers, process forms, brochures, and paper products. Finally, it includes tarping materials and full wraps for two vehicles. It does not include any sellable inventory.
- (8) You must acquire at least two vehicles (with at least one being a pick-up truck) that are each less than 5 years old. Such vehicles will be driven by your Key Manager(s) and any additional field staff you hire. This estimate assumes that you will finance or lease two vehicles and includes 3 monthly payments of \$600 per vehicle on the low end and 3 monthly payments of \$750 per vehicle on the high end. If you choose to buy or lease a more expensive vehicle than is common, your monthly payments could be more. If you choose to purchase your vehicles outright – which we do not recommend – you could spend in excess of \$50,000 during your first three months of operation to pay for such vehicles. Your vehicles must meet our standards as set forth in our Operations Manual (as defined in Item 11) and must always display our Storm Guard® vehicle wraps included in your Opening Package and any other required logos and Marks in the form we designate.
- (9) You are responsible for obtaining and maintaining all required licenses, certifications and permits necessary to operate the Business. This estimate is based on our experience in opening and operating Storm Guard® businesses and includes your contracting license and any other necessary licenses to conduct sales, hire subcontractors and restore building exteriors. You will need to check with your advisors regarding these requirements.
- (10) You must display at least one prominent external “Storm Guard” sign at your premises, subject to compliance with any local building codes applicable to your premises.
- (11) You must purchase office equipment, computers, fixtures and other items to accommodate staff requirements, including computer equipment, desks, shelves, filing cabinets and furniture for the reception area.
- (12) These fees are representative of the costs for engagement of professionals such as attorneys and accountants for the initial review and advice consistent with the start-up of a franchised business. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this disclosure document, and subsequently, the Franchise Agreement. It is also advisable to consult these professionals to review any lease, rental agreement or other contracts that you will enter into as a part of starting the Business.
- (13) These fees will cover the cost of membership to certain professional and business organizations we recommend that you join. Currently, we suggest that you become a member of the Better Business Bureau when eligible.
- (14) This amount estimates the working capital necessary to cover the initial operating expenses for the operation of the Business. We relied on our experience in franchising Storm Guard® businesses

and in opening and operating Storm Guard® businesses to determine the estimates for this Additional Funds category. This amount includes employee salaries, utilities, insurance premium payments, telephone, cable, direct television, the cost of services or system software, internet access fees, taxes, rent and local advertising for a period of three months after you commence operation of the Business. This figure is an estimate. Costs will vary from Business to Business. You also will incur additional operating expenses in connection with the ongoing operation of the Business. Your actual required operating capital may exceed our estimate.

- (15) This total is an estimate of the initial investment required for you to commence operation of the Business for three months, and to open and operate a single Franchised Area. In determining the figures shown in this Item 7, we have relied on our experience in franchising Storm Guard® businesses as well as our former affiliate's experience in opening and operating Storm Guard® businesses. Your costs, however, may vary based on a number of factors, including the geographic area in which you commence operation of the Business, local market conditions, time of the year you open your Business, and your skills at operating the Business. We strongly recommend that you review the estimates in this Item 7 carefully with a business advisor before you sign the Franchise Agreement and use them as a guide to develop your own business plan and budget and investigate specific costs in your area.

The total estimated initial investment set forth in this Item 7 does not necessarily include sufficient working capital for your business to break even or reach profitability. You may never break even or reach profitability and we make no guarantees that you will ever break even or reach profitability.

These estimates do not account for inflation, discretionary expenditures, fluctuating interest rates, costs of financing, and local market conditions, which can be highly variable and can result in substantial, rapid and unpredictable increases in costs. You must bear any deviation or escalation in costs from the estimates in this Item 7 or estimates that we give during any phase of the development process.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure a uniform image and uniform quality of services and products throughout the Storm Guard® system and in conjunction with the System, you must maintain and comply with our quality standards. Although you are not required to purchase or lease your business office from us or an affiliate, we may approve or disapprove your business office location and your business office must meet our standards and specifications (see Item 11). You must provide a copy of any lease, rental agreement or other agreement relating to your business office to us upon our written request. We may also require you to sign and obtain agreement from the landlord of the business office premises to sign, an addendum to the lease or other premises agreement in a form similar to the one included as Exhibit E to this disclosure document. You must equip each business office in accordance with our then-current approved specifications and standards for Storm Guard® businesses pertaining to equipment and furniture. In addition to meeting our specifications and standards, it is solely your responsibility to ensure that your Business complies with all local, state and federal laws, building code requirements, contractor requirements, and the Occupational Safety and Health Act and the ADA.

Designated Sources

As disclosed in Item 5, the Opening Package must be purchased from us. As further described in Items 5, 6 and 11 and Sections 4, 6 and 9 of the Franchise Agreement, we provide a number of services to

you and your customers for specific fees. As of the issuance date of this disclosure document, we are the only designated source of these services and you must purchase them from us. As of the issuance date of this disclosure document, we are the only designated source for the emergency tarp you must use to cover damaged property and you must purchase it from us.

We have the right to designate the specific brand and/or manufacturer of any of the Approved Supplies (as defined below), and we have the right to designate a single source or sources from whom you must purchase any Approved Supplies. We or an affiliate may be that single source (if we only designate a single source) or one or more of the sources (if we designate more than a single source). Under all circumstances and without limiting the above, we have the right to designate, as applicable, the specific brand and manufacturer, or the single source of supply (which may be or include us), of the following: the Computer System (and any components that make up the Computer System, including without limitation any designated software or software systems); (ii) the vehicle(s) used in the operation of the Business; (iii) Proprietary Products and Services; (iv) certain mandatory or optional advertising, marketing and sales promotion materials we make available to you for purchase; (v) certain sales incentives for your sales team and any Storm Guard® customer; (vi) standard attire and uniforms for you and any of your employees; and (vii) any supplies, equipment, or materials used in commercial or residential restoration, including without limitation all roofing, siding, window or gutter materials, and supplies and certain equipment necessary for completion of all commercial or residential restoration completed by the Business. We will periodically notify you of these requirements, and changes to these requirements, through the Operations Manual, the Approved Supplies List or the Approved Suppliers List (as defined below), or other means.

We may conduct market research and testing to determine customer trends and the market for new services and products. If you want to participate in our market research programs and test market new services and products in the Business, you must provide us with timely reports and other relevant information regarding market research.

You must purchase and use our designated suppliers, as described in the Approved Products and Suppliers list in Exhibit H.

Approved Supplies and Suppliers

You must offer, sell or use in connection with the Business all services and products, and only those services and products, we periodically approve as being suitable for sale from or use by Storm Guard® businesses and meeting our standards of quality and uniformity for the System, and may not offer, sell or use any other service or product in connection with the Business without our prior written approval. You must use the approved services and products (including the Proprietary Products), equipment (including without limitation the designated vehicle(s) or equipment and Computer System described above), restoration materials, equipment and supplies, advertising, marketing and promotional materials, sales incentives, and any other items we periodically approve and require as part of the operation of the Storm Guard® businesses (collectively, “Approved Supplies”).

We will provide you with a list of Approved Supplies (“Approved Supplies List”) and a list of approved suppliers (“Approved Supplier List”). We have the right to periodically revise the Approved Supplies List and Approved Suppliers List, as we deem appropriate. We have the right to approve the brand, manufacturer, supplier or distributor of any of the Approved Supplies. We also have the right to require you to use approved suppliers. For some Approved Supplies and approved suppliers, however, we may only describe the specifications and standards they must meet, without reference to a particular brand, manufacturer, supplier or distributor. In addition, as further described above, we have the right to designate a single source or sources from whom you must purchase any Approved Supplies, and we or an affiliate

may be that single source or one or more of the sources. For certain Approved Supplies and other products and services, we, an affiliate or a third-party manufacturer, supplier or distributor may be the only approved supplier even though we have not designated a single source of supply for those items. All equipment, materials, services, inventory and other items and supplies used in the operation of the Business that are not included in the Approved Supplies List or Approved Suppliers List must conform to any specifications and standards we periodically establish. As of the date of this disclosure document, we are not approved suppliers for any of the Approved Supplies required in your Business, except for the Opening Package and the emergency tarp.

If we have not designated the brand and/or manufacturer, or the source or sources, of any of the Approved Supplies, you may request that we approve an alternative to that item, or an alternative supplier for that item. In that case, you must first notify us in writing and provide us (upon our request) sufficient specifications, photographs, drawings and other information or samples for us to determine whether the alternative item complies with our specifications and standards, or the alternative supplier meets our approved supplier criteria. We will notify you in writing as to whether or not the proposed alternative item or supplier is approved within 30 days. We may develop procedures for the submission of requests for approved alternative items or suppliers, and obligations that approved suppliers must assume (which may be incorporated in a written agreement to be signed by approved suppliers). We do not currently charge you or the supplier to evaluate the proposed alternative item or supplier. We may impose limits on the number of alternative items and/or suppliers to be used by you for the Business and in conjunction with the System. We have the right to revoke our approval of alternative items or suppliers.

We apply certain general criteria in approving (or revoking) a proposed supplier, including the supplier's quality and pricing of products or services, reputation, ability to provide products or services that meet our specifications, responsiveness, ability to provide products or services within the parameters required by the Storm Guard® system, quickness to market with new items, financial stability and insurance coverage, credit program for franchisees, freight costs and the ability to provide support to the Storm Guard® system. To the extent we make these general criteria available to franchisees, we will do so through the Operations Manual or other written communication.

You must purchase and maintain in full force and effect, at your expense, all of the insurance coverage described in the Operations Manual. All insurance coverage must: (i) be issued by an insurance carrier(s) acceptable to us; (ii) name us, and any other persons we designate by name, as additional insured, (iii) provide that we will receive 30 days' prior written notice of a material change in or termination, expiration or cancellation of any policy; (iv) contain a waiver of the insurance company's right of subrogation against us and any successors and/or assigns; and (v) cover all business office locations. Your insurance coverage must include, at a minimum: (1) comprehensive general liability insurance, including public liability, product liability, property damage, and personal injury coverage, with minimum limits of \$1,000,000 per occurrence and \$2,000,000 aggregate (although this may vary by state and by property); (2) workers' compensation, employer's liability and other insurance to meet statutory requirements; (3) automobile insurance covering all your Business's vehicles with a minimum limit of \$500,000 per occurrence; (4) fire, vandalism, theft, burglary and extended coverage insurance with primary and excess limits of not less than 100% replacement value of the Business, fixtures, equipment; (5) business interruption insurance; and (6) any other insurance coverages or amounts as required by law or other agreement related to the Business (for example, general contractor professional liability insurance). You must also purchase and maintain, at your expense, any additional insurance policies, in the amounts we prescribe, as outlined in the Operations Manual. See Item 7 for an estimate of the costs relating to your minimum insurance coverage requirements. All required insurance coverage must commence before Session A of your Storm Guard® training (as described in Item 11). You must provide us at Session A of your training, annually, upon renewal or extension, and at our request a proper certificate evidencing the existence of such insurance coverage and your compliance with the provisions of this paragraph. We also

may request copies of all policies at any time. We periodically may, with prior written notice to you, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation, changes in relevant circumstances, industry standards, experiences in the Storm Guard® system, higher damage awards or changes in standards of liability.

Except as described above in this Item 8, you are not required to purchase or lease any other products or services for the operation of the Business from us or from designated sources. In addition, except as described above in this Item 8, we are not approved suppliers for any products or services, as of the issuance date of this disclosure document.

We have the right to receive fees, payments, rebates, commissions or other consideration from third-party manufacturers, suppliers and/or distributors which may or may not be reasonably related to services we provide to these third parties. We have the right to receive fees and payments from third-party manufacturers, suppliers, and/or distributors of up to 15% or more of each of these third parties' sales of equipment, products, services, materials and supplies to Storm Guard® franchisees. We have the right to increase or decrease this percentage in the future. We will retain and use any fees, payments, rebates, commissions or other consideration as we deem appropriate or as required by a particular manufacturer, supplier or distributor.

During calendar year 2022, we provided emergency tarping materials to franchisees and received total income of \$3,787.90 from such required purchases by our franchisees. Due to accounting practices, such income is not reflected in our total revenue of \$9,338,466 achieved by us during the calendar year ended December 31, 2022, but if the entire \$3,787.90 was recorded as revenue it would constitute less than 1% of our total revenue for the 2022 calendar year. These figures come from our internal books and records. We have no affiliates that received revenues or other consideration from purchases or leases by our franchisees in the past year.

We may negotiate prices for products or services for the benefit of the Storm Guard® system, but not on behalf of an individual franchisee. There are currently no purchasing or distribution cooperatives. We will try to receive volume discounts for the Storm Guard® system. We may, but are not required to, provide material benefits to you because of your use of approved suppliers.

You can expect items purchased or leased in accordance with our specifications will represent approximately 60% to 80% of total purchases you will make to begin operations of the Business, and 60% to 80% of the ongoing costs to operate the Business.

Some of our officers own an interest in us. Otherwise, there are no approved or designated suppliers in which our officers hold an ownership interest. From time to time our officers may own non-material interests in publicly-held companies that may be suppliers to our franchise system.

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 Agreement⁽¹⁾	Item in Disclosure Document
a.	Site selection and acquisition/lease	Sections 9.1-.2; also see Exhibit E (Lease Addendum)	Items 7 and 11

b.	Pre-opening purchase/leases	Sections 4.9, 9.1-.2, 10.1-.3, 10.8, 10.13 and 10.18; also see Exhibit E	Items 5, 6, 7 and 8
c.	Site development and other pre-opening requirements	Sections 7.3, 9.1-.3, 10.1-.3 and 10.18	Items 7, 8 and 11
d.	Initial and ongoing training	Sections 1.4, 5.1-.2 and 17.4	Items 5, 6 and 11
e.	Opening	Sections 2.1, 2.2, and 9.3	Items 5 and 11
f.	Fees	Sections 1.6, 1.7, 3.2, 4, 5.1, 5.4, 6.1, 8.4, 10.2-.3, 10.13, 10.18, 13.3, 16.1, 17.1-.3, 17.5-.6, and 18.4	Items 5, 6 and 7
g.	Compliance with standards and policies/Operations Manual	Sections 5.5, 9 and 10	Items 6, 7, 8, 11, 14 and 16
h.	Marks and proprietary information	Sections 1.9, 1.15, 8 and 14; also see Non-Disclosure Agreement	Items 13 and 14
i.	Restrictions on products/services offered	Sections 2.2, 2.4, 8.4, 10.1, 10.3, and 10.4 10.5, 10.7, 10.9-12 and 10.18	Items 6, 7, 8, 11, and 16
j.	Warranty and customer services requirements	Sections 10.6 and 10.12; also see Acknowledgment Addendum to Franchise Agreement	Items 6 and 11
k.	Territorial development and sales quotas	Sections 2.1-.4, 4.2, and Exhibit A	Item 12
l.	Ongoing product/service purchases	Sections 4, 5, 6, 7.2-4, 9.1, 9.2, 10.1-.3, 10.13-.14, 10.18	Items 6, 7 and 8
m.	Maintenance, appearance, and remodeling requirements	Section 9.1	Items 8 and 11
n.	Insurance	Section 10.13	Items 6, 7 and 8
o.	Advertising	Section 7	Items 6, 7 and 11
p.	Indemnification	Section 16	Not Applicable
q.	Owner's participation/management/staffing	Section 11	Items 11 and 15
r.	Records and reports	Section 12	Not Applicable
s.	Inspections and audits	Section 13	Items 6 and 11
t.	Transfer	Section 17	Items 6 and 17
u.	Renewal	Section 3	Items 6 and 17
v.	Post-termination obligations	Section 20	Item 17
w.	Non-competition covenants	Section 15	Item 17
x.	Dispute resolution	Sections 18 and 21.8	Item 17
y.	Loan Agreement Consent	Section 10.20	Not Applicable
z.	Personal Guarantee	Section 1.9	Item 15

(1) Unless otherwise noted, section references are to the Franchise Agreement.

ITEM 10
FINANCING

We do not offer direct or indirect financing, and we do not guarantee your notes, leases or other obligations.

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 commence operation of the Business, we will:

1. Provide the training program described below (Franchise Agreement, Section 5.1).
2. Furnish or make available to you, through our website or otherwise, the Operations Manual (Franchise Agreement, Section 5.5).
3. Directly provide you with the Opening Package described in Item 5 and an Approved Suppliers List, but we do not otherwise assist you in acquiring equipment, signs, fixtures or inventory/supplies, and we do not provide written specifications or delivery/installation assistance for such items (Franchise Agreement, Section 10.3).
4. Set up your Internet microsite, which will be linked to from the Storm Guard® website (Franchise Agreement, Section 10.7).

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

1. Provide the training program described below and provide training to any new Designated Owner and Key Manager (which includes any Sales Manager, Territory Manager or Production Manager). You will have to pay our then-current training fee for each attendee and all related training costs, including salaries, wages, fringe benefits, and travel, lodging, meals and living expenses (Franchise Agreement, Section 5.1).
2. Offer ongoing training programs, and hold or sponsor annual conventions and meetings, as we deem necessary. You will have to pay our then-current fee, if any, for each attendee and all related costs, including salaries, wages, fringe benefits, and travel and living expenses (Franchise Agreement, Sections 5.1 to 5.3).
3. Advise you on operational issues and provide assistance in operating the Business as we deem appropriate. At your request, we may also provide additional assistance to you for a fee (Franchise Agreement, Section 5.4).
4. Periodically update the Operations Manual (Franchise Agreement, Section 5.5).
5. Provide you with marketing and promotional assistance (Franchise Agreement, Section 7.1).

6. Maintain our Storm Guard® website, which will include your separate website or web page that is part of our website (Franchise Agreement, Section 6.2).
7. Establish and administer the Brand Development Fund (Franchise Agreement, Section 7.4).
8. Provide updates to the Approved Suppliers and Approved Supplies Lists (Franchise Agreement, Section 10.3).

Marketing

Under the Franchise Agreement, you must use your best efforts to promote and advertise the Storm Guard® business and participate in any local marketing and promotional programs that we periodically establish. To that end, during your first year of operations, you must spend at least \$2,500 per month on approved advertising and promotional activities in your local market. During your second year of operations, you must spend \$5,000 per month on approved advertising and promotional activities in your local market, and during your third year and every year thereafter, you must spend \$7,500 per month on approved advertising and promotional activities in your local market. Upon request, you must provide to us a monthly report detailing your local marketing expenditures per month. On or before April 15 of each year, you must provide us with an accounting of the funds that you have spent for local advertising for the preceding calendar year.

If you do not spend the minimum amount required for local advertising and promotional activities, you must pay us the amount of the difference for deposit in the Brand Development Fund (as defined in this Item 11 below).

We can designate any geographic area in which 2 or more company-owned or franchised Storm Guard Businesses are located as a region for an advertising cooperative (“Cooperative”). We may require Cooperatives to be formed, changed, dissolved or merged from time to time. If we do form a Cooperative, the Cooperative must be organized and governed as we determine. Any Cooperatives we authorize will be for the exclusive purpose of administering advertising programs and developing promotional materials for members in local advertising. If a Cooperative is established for an area that includes your Franchised Area, you must become a member of the Cooperative and participate in the Cooperative by contributing the amounts required by the Cooperative's governing documents. Each Cooperative member will be required to contribute monthly amounts determined by a majority vote of the members of the Cooperative. However, you will not be required to contribute more than the amount you would otherwise be required to spend on local advertising, and your Cooperative contribution will be applied toward satisfaction of your local advertising requirement. You must also submit to the Cooperative and to us all statements and reports that we, or the Cooperative, may require. Cooperative contributions will be maintained and administered under the Cooperative's governing documents and the Cooperative will be operated solely as a conduit for the collection and expenditure of advertising contributions. (Franchise Agreement, Section 7.3.)

You must obtain our approval (in writing) of all marketing and advertising materials before use, including any of your own materials, at least 10 business days before the deadline for running or using the marketing or advertising materials. Any marketing or advertising materials not approved by us within 10 business days will be deemed to be disapproved. You must use marketing and advertising materials that depict any of the Marks only in connection with your sale of approved products and services at the Business. At any time, we may require you to stop any marketing, advertising, contest or promotion. You must use marketing, advertising, contest and promotional materials that depict any of the Marks only in connection with your sale of approved services and products in connection with the Business. Any marketing, advertising, contest and promotional materials you use must be current, in good taste and in good condition,

and communicate the brand position and character that we have established for Storm Guard® businesses. As further described in Item 8, we may periodically make available for purchase, from us, an affiliate or designated or approved suppliers, certain advertising, marketing, contest and promotion materials. Under the Franchise Agreement we may, at our option, require you to participate in any local or regional advertising cooperatives.

You must pay .75% of Gross Sales each week as a Brand Development Fee into a marketing and brand development fund (the “Brand Development Fund”) that we establish. All Storm Guard® franchisees will contribute the same percentage of Gross Sales to the Brand Development Fund. We will administer the Brand Development Fund. Any Storm Guard® business owned by us will contribute to the Brand Development Fund the same amount as the majority of similarly situated franchised Storm Guard® businesses. The Brand Development Fund is not a trust or escrow account, and we do not have any fiduciary obligations with respect to the Brand Development Fund. We may use the Brand Development Fund for expenses incurred in connection with the cost of creating, formulating, developing and implementing marketing, advertising, and promotional campaigns and materials, and any other activities we, in our sole judgment, believe are appropriate to enhance, promote and protect the Storm Guard® brand or the System. The disbursements may include payments to us for the expense of administering the Brand Development Fund, including without limitation accounting expenses and salaries and benefits paid to our employees engaged in advertising functions. Currently, we do not audit the Brand Development Fund.

We determine the use of the monies in the Brand Development Fund. We are not required to spend any particular amount on marketing, advertising, or promotion in the area in which your Business is located.

In calendar year 2022 we spent approximately 42% of the Brand Development Fund monies on production, 5% on media placement, 0% on administrative expenses, and 42% on other expenses, including the customer relationship management system used by franchisees, weather technology used by franchisees to evaluate which areas within their territories were affected by hail and other severe weather, a PR company, and software to help get reviews and referrals. We invested approximately 12% of the Brand Development Fund monies into various investments that should return at least 5%, and all invested funds and investment returns will be used for future promotion and development of the Storm Guard brand. We may use in-house personnel and outside national, regional or local agencies to create and place marketing and advertising for the Storm Guard® system. If requested by you in writing no sooner than 90 days after the end of our fiscal year, we will provide you an annual unaudited statement of contributions and expenditures of the Brand Development Fund for our most recently completed fiscal year. We have the right to spend in any fiscal year an amount greater or less than the aggregate contributions of Storm Guard® businesses to the Brand Development Fund in that year and we have the right to make loans to the Brand Development Fund bearing interest to cover any deficits of the Brand Development Fund and cause the Brand Development Fund to invest any surplus for future use by the Brand Development Fund. If we make a loan to the Brand Development Fund, we may use any subsequent contributions to the Brand Development Fund to pay back the loan and any interest. Other than spending the Brand Development Fee as described above, we are not obligated to conduct any additional advertising, marketing or promotion.

We may spend up to 20% of the annual deposits into the Brand Development Fund each year on expenses related to selling and advertising the sale of franchises. However, beginning on January 1st of the year following the date on which we have 100 open and operating franchisees, we may no longer spend money from the Brand Development Fund on expenses related to selling and advertising the sale of franchises, except that we may continue to use Brand Development Fund monies on public relations or recognition of the Storm Guard® brand and creation and/or maintenance of our web site, a portion of which will focus on our franchise offering.

As of the issuance date of this disclosure document, we have formed a franchisee advisory council

to advise us on various franchise-related matters, which may include advertising matters, but we are not bound by advisory council advice or decisions. We reserve the right to form, and approve the formation of, other franchisee advisory councils as we deem appropriate. If requested by us, you must participate in or support any franchisee advisory council formed. We have the power to form, approve the formation of, change, dissolve, or merge any franchisee advisory council from time to time, and to establish the bylaws and other rules under which any advisory council operates. The initial franchisee advisory council members have been, or will be, selected by us. We have the power to form, change, or dissolve any franchisee council. In addition, any franchisee council we form will serve in only an advisory capacity.

We have the right to advertise the System on the internet, and you may not advertise or sell products or services on the internet without our prior written authorization.

Computer System

You must purchase, use and maintain a computer system (including, without limitation, all hardware, software, telecommunications systems, related equipment and associated services, mobile devices and mobile apps) we specify for the Business, including all future updates, supplements, modifications and substitutions we designate (“Computer System”). As further described in Item 8, we have the right to designate this Computer System (including any or all of the components that make up the Computer System) or, at our option, establish the specifications that your Computer System must meet. As of the issuance date of this disclosure document, your Computer System must include a sufficient number of computers and tablets needed for your staff with Microsoft Office (Word, Excel, PowerPoint), Quickbooks Pro or Quickbooks Online, our production management and billing/CRM software, and document storage capacity installed for use at your business office which has high speed internet access.

You must maintain the following equipment and software:

Brand and Type of Hardware and Software	Principal Functions	How Used In Franchisee's Business
Laser Jet Printer	Documents, reports and sales leads and figures	Printing documents, reports and sales information.
Windows-based PC	Report processing and database applications	Run all software discussed in this document
Microsoft Windows Operating System	Operating System	Run all PC-based software discussed in this document
Financial Management Software (Quickbooks Online financial management software)	Accounting and finance	Track sales and expenses; communicate accounting figures to us
High Speed Internet Access required	Telecommunications	Connect to the Storm Guard System™; access emails and websites; communicate with us
Current version of Microsoft Office	Day-to-day operations	

Internet Service Provider (ISP)	Allows access to the Internet	Required to access the Business management software and other software requiring connection to the internet, your email inbox, and sales information transmitted from outside your offices
Scanner	Scanning any commercial or residential project information to us	Administration of the Insurance Supplement Program
Billing/CRM software	Managing all customer relations, royalty reporting, construction, renovation and repair services performed by the Business	
Aerial Measurement System (Currently Eagleview)	Measures renovation sites	For bidding all renovation projects
Job Supplementing Software (Currently Xactimate®)	Provides pricing information on approved work for homes and businesses based on zip code location	Estimating and supplementation of jobs and bids

You must ensure that the Computer System is continuously operational according to our standards and specifications. We may require you to license designated software from us, an affiliate or a third party, and also require you to pay us, an affiliate or a third party a software licensing, usage and/or support fee in connection with your use of any designated software to operate the Business. All rights, title and interest in the software will remain with the licensor of the software. You are required to participate in, and purchase, computer hardware maintenance and software support programs offered by your suppliers to ensure that your Computer System functions properly at all times. We offer you computer software/hardware assistance at a cost of \$100 per month (subject to increase as our costs increase) in the form of a technology fee. In addition to the monthly technology fee, we may charge you \$10 per month for each Storm Guard e-mail address beyond your first five Storm Guard e-mail addresses. See Item 6.

You must install all components of the Computer System according to our standards and specifications, and all components of the Computer System must be in place and fully operational before you commence operation of the Business. You must pay all costs associated with your Computer System, including modifications, substitutions or replacements, those costs relating to proprietary software, software licenses, usage fees, training, service fees, ongoing support and upgrades and there are no contractual limitations on the frequency and cost of this requirement. You must keep all information stored on the Computer System secure at all times. We estimate that the cost to purchase the Computer System is \$8,000 to \$10,000. We estimate that the annual cost of any optional or required maintenance, updating, upgrading or support contracts is \$200 to \$1,000 each year.

We have full and complete independent access to information and data entered and produced by the Computer System that relates to your operation of the Business, including without limitation all Customer Data (as defined in Section 1.3 of the Franchise Agreement). We may independently access the Computer System remotely from our offices, from your business office, from software that you must download and maintain or from other locations or through any intranet or extranet system we develop. You must store all data and information that relates to your operation of the Business that we designate and report data and information in the manner we specify, including through any software system or intranet or extranet system we develop or other online communications. You must have, at all times, access to the internet through an established service provider. We will assign you and you must maintain the email account(s) we designate on the internet.

Site Selection

You are solely responsible for securing the site for your business within your Franchised Area. The site must meet all necessary requirements for a business office and satisfy all the Computer System requirements. Generally, you will lease your business office, though you may, at your option, purchase business office real estate. We have the right to approve or disapprove of any proposed location for your business office but will generally approve any site within your Franchised Area that meets our standards and specifications. We will review your proposed location within 30 days of your submission of the location to us. If we do not approve your location, you must propose an alternative location for your business within 30 days of our rejection of your business office. You must secure a Franchisor-approved site at least 21 days prior to attending Training Session A of our initial training program. Your failure to secure an approved sight within this time schedule will constitute a material default of your franchise agreement, and we may prohibit you from attending Training Session A. In addition, your failure to timely secure an approved site may lead to termination of your franchise agreement.

You must provide a copy of any lease, rental agreement or other agreement relating to your business office upon our written request. We may also require you to sign, and obtain agreement from the landlord of your business premises to sign, an addendum to the lease or other premises agreement in a form similar to the one included as Exhibit E to this disclosure document. Once you provide us with the information we require to evaluate the business location, we will approve or disapprove a site within ten (10) business days.

Typical Length of Time Before You Open the Business

We estimate the typical length of time between when you sign the Franchise Agreement and commence operation of the Business is 120 to 150 days. In any event, you must commence operation of the Business within 270 days after you sign the Franchise Agreement. Factors that may impact this length of time may include your ability to obtain a business location, your completion of any state contracting licensure, your ability to arrange leasing and financing, the time of year you sign your franchise agreement, your location and whether you have met all other requirements. You may not commence operation of the Business without our approval. If you fail to commence operations within the stated time, we may terminate the Franchise Agreement. "Commence operation" means that you have successfully completed Training Session A.

Training

Before you begin providing restoration services to any customers, you (or your Designated Owner if you are a business entity) must successfully complete Training Session A described below. Your initial Key Manager(s) must also successfully complete Training Session A to our satisfaction before you begin providing restoration services to any customers. Up to two (2) individuals affiliated with you and the Business, including you (or your Designated Owner if you are a business entity), may attend Training Session A without paying us a training fee. The term "Key Manager" means any Sales Manager, Territory Manager or Production Manager. Unless otherwise approved by us in writing, your Designated Owner and Key Manager(s) may not be the same person. The "Sales Manager" means the person responsible for overseeing all sales efforts for your Business and ensuring your Business is meeting any minimum sales performance standards that we may designate. The Sales Manager will manage your marketing efforts, referral information, incentive programs that you or we may develop and any solicitation or retention of new or existing customers. The "Production Manager" means the person responsible for overseeing all restoration services and ensuring the quality of the services provided by your Business. The Production Manager must obtain all necessary state and local licenses and must have completed all necessary training, as we designate. Any individual who will serve as a Sales or Production Manager for the Business must meet all of the above criteria before attending our training program. Except with regard to the first two

people attending the pre-opening training program as stated above, we may, at our option, charge reasonable training tuition fees for all persons attending any training session.

The training program described below will take place over two sessions. Some portions of the training program may be conducted at our corporate locations and some may take place in your Franchised Area.

TRAINING PROGRAM

Subject ⁽¹⁾⁽²⁾⁽³⁾	Hours of Classroom Training	Hours of On-the-Job Training	Location
Session A – Classroom training on systems, office procedures and in the field, learning direct sales, marketing, recruiting, and training techniques and working on insurance adjuster training	20	10	Cary, North Carolina, Fort Worth, Texas or other location we designate
Post Session A – Practical training in your territory learning how to implement the systems taught during Session A	0	8	
Session B – Classroom training on systems, sales process, general staffing, office procedures and production	24	0	Cary, North Carolina, Fort Worth, Texas or other location we designate
TOTALS	44	18	

- (1) The instructional materials include the Operations Manual, advertising and marketing materials and other written materials, which may be made available to you through our website or otherwise.
- (2) Kyle Barr, our Director of Franchisee Operations, will oversee the training program. Mr. Barr joined us in December 2010 (as an employee of our predecessor, and as a day one employee of us) and has 9 total years of experience in this industry.
- (3) The training program differs for Designated Owners and Key Managers. Key Managers spend more time in the field, and less classroom time than Designated Owners. The hours set forth in this table reflect the training schedule for Designated Owners.

The training program will take place at our corporate location in Cary, North Carolina, Fort Worth, Texas or other location that we designate. We will offer the training program periodically. We have the right, however, to determine when training takes place.

As described in more detail in the Franchise Agreement, if your Business is owned by more than one individual, you must appoint a designated owner who has an ownership interest in the franchisee entity, is responsible for hiring or overseeing your Key Managers, oversees your general business operations, and has the authority to sign on your Business’ behalf (your “Designated Owner”). See Item 15. At all times during the term of the Franchise Agreement, the Designated Owner and all Key Managers must be an individual who has attended and successfully completed to our satisfaction the initial training program and any other training we require. Any new Designated Owner or Key Manager must also comply with these training requirements within the time we specify at your expense. If your Designated Owner or Key Manager successfully completes the training program and is certified by us to train additional sales or field staff, that individual may train additional employees pursuant to our standards and specifications. Under no

circumstances may you permit management of the Business's operations for more than 30 days on a regular basis by a person who has not successfully completed to our satisfaction all applicable training we require.

We may periodically offer optional or mandatory ongoing training to you and certain of your employees. We may require your Designated Owner or any Key Manager to attend, at your expense, any mandatory ongoing training. We have the right to determine when and where ongoing training takes place and the duration of the training. We may also elect to offer ongoing training via telephone or the internet. We currently charge \$300 per day for each person who attends any ongoing or additional training programs.

We may periodically hold or sponsor annual conventions and meetings relating to new services or products, new operational procedures or programs, construction, building code or insurance claim updates, health and safety updates, equipment types and use, franchisee feedback, training, business management, sales and sales promotion, or similar topics. These conventions and meetings may be optional or mandatory, as we designate. The Designated Owner must attend, at your expense, all mandatory franchise conventions and meetings we may hold. If the Designated Owner or Key Manager is not able to attend a convention or meeting, he or she must so notify us before the convention or meeting and must have a substitute person acceptable to us attend the event. We charge a fee for attendance at our annual meetings and conventions. Currently, the fee to attend such meetings and conventions is \$1,000 per franchisee (includes attendance of up to 2 people).

We do not pay any salaries or wages, nor offer any benefits to any of your attendees for their participation in any initial and ongoing training, annual conventions or meetings. You are solely responsible for the applicable fees, if any, and the salaries, wages, benefits, travel, lodging, meals and living expenses, and other related costs for all persons associated with you who attend any initial and ongoing training, conventions or meetings, as described in this Item 11. You are not required, however, to pay training tuition for up to two individuals affiliated with you and the Business who attend the initial training program, including your Designated Owner and one Key Manager. The training fee for these individuals is included in the Initial Franchise Fee. Training fees, travel, lodging, meals and living expenses and other expenses relating to our initial and ongoing training, conventions and meetings are further described in Items 6 and 7. We have the right to require you and anyone else who attends our training programs, conventions or meetings on your behalf to sign a nondisclosure and confidentiality agreement similar to the one included as Exhibit H to this disclosure document.

Operations Manual

We will furnish or make available to you, on loan, through our web site or otherwise, our operations manual (the "Operations Manual"), which we may periodically modify. The Operations Manual, which currently includes a total of 170 pages (Section 1 – 9 pages; Section 2 – 23 pages; Section 3 – 35 pages; Section 4 – 48 pages; Section 5 – 27 pages; Exhibits – 28 pages), contains certain standards, procedures, techniques and management systems; some of which you must follow and some of which are optional. The Operations Manual contains proprietary information and you must keep this information confidential, as stated in Item 14 of this disclosure document. As of the issuance date of this disclosure document, the Operations Manual table of contents is provided in Exhibit F.

ITEM 12 **TERRITORY**

Under the Franchise Agreement, we grant to you the right to own, establish, operate and develop a Storm Guard® business within an exclusive Franchised Area. You will open a single business office within your Franchised Area. You may relocate your business office with our prior written permission, which we

will not unreasonably withhold if you can receive overnight packages at the proposed new business office, the new business office is located within your Franchised Area, the new business office meets our then-current standards for a business office, and the new business office contains all required computer hardware and software.

Territorial Rights

So long as you are in compliance with your Franchise Agreement, your Franchised Area will not overlap with the territory boundaries of other franchised, company or affiliate-owned Storm Guard® businesses, and we will not establish, or license third parties to establish, any franchised, company or affiliate-owned Storm Guard® businesses in your Franchised Area during the term of your Franchise Agreement without your written consent. However, we reserve the right to employ other channels of distribution (including the Internet, mail order catalogs, telemarketing, etc.) both within and outside of your Franchised Area without compensation to you. Your Franchised Area will consist of one Standard Territory. Each Standard Territory will be an area containing at least 100,000 owner-occupied single-family homes and/or duplexes, as determined by us in our sole discretion.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

As described in the Franchise Agreement, in the event of weather-related property damage to particular areas of the United States, we may, in our sole judgment which is not subject to review, give you or others written consent, on a limited time basis, to temporarily conduct sales activities and perform Storm Guard® services in that particular area of the country. To the extent there is weather-related property damage in your Franchised Area, you may, at your option, allow us to grant other franchised, company or affiliate-owned Storm Guard® businesses the limited right to assist you in obtaining new customers by providing sales services on behalf of your Business (“Visiting Business”), under the terms we prescribe for compensation of the Visiting Business. You may not work directly with another Storm Guard® franchisee to negotiate compensation for services provided by a Visiting Business. Except for this temporary grant or authorization by you in connection with weather-related property damage occurring in your Franchised Area, we will not establish and operate, or grant franchises or licenses to others to establish and operate, a Storm Guard® business within your Franchised Area during the term of the Franchise Agreement so long as you are in compliance with your Franchise Agreement. If we and another Storm Guard® franchisee grant you the limited right to conduct sales activities in the territory boundaries of another Storm Guard® franchisee, you will also be considered a Visiting Business in that Franchised Area. Any Visiting Business is limited to sales interactions only and the franchisee of that territory will retain all control of restoration work performed on behalf of a customer in his or her territory. Visiting Businesses will only be compensated based on actual restoration work performed for each customer by the Storm Guard® franchisee of that territory, and compensation will be determined in accordance with our policy for such compensation adopted from time to time by us. Currently, this policy provides that if we authorize a Visiting Business to operate in another territory (including a Visiting Business operating in your Franchised Area with your permission) and that Visiting Business acquires jobs that are performed by the franchisee of that Franchised Area, the franchisee will pay to the Visiting Business 70% of its net profit (as defined in the Operations Manual). Franchisees must pay Visiting Businesses within 10 days of receiving the payment.

Reserved Rights

We (for ourselves and our affiliates) specifically reserve the right, from any location at any time, without any compensation to you or any other franchisee and regardless of whether it competes with the Business: (1) to own and operate, and grant franchises or licenses to others to own and operate, any business of any kind, including without limitation a business selling similar services and products as a Storm Guard®

business, under any names, trademarks, service marks, logos and other commercial symbols, other than the Marks within and outside your Franchised Area, provided that if we establish a franchise concept that operates under other names or trademarks and offers the same products and services as your Storm Guard business then we will not operate, or permit others to operate, such a competing franchised business within your Franchised Area without your prior written consent; (2) to acquire businesses that are the same or similar to a Storm Guard® business and operate or license others to operate such businesses regardless of where the businesses are located; (3) to be acquired by any third party which operates businesses that are the same or similar to a Storm Guard® business regardless of where such businesses are located; (4) to offer, sell, or distribute, or grant franchises or licenses to others to offer, sell or distribute, any materials we develop, including without limitation residential or commercial building restoration or services associated with the Storm Guard® system and any other products or services associated with the Storm Guard® system (now or in the future) or identified with the Marks, or any other names, trademarks, service marks, logos or other commercial symbols, through “other channels of distribution” or “other methods of distribution” (as described below and in Section 2.3 of the Franchise Agreement) at any locations within or outside your Franchised Area; and (5) to advertise the Storm Guard® system on the internet (or any other existing or future form of electronic commerce) and to create, operate, maintain and modify, or discontinue the use of a web site using the Marks.

“Other channels of distribution” shall include any channels of distribution other than the operation of a Storm Guard® business and includes without limitation stores or other locations where building restoration or home improvement products are sold. “Other methods of distribution” shall include without limitation wholesale, resale or the internet (or any other existing or future form of electronic commerce).

The license granted to you under the Franchise Agreement is personal in nature, may not be used outside the Franchised Area, and does not include the right to offer or sell services or products identified by the Marks, or any other names, trademarks, service marks, logos or other commercial symbols outside the Standard Territory or through any “other channels of distribution” or “other methods of distribution” (as described above and in Section 2.3 of the Franchise Agreement). Unless we otherwise consent in writing, you will only provide authorized services to customers in your Franchised Area, and you will not be permitted to conduct any direct marketing, advertising or promotions to any prospective customer whose home or building is located outside your Franchised Area or market or advertise the Storm Guard® business on the Internet without our prior written approval, which may be withdrawn at our discretion at any time. You may not subfranchise or sublicense any of your rights under the Franchise Agreement. Other than as specifically authorized by us (in writing), you may not directly advertise or solicit potential customers for the Business outside your Franchised Area. You acknowledge and agree that you do not have any right to exclude, control or impose conditions on our development of future franchised, company or affiliate owned Storm Guard® businesses at any time or within any area, except we will not offer or authorize the operation of another permanent office in your Franchised Area.

Minimum Performance Requirements

We have the right to terminate your Franchise Agreement (or any other Franchise Agreement signed by you and us) if you fail to meet the minimum performance requirements described in Section 10.18 of the Franchise Agreement. These minimum performance requirements begin with the first full calendar year after you commence operating the Business, and require you to achieve the following minimum levels of annual Gross Sales:

(1) During your first full calendar year of operation you must achieve at least \$1,000,000 in Gross Sales and if you fail to do so, your royalty payments for that year must equal 6.25% of \$1,000,000; (2) during your second full calendar year of operation you must achieve at least \$1,500,000 in Gross Sales and if you fail to do so, your royalty payments for that year must equal 6.25% of \$1,500,000; and (3) during your third

full calendar year of operation and each subsequent year you must achieve at least \$2,000,000 in Gross Sales and if you fail to do so, your royalty payments for that year must equal 6.25% of \$2,000,000.

National Accounts

We reserve the right under the Franchise Agreement to contract or enter into strategic alliances with “National Accounts” to provide Storm Guard services and products. A “National Account” means a customer that conducts its business for its own account or through agents, affiliates, dealerships, independent contractors, members or franchisees, in two or more locations and who has a contract or strategic alliance with us or our affiliates for the provision of Storm Guard services or products to its locations or to any customers or potential customers referred or assigned by the National Account. If we or our affiliates contract or enter into a strategic alliance with a National Account which has a location or customer referral or assignment within your Franchised Area, we will contact you and provide you with an opportunity to provide Storm Guard services and products to the National Account location or customer referral or assignment located within your Franchised Area under the terms and conditions agreed to between us or our affiliate and the National Account.

If, within 5 days of the date we first attempt to contact you regarding a National Account opportunity in your Franchised Area, you are unable for any reason, including not being qualified to service the National Account, or do not elect to provide the contracted for products and services to the National Account location or customer referral or assignment within your Franchised Area in accordance with the agreed terms and conditions for such National Account, then we or our affiliates or their designees, including other franchisees, will have the right to provide the products and services at such location and you will have no right to the National Account or customers referred or assigned by the National Account throughout the term of our contract or strategic alliance (including any renewal periods) with the National Account, and you will not be entitled to receive any compensation or proceeds from the provision of such products and services. As of the date of this disclosure document, we do not have any National Accounts and we cannot guarantee that we will have any in the future or that if we do, you will receive any National Account referrals in your Franchised Area.

Additional Rights and Relocation



You do not receive the right to acquire additional franchises within or outside of your Franchised Area unless you sign another franchise agreement with us. In addition, we generally will not grant to you any options, rights of first refusal or similar rights to acquire additional franchises outside of your Franchised Area. We will not modify your Franchised Area during the initial term of the Franchise Agreement. We may, however, modify your Franchised Area as a condition of any renewal.

We will allow you to relocate your business office within your Franchised Area if the proposed location meets our standards and specifications.

Except as otherwise described in this Item 12, as of the issuance date of this disclosure document, neither we nor our affiliates operate or franchise, or have plans to operate or franchise, a business under trademarks, service marks, logos or other commercial symbols (other than the Marks) that sells or will sell services or products similar to those you will offer from the Business.

ITEM 13 **MARKS**

The Franchise Agreement grants you a license to use the Marks, which include the service mark Storm Guard®, as well as other service marks, trademarks, trade names, domain names, logos and other commercial symbols we may use and register in the future for the System. We also claim common law trademark rights for the Storm Guard® service mark and will claim common law trademark rights in all other trademarks. We have filed or intend to file all required affidavits and renewals for the principal trademark listed below.

Principal Trademark	USPTO Registration Number	USPTO Registration Date	USPTO Serial Number	USPTO Application Date	Registry
	5573014	October 2, 2018	87448024	May 12, 2017	Principal
	5538314	August 14, 2018	87448011	May 12, 2017	Principal
STORM GUARD	4120701	April 3, 2012	85268778	March 16, 2011	Principal

Until March 2014, SGR owned the Marks that existed at that time. In April 2014, SGR assigned ownership of the Marks existing at that time to us, and we filed an assignment of those Marks with the United States Patent and Trademark Office (“USPTO”) in April 2014.

We will designate the Marks that you are licensed to use under the Franchise Agreement. We have the right at any time to modify, discontinue, add to or substitute the Marks that you are licensed to use under the Franchise Agreement.

Your use of the Marks and any goodwill is to our exclusive benefit and you retain no rights in the Marks. You also retain no rights in the Marks upon expiration or termination of your Franchise Agreement. You are not permitted to make any changes or substitutions of any kind in or to the use of the Marks unless we direct in writing. We have the right at any time to modify or discontinue use of any Mark, or to require you to use one or more additional or substitute Marks, service marks or trade names. In this event, you must, at your expense, comply with those modifications, discontinuances or substitutions upon receipt of our written notice to you. We will have no liability or obligation as to your modification, discontinuance or substitution of any Mark.

There are currently no effective material determinations by the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the Marks. Other than as described above, there are currently no effective agreements that significantly limit our rights to use or license the use of any Marks listed in this Item 13 in any manner material to the franchise. There may be

other businesses in certain areas of the country using a trademark similar to our trademarks that established their rights to use those marks prior to our federal trademark filings. If we discover that any of these businesses have rights superior to our right to the trademarks, we may not be able to expand into those areas of the country using those trademarks, and you may have to cease using those trademarks and adopt a new trademark as directed by us. We are aware of third party product manufacturers that use the name “Storm Guard” to market certain of their products (including leak barrier ice and water shield products), but to our knowledge such manufacturers do not have superior rights or infringe our rights in the Marks.

If you commit a material breach under the Franchise Agreement or we reasonably believe that you intend to close your Business, then we may, at our option, immediately terminate your right to use the Marks or the System on the Internet and/or terminate your access to, and participation rights in, the Storm Guard® website, any intranet/extranet system we develop, and/or any interactive media relating to your Business.

You must immediately notify us of any apparent infringement of or challenge to your use of any Marks, or any claim by any person of any rights in any Mark or any similar trade name, Mark or service mark of which you become aware. We may take any action we deem appropriate, and have the right to exclusively control any administrative proceeding, litigation or other proceeding arising out of any infringement, challenge or claim relating to any Mark.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the Marks, or to participate in your defense or indemnify you. We have the right to control any litigation related to the Marks, and we have the right to decide to pursue or settle any infringement actions related to the Marks. You must immediately notify us promptly of any infringement or unauthorized use of the Marks of which you become aware, and will, at your expense, cooperate in all respects with us in any court or other proceedings involving the Marks. We will pay the cost and expense of all litigation we incur, including attorneys’ fees, specifically relating to the Marks, unless the litigation results from your misuse of the Marks in violation of the Franchise Agreement. If we determine that a Mark infringement action requires changes or substitutions to the Marks, you must make the changes or substitutions at your own expense and will have no further rights to the Marks that were changed or substituted.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

As of the issuance date of this disclosure document, there are no patents or copyrights registered or pending, and no patent applications, that are material to the franchise, although we do claim copyright ownership and protection for our Storm Guard® Franchise Agreement, Operations Manual, other manuals and guidelines, including training materials, website and internet-related materials, advertising, marketing and sales promotion materials, and various other materials we periodically furnish or make available to you, through our website or otherwise.

There are no currently effective determinations of the Copyright Office (Library of Congress), USPTO, Board of Patent Appeals and Interferences, or any court, or any pending infringement, opposition or cancellation proceeding or any pending material litigation involving any patents or copyrights. There are currently no agreements in effect that significantly limit our rights to use or license the use of any patents or copyrights in any manner material to the franchise. We are not aware of any patent or copyright infringement that could materially affect you.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of any patents or copyrights, or to participate in your defense or indemnify you. We have the

right to control any litigation related to any patents and copyrights and we have the right to decide to pursue or settle any infringement or unauthorized use actions related to the patents or copyrights. You must immediately notify us of any infringement or unauthorized use of the patents or copyrights of which you become aware, and will, at your expense, cooperate in all respects with us in any court or other proceedings involving the patents and copyrights. We will pay the cost and expense of all litigation we incur, including attorneys' fees, specifically relating to any patents and copyrights, unless the litigation results from your misuse of the patents and copyrights in violation of the Franchise Agreement. If we determine that any infringement action requires changes or substitutions to any patents or copyrights, you must make the changes or substitutions at your own expense and will have no further rights to the patents or copyrights that were changed or substituted.

You must keep confidential during and after the term of the Franchise Agreement all confidential and proprietary information and trade secrets, including the Operations Manuals, Customer Data (as defined in Section 1.4 of the Franchise Agreement) and all other Confidential Information (as defined in Section 1.3 of the Franchise Agreement). Upon termination or expiration of your Franchise Agreement, you must return to us all proprietary information and trade secrets, including the Operations Manuals and all other copyright material. In addition, upon termination or expiration of your Franchise Agreement, you must promptly deliver to us all Customer Data in your possession, including lists (with addresses and telephone numbers) of all former, current and prospective customers and customer referral sources, without retaining any copies of that Customer Data, including any hard or electronic copies. You must notify us immediately if you learn about an unauthorized use of proprietary information or trade secrets. We are not obligated to take any action and we have the right to decide the appropriate response to any unauthorized use of proprietary information or trade secrets. You must comply with all changes to the System and Operations Manuals at your cost.

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

You must designate at least one person (the "Designated Owner") who (i) has an ownership interest in you; (ii) has the responsibility of hiring and overseeing qualified Key Manager(s) for the Business; (iii) oversees the general management and operations of the Business; and (iv) has authority to sign on your behalf all contracts and commercial documents. If you are a corporation, partnership, limited liability company, or other legal entity, you must designate as the Designated Owner an individual that owns at least 51% (or some lower percentage we approve) of the corporation, partnership, limited liability company, or other legal entity. Your Designated Owner must attend and successfully complete, to our satisfaction, all training we require. Your Designated Owner and Key Manager may not be the same individual.

During your first year of operation, you must employ at least two individuals who regularly engage in sales activities (one of whom may be your Key Manager if he/she regularly participates in sales activities). During your second year of operation you must employ at least 3 individuals who regularly engage in sales activities. During your third year of operation and all subsequent years you must employ at least 4 individuals who regularly engage in sales activities.

Each of your "Principal Owners" (any person who directly or indirectly owns a 10% or greater interest in you, as further defined in Section 1.9 of the Franchise Agreement) must sign the form Guaranty and Assumption of Obligations attached to the Franchise Agreement. A spouse of a Principal Owner and any other person we designate, including any person who co-signed a loan or was involved in obtaining financing for the Business, must also sign the form Guaranty and Assumption of Obligations attached to the Franchise Agreement. In addition, all of your Principal Owners must sign the Acknowledgment

Addendum attached to the Franchise Agreement.

You, your Designated Owner, Principal Owners, and any other of your owners, members, managers, and other employees and agents with access to Confidential Information, including anyone who attends our training programs on your behalf, must sign a nondisclosure and confidentiality agreement, in a form satisfactory to us. We also require that you obtain nondisclosure and confidentiality agreements in a form satisfactory to us from your potential investors, financial institutions and suppliers. Further, we require you to obtain from your Designated Owner, Principal Owners, holders of any ownership interest in you, your guarantors, officers, directors, members, managers and partners, as the case may be, and your key employees a signed non-competition agreement and a non-solicitation agreement in a form satisfactory to us. The nondisclosure and confidentiality agreement you sign will be similar to the form included as Exhibit G to this disclosure document.

If you purchase a franchise from us, you will be an independent business owner and operator. While we require you to operate the Business in conformance with our System, we do not exercise day- to-day control over your operation of the Business, and you acknowledge and agree in the Franchise Agreement that we are not your employer or a co-employer of your employees.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer all of the commercial or residential restoration and construction services and products that we periodically require, and you may not offer any unapproved services or products. In addition, you may not use the premises of your business office for any purpose other than the operation of a Storm Guard® business. We have the unlimited right to change the System and other items, equipment and related accessories and other services and products you may sell or use in your business.

You also may not offer any services or products relating to the Business through the Internet (or any other existing or future form of electronic communication) or other online programming or advertising without our prior written consent. You may not conduct direct marketing, advertising or promotions relating to the Business to prospective customers outside your Franchised Area.

We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products or services.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP			
	Provision	Section in Franchise or Other Agreement	Summary
a.	Length of the franchise term	Section 3.1	Initial term is 10 years.

THE FRANCHISE RELATIONSHIP			
	Provision	Section in Franchise or Other Agreement	Summary
b.	Renewal or extension of the term	Section 3.2	Automatically renewed for three additional 10-year term, provided you are in compliance with the Franchise Agreement.
c.	Requirements for you to renew or extend	Section 3.2	<p>You are not in default and have timely and substantially complied with all terms and conditions of the Franchise Agreement and other agreements with us; you have satisfied all monetary obligations; you are in compliance with our then-current training requirements; at our request you sign a general release; and you are current on your payments to your landlords, suppliers, subcontractors, and others.</p> <p>We have the right, at our option, to request that you sign our then-current form of Franchise Agreement in order to “renew” your Franchise Agreement. Our then-current form of Franchise Agreement may contain materially different terms and conditions from your original contract, including higher fees and modification to your Franchised Area.</p>
d.	Termination by you	Not Applicable	
e.	Termination by us without cause	Not Applicable	
f.	Termination by us with cause	Section 19	We may, at our option, terminate the Franchise Agreement only if you default or fail to comply with your obligations.
g.	“Cause” defined – curable defaults	Section 19.2	You will have 10 days to cure the non-submission of reports and non-payment of amounts due and owing. Except as described below, you will have 30 days to cure all other defaults under the Franchise Agreement.

THE FRANCHISE RELATIONSHIP			
	Provision	Section in Franchise or Other Agreement	Summary
h.	“Cause” defined – non-curable defaults	Section 19.2	Non-curable defaults include: franchise application misrepresentation or omission, falsification of financial data; abandonment; failure to meet minimum performance requirements; failure to secure and maintain your business office; allegations of insurance fraud by state or local authorities; unauthorized use of confidential information; insolvency; assignments for benefit of creditors; convictions of felony or misdemeanor impacting the Marks or Business; intentionally understating or underreporting Gross Sales or other fees; fraudulent insurance claim activity; accepting money from a client (or third party paying such client’s bill) and not completing such client’s project or refunding such money in a timely manner; unauthorized transfer or assignment, illegal or unauthorized use of Business or vehicle(s); failure to maintain proper permits and licensing or failure to meet local building codes; suspicion of, or association with, terrorist activities; multiple defaults; or failure to cure within 72 hours of notice of a default which brings any of our Marks into disrepute or impairs your or our reputation or the goodwill associated with any of our Marks, is a violation of a health, safety or sanitation law or system standards, relates to negligent training or presents a health or safety hazard to your employees, customers or the public.
i.	Your obligations on termination/non-renewal	Section 20	Obligations include cease use of Marks and proprietary materials (including the Operations Manuals); complete de-identification; payment of amounts due; cease using and return all Operations Manuals, proprietary materials and confidential information; return or destroy customer data, assign, at our option, telephone numbers, email addresses or web sites; cancel assumed name; comply with all post- terms noncompete and nonsolicitation provisions; and right to purchase assets of the Business (also see o and r below).
j.	Assignment of contract by us	Section 17.9	No restriction on our right to assign.
k.	“Transfer” by you - defined	Section 17.1	Includes any transfer of your interest in the Franchise Agreement or in the Business or any ownership change listed in Section 17.1 of the Franchise Agreement.
l.	Our approval of transfer by you	Section 17.2	We have the right to approve all transfers but will not unreasonably withhold approval.

THE FRANCHISE RELATIONSHIP			
	Provision	Section in Franchise or Other Agreement	Summary
m.	Conditions for our approval of transfer	Sections 17.2-4	Conditions include transferee meets all of our then-current requirements for the franchise program then being offered, including that transferee is an entity; transfer fee paid; all amounts owed by prior franchisee paid; all required reports provided; personal guarantees signed; you, Designated Owner and guarantors sign general releases; transferee completes training; necessary financial reports and other data on franchise business is prepared; you are not in default under other agreements; transferee signs, at our option, an assignment agreement we approve, or our then-current franchise agreement; you and the assignee have an acceptable customer, subcontractor and warranty transition plan; and the purchase price and terms of the sale may not negatively impact the ability of the Business to profit.
n.	Our right of first refusal to acquire your business	Section 17.7	We can match any offer for the Business assets. In the case of a proposed stock sale, we can purchase the Business assets at a price determined by an appraiser(s).
o.	Our option to purchase your business	Section 20.2	Upon termination, we have the right to purchase or designate a third party that will purchase all or any portion of the assets of the Business, including the equipment, vehicles, fixtures, signs, furnishings and supplies. Qualified appraiser(s) will determine price as set forth in the Franchise Agreement, but shall not include the value of any goodwill of the Business.
p.	Your death or disability	Section 17.6	You can transfer your franchise right to your heir or successor in interest like any other transfer, but if assignee is your spouse or child, no transfer fee is required. If the Designated Owner dies or becomes disabled, within 180 days, the heir or successor-in-interest must find another person to become the Designated Owner and comply with the transfer provisions in Section 17.2-4.
q.	Non-competition covenants during the term of the franchise	Sections 10.7 and 15.2	No direct or indirect involvement or interest in a business that offers for sale construction or restoration services, or any competitive or similar business other than one authorized in the Franchise Agreement. You must also comply with in-term nonsolicitation covenants.

THE FRANCHISE RELATIONSHIP			
	Provision	Section in Franchise or Other Agreement	Summary
r.	Non-competition covenants after the franchise is terminated or expires	Sections 10.7 and 15.3	No direct or indirect involvement or interest in a business that offers commercial or residential building restoration services, or any competitive or similar business for two years within 100 miles of your Franchised Area or the Franchised Area of any other Storm Guard® franchisee. You must also comply with post-term non-solicitation covenants for a period of two years after the franchise is terminated or expires.
s.	Modification of the agreement	Sections 21.2 and 21.4	No modifications generally, but we have the right to change the Operations Manual, list of authorized Marks and System.
t.	Integration/merger clause	Section 21.2	Only the terms of the Franchise Agreement are binding (subject to state and federal law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 18.2	Except for certain claims, parties must submit to arbitration where we have our principal place of business (currently, Fort Worth, Texas) before litigation.
v.	Choice of forum	Section 18.1	Litigation must be in any state or federal court of competent jurisdiction where we have our principal place of business (currently Fort Worth, Texas) (subject to federal and state law).
w.	Choice of law	Section 21.8	The laws of the State of Texas, without regard to its choice of law provisions, shall apply. The choice of law provision is subject to state law.

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

Table A in this Item 19 presents historical information regarding the actual operating results for the franchised Storm Guard® businesses that were open and operating throughout the entire period from January 1, 2022 through December 31, 2022 (the “Reporting Period”) plus the two Storm Guard businesses that opened in February of 2022. Any franchisees that were terminated or ceased to operate for other reasons at any point during the Reporting Period are not included in this Item 19. Table A includes two sections: (1) an average of the operating results for all Storm Guard® businesses that were operating throughout the entire Reporting Period; and (2) the median of the operating results for all Storm Guard® businesses that were operating throughout the entire Reporting Period, plus the two Storm Guard businesses that opened in February of 2022. Table A does not include information for our company-owned Storm Guard® business or the franchised Storm Guard® businesses that were not open and operating throughout the entire Reporting Period (other than the two Storm Guard businesses that opened in February of 2022). During the Reporting Period, one (1) franchisee closed and is therefore excluded from Table A.

This information is not audited. We will make available written substantiation of the data we used in calculating the information contained in this Item 19 upon your reasonable written request.

As of December 31, 2022 (i.e. the end of the Reporting Period), there were 38 Storm Guard® franchisees in operation, but only 33 franchised Storm Guard® locations were open and in operation throughout the entire Reporting Period as 4 franchisees first began operating during the Reporting Period and 1 franchisee was transferred to a new owner who signed a new franchise agreement and began operations during the Reporting Period. Of the 33 franchisees that were in operation for the entire Reporting Period, 32 provided the financial information requested by us and required for inclusion in this Item 19, while 1 franchisee was not able to provide financial information by the applicable deadline (despite our extension of the deadline and repeated requests for the required financial information). Therefore, we were unable to include that franchisee’s financial information in this Item 19. Furthermore, 1 franchisee provided financial information to us that is clearly inaccurate (and we are investigating the cause of the inaccuracies), so that franchisee’s information is not included in Table A. In addition, 1 individual owns two separate franchise locations under two separate franchise agreements with two separate legal entities serving as franchisee; however, that franchisee provided consolidated financial statements to us and that franchisee’s financial information is included in Table A. Also included within Table A are the operating results for two franchisees who first opened during February of the Reporting Period, even though the results for those two locations are based on approximately 11 months of operations. Table A is comprised of the operating results for 31 of the 33 Storm Guard® franchisees that were in operation throughout the entire Reporting Period plus two franchisees who opened in February of the Reporting Period, for a total of 33 franchisees whose information is included.

Information for the 1 franchisee that was terminated or otherwise ceased operating during the Reporting Period is not included in this Item 19. Furthermore, information for our one company-owned Storm Guard® business is not included in this Item 19.

We derived all of the figures shown in the table below from information provided by, and in the possession of, our franchisees. This information is unaudited, but we believe it is accurate and reliable.

Some Storm Guard® Businesses have earned this amount. Your individual results may differ. There is no assurance that you’ll earn as much.

Table A⁽¹⁾		
AVERAGE INCOME, COSTS OF GOODS SOLD, OPERATING EXPENSES and EBITDA PLUS OWNER COMPENSATION FOR FRANCHISEES OPEN THROUGHOUT THE ENTIRE REPORTING PERIOD (January 1, 2022 – December 31, 2022) PLUS THE TWO FRANCHISEES WHO OPENED IN FEBRUARY OF THE REPORTING PERIOD		
	Average⁽²⁾	Median
Income⁽³⁾	\$2,069,059	\$1,405,837
Cost of Goods Sold⁽⁵⁾	\$1,056,262	\$714,583
Gross Profit⁽⁵⁾	\$1,012,797	\$669,445
Total Expenses⁽⁵⁾	\$863,216	\$652,509
EBITDA Plus Owner Comp.^{(4)(6) and (7)}	\$281,347	\$142,082

- (1) Table A includes two columns of numbers. The first column is based on averages from Storm Guard® businesses that were in business for the entire Reporting Period, and the second column is the median from Storm Guard® businesses that were in business for the entire Reporting Period.
- (2) The “Average” column is comprised of the average operating numbers for all of the franchised Storm Guard® businesses that were in operation throughout the entire Reporting Period plus the 2 franchisees who opened during February of the Reporting Period, except for (a) one franchisee located in Boston, Massachusetts, who did not provide financial information to us by the deadline (or extended deadlines) to be included in Table A; and (b) one franchisee located in Pittsburgh, Pennsylvania who provided financial information to us that was clearly inaccurate (and we are investigating the cause of the inaccuracies).
- (3) The term “Income”, as reflected in the first line item of this table, includes all revenue and income received from operations from January 1, 2022 through December 31, 2022. This may include revenue received for jobs completed prior to January 1, 2022, but for which payment was received, in whole or in part, during the Reporting Period.
- (4) The term “EBITDA”, as used in this table, means earnings before interest, taxes, depreciation and amortization.
- (5) The term “Costs of Goods Sold” means the total costs of materials and labor used to complete services provided by the applicable Storm Guard Businesses. The term “Gross Profit” means total Income shown in the first line item of this table minus Costs of Goods Sold for the first column

(Average); for the Median column, the Gross Profit is the median Gross Profit for all 33 franchisees included in this table. The term “Total Expenses” means the expenses attributable to operating the applicable Storm Guard Businesses other than Costs of Goods Sold. From time to time we are able to secure rebates from material suppliers and manufacturers that are paid back to our franchisees. The figures shown in the table above may include rebates for some franchisees. Franchisees are encouraged, but do not always, include rebates in their P&Ls. No rebates are guaranteed, and we are under no obligation to secure such rebates on behalf of our franchisees.

- (6) For purposes of this Item 19, two types of compensation paid to owners was added back for the “EBITDA Plus Owner Compensation” line: (a) compensation paid to owners who categorized themselves as general managers; and (b) compensation paid to owners’ spouses in excess of \$50,000. For both a and b, compensation includes the actual compensation paid to such owners plus directly related expenses such as payroll processing fees and taxes, as well as the cost of medical and other benefits that were paid on behalf of the franchise owners working as general managers.
- (7) Number of Storm Guard® businesses that Attained or Surpassed Stated Averages. Twelve (12) of the 33 (36%) Storm Guard® businesses included in Table A attained or surpassed the stated total Income average shown in the “Average” column in Table A, including the individual with two franchised Storm Guard® businesses who provided consolidated financial information to us (NOTE: If the combined total Income of those two franchised businesses was split in half, both would have surpassed the Average Income shown in Table A. Excluding the individual with two franchised businesses who provided consolidated financial information to us, the highest total Income attained by a franchisee during the Reporting Period was \$5,617,239. The total Income attained by the individual with two franchised businesses who provided consolidated financial information was \$8,362,101. The lowest total Income attained by a franchisee during the Reporting Period was \$169,324. Twelve (12) of the 33 (36%) Storm Guard® businesses included in Table A attained or surpassed the stated EBITDA Plus Owner Compensation average shown in the “Average” column in Table A, including the individual with two businesses who provided consolidated financials (NOTE: If the combined EBITDA Plus Owner Compensation of those two franchised businesses was split in half, both would have surpassed the Average EBITDA Plus Owner Compensation shown in Table A). Excluding the individual with two businesses who provided consolidated financial information to us, the highest EBITDA Plus Owner Compensation attained by a franchisee during the Reporting Period was \$933,893. The EBITDA Plus Owner Compensation attained by the individual with two franchised businesses who provided consolidated financial information was \$2,680,801. The lowest EBITDA Plus Owner Compensation attained by a franchisee during the Reporting Period was \$(94,726).

You are responsible for developing your own business plan for your Storm Guard® Business. You should conduct an independent investigation of the costs and expenses you will incur in operating a Storm Guard® Business. We recommend that you consult with an attorney and other advisors before signing a Franchise Agreement.

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

Other than included in this Item 19, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income,

you should report it to the franchisor’s management by contacting Shane Lynch at 5000 Overton Plaza, Suite 200, Fort Worth, Texas 76109 or (817) 377-6360, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE No. 1
Systemwide Business Summary
For Years 2020 to 2022⁽¹⁾

Business Type	Year	Businesses at the Start of the Year	Businesses at the End of the Year	Net Change
Franchised	2020	34	33	-1
	2021	33	35	+2
	2022	35	38	+3
Company-Owned	2020	1	1	0
	2021	1	1	0
	2022	1	1	0
TOTAL	2020	35	34	-1
	2021	34	36	+2
	2022	36	39	+3

Note 1: In January 2020, we changed our fiscal year to end on December 31st. Prior to 2020, our fiscal year ran from September 1st through August 31st. All tables in this Item 20 have been updated to reflect calendar year periods for each year reflected.

TABLE No. 2
Transfers of Businesses From Franchisees to New Owners
For Years 2020 to 2022

State	Year	Number of Transfers
North Carolina	2020	0
	2021	0
	2022	1
TOTAL	2020	0
	2021	0
	2022	1

TABLE No. 3
Status of Franchised
Businesses For Years 2020 to 2022

State	Year	Businesses at Start of Year	Businesses Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Businesses at End of Year
Colorado	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	1	0	0	0	4
Florida	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
Georgia	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Illinois	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Indiana	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Kansas	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Kentucky	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Louisiana	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Massachusetts	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2020	0	1	0	0	0	0	1

Michigan	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Missouri	2020	2	0	0	0	0	0	2
	2021	2	0	1	0	0	0	1
	2022	1	0	0	0	0	0	1
North Carolina	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	1	0	0	0	0	8
Ohio	2020	2	0	1	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Pennsylvania	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
South Carolina	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Tennessee	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Texas	2020	4	0	1	0	0	0	3
	2021	3	1	0	0	0	0	4
	2022	4	2	0	0	0	0	6
Virginia	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Wisconsin	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TOTAL	2020	34	1	2	0	0	0	33
	2021	33	3	1	0	0	0	35
	2022	35	4	1	0	0	0	38

Note 1: One of our Indiana franchisees has part of his territory in the State of Kentucky. The franchise shown for Kentucky in Table 3 is wholly located within the state of Kentucky.

Note 2: Our Ohio franchisee has part of his territory located in the State of Pennsylvania, and part located in the State of West Virginia. The franchises shown for Pennsylvania in Table 3 are wholly located within the state of Pennsylvania.

TABLE No. 4
Status of Company-Owned Businesses⁽⁵⁾
For Years 2020 to 2022

State	Year	Businesses at the Start of the Fiscal Year	Businesses Opened	Businesses Reacquired From Franchisee	Businesses Closed	Businesses Sold to Franchisees	Businesses at End of the Year
Texas	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
TOTAL	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1

TABLE No. 5
Projected Openings as of December 31, 2022

State	Franchise Agreements Signed But Business Not Open	Projected New Franchised Businesses to be Sold in 2023	Projected New Affiliate-Owned Businesses in 2021
Kansas	0	1	0
Minnesota	0	1	0
Oklahoma	0	1	0
Total	0	3	0

A list of the current Storm Guard® franchisees, as of December 31, 2022, is included in this disclosure document as [Exhibit I](#). A list of Storm Guard® franchisees that were terminated, canceled, or not renewed from January 1, 2022 to December 31, 2022, is also included in [Exhibit I](#).

If you buy a Storm Guard® franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Some of our former franchisees have signed a confidentiality clause during the past 3 fiscal years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experiences as a franchisee in our franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no trademark-specific franchise associations required to be disclosed in this item.

ITEM 21
FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit B are the audited financial statements of Storm Guard Franchise Systems, LLC for our fiscal year ended as of December 31, 2022; the audited financial statements for our fiscal year ended December 31, 2021; and the audited financial statements for our fiscal year ended as of December 31, 2020.

ITEM 22
CONTRACTS

This disclosure document includes a sample of the following contracts:

Exhibit A	Franchise Agreement (including Appendix and Exhibits)
Exhibit D	State Addenda (including sample release)
Exhibit E	Lease Addendum
Exhibit F	Operations Manual Table of Contents
Exhibit G	Non-Disclosure Agreement

ITEM 23
RECEIPTS

The last two pages of this disclosure document are copies of a detachable acknowledgment of receipt. Please sign and return to us our copy of the receipt (Copy for Storm Guard Franchise Systems, LLC), and sign and retain for your records your copy of the receipt (Copy for Prospective Franchisee).

**EXHIBIT A
TO
FRANCHISE DISCLOSURE DOCUMENT**

**FRANCHISE AGREEMENT
(INCLUDING EXHIBITS)**

Storm Guard® Franchise Agreement

Franchisee:

Business Office:

Street

City

State

Zip Code

Telephone/Facsimile

Email

Effective Date:

(To be completed by us)

Confidential

© 2023 Storm Guard Franchise Systems, LLC

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STORM GUARD® FRANCHISE AGREEMENT

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- C – GUARANTY AND ASSUMPTION OF OBLIGATIONS
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- E – ACKNOWLEDGMENT ADDENDUM

STORM GUARD® FRANCHISE AGREEMENT

This Franchise Agreement (this “Agreement”) is made and entered into between Storm Guard Franchise Systems, LLC, a Texas limited liability company, with a principal place of business at 5000 Overton Plaza, Suite 200, Fort Worth, Texas 76109 (“we” or “us”) and _____, a _____ with a principal place of business at _____ (“you”), and shall become effective on the “Effective Date” as described in Section 21.13.

RECITALS

A. We, as the result of the expenditure of considerable time, effort, skill and financial resources, have developed, and continue to develop, the System (as defined in Section 1.11), as well as the Marks (as defined in Section 1.6.), including without limitation the Storm Guard® service mark and other marks used in connection with the System;

B. We grant persons and qualified legal entities the right to develop, own and operate a Storm Guard® business offering commercial and residential building restoration/construction services, including but not limited to the repair and replacement of roofing, siding, windows and gutters, using the System within a designated geographic area referred to herein as the “Franchised Area” (defined below in Section 1.5); and

C. You desire to obtain the right to develop, own and operate a Storm Guard® business using the System within a specific territory and we, in reliance on your representations, have approved your franchise application.

1. DEFINITIONS

1.1 “Business” means the Storm Guard® business you develop and operate under this Agreement.

1.2 “Confidential Information” means the methods, techniques, formats, technology, formulas, marketing and promotional techniques and procedures, specifications, information, materials, systems, processes, suggested and required pricing, know-how and knowledge of and experience in operating and franchising a Storm Guard® business that we communicate to you in writing, verbally or through the Internet or other online or computer communications or that you otherwise acquire in operating the Business under the System, including without limitation the Operations Manual (as defined in Section 5.5), and all Customer Data. “Confidential Information” does not include information, processes or techniques that are generally known to the public, other than through disclosure (whether deliberate or inadvertent) by you or your owners, employees or agents.

1.3 “Customer Data” means lists of all former, current and prospective customers and customer referral sources of the Business, as well as all other data, information and materials you or we collect or receive from, or which relate to, these individuals.

1.4 “Designated Owner” means the individual who (i) has an ownership interest in you, oversees the general management and operations of the Business and (iii) has authority to sign on your behalf all contracts and commercial documents. The Designated Owner must participate in all training programs we require and must meet all applicable training, certification, licensing and other requirements and qualifications described in this Agreement. The Designated Owner must obtain all necessary state and local permits to complete restoration/construction services, must have completed all necessary training, as we designate. If you are operating as a corporation, limited liability company, partnership or other legal entity, you must designate as the Designated Owner an individual that owns at least 51% (or some lower percentage if we approve in writing such lower percentage) of the corporation, limited liability company, partnership or other legal entity. Your Designated Owner is identified on the Ownership

and Management Addendum attached as Exhibit B.

1.5 “Franchised Area” means the geographic area identified in Exhibit A in which you will be responsible for developing your Storm Guard® business, directing your marketing efforts, and providing commercial and residential building restoration/construction services.

1.6 “Gross Revenues” means the portion of your Gross Sales that are payable to us in the form of royalties and other weekly fees due and payable under this Agreement.

1.7 “Gross Sales” means the aggregate amount of the total sales from all goods sold and services performed by your Business, whether or not actually collected, whether for cash, check, on credit, bartered or otherwise, at, from or in connection with the Business or the Marks. The term “Gross Sales” excludes sales tax, gross receipts tax, or other tax that is imposed on the sales of goods and/or services and that is paid directly by you to a taxing authority. For purposes of the Royalty Fees payable under this Agreement, a sale is made at the time the Business receives payment from the customer (whether paid in full or in part), but we retain the right to collect Royalty Fees on any Gross Sales not collected from a customer or not deposited in your account within 120 days from the date the invoice or bill is sent to the customer.

1.8 “Key Manager” means any Sales Manager, Territory Manager or Production Manager.

1.9 “Marks” means the Storm Guard® service mark and other trademarks, service marks, trade names, domain names, logos and commercial symbols that we own and that we have designated, or may in the future designate, for use in the System, with the understanding that we may at any time modify, discontinue, add to or substitute the Marks used in connection with the System.

1.10 “Principal Owner” means any person or entity who directly or indirectly owns a 10% or greater interest in you. If any corporation, limited liability company, limited liability partnership or other legal entity other than a general partnership is a Principal Owner, a “Principal Owner” also will mean a shareholder or owner of a 10% or greater interest in such corporation, limited liability company, partnership or other legal entity. If a partnership is a Principal Owner, a “Principal Owner” also will mean each general partner of such partnership and, if such general partner is a legal entity, each owner of a 10% or greater interest in such general partner. You must have at least one Principal Owner. Your Principal Owner(s) are identified on the Ownership and Management Addendum attached as Exhibit B. As used in this Agreement, any reference to Principal Owner includes all Principal Owners.

1.11 “Production Manager” means the person responsible for overseeing all restoration/construction services and ensuring the quality of the services provided by your Business.

1.12 “Proprietary Products and Services” means all proprietary products and services for the restoration/construction of residential or commercial building used or offered in the Business.

1.13 “Sales Manager” means the person responsible for overseeing all sales efforts for your Business and ensuring your Business is meeting any minimum sales performance standards that we may designate. The Sales Manager is responsible for selling services offered by the Business and will manage your marketing efforts, must continuously recruit sales staff to increase Business marketing, sales and promotional efforts, manage referral information, incentive programs that you or we may develop and oversee the solicitation or retention of new or existing customers and must monitor all lead generation from telemarketing services (as defined in 4.9).

1.14 “Standard Territory” means a geographic area containing at least 100,000 owner-occupied single-family homes and/or duplexes as determined by us in our sole discretion. You may purchase one Standard Territory which is your Franchised Area.

1.15 “Subcontractor” means any person or legal entity hired to complete any restoration, construction or other work for you or any customer of your Business. You must also ensure that any subcontractor used in your Business has obtained any necessary state, federal or local licensing and has met all permit requirements.

1.16 “System” means the Storm Guard® system, including without limitation all related business techniques, methods, procedures and technology, programs, services, equipment, supplies, the Confidential Information, the Proprietary Products and Services and the advertising, marketing and sales promotion programs and materials, all of the components of which we and our affiliates periodically may change, improve and further develop.

1.17 Any financial terms used but not defined in this Agreement shall have the meaning ascribed to them by generally accepted accounting principles recognized in the United States.

2. GRANT OF FRANCHISE

2.1 Grant of Franchise. Subject to the provisions contained in this Agreement, we grant to you the right and license to own, establish and operate a Storm Guard® Business within the Standard Territory, and to use the Marks and System in operating the Business. You accept the license and undertake the obligation to operate the Business within the Standard Territory using the Marks and the System in compliance with the terms and conditions of this Agreement.

2.2 Nature of the Franchised Area. The license granted to you under this Agreement is personal in nature, may not be used outside the Franchised Area and does not include the right to offer or sell services or products identified by the Marks, or any other names, trademarks, service marks, logos or other commercial symbols outside the Franchised Area or through any “other channels of distribution” or “other methods of distribution” (as described in Section 2.3) other than as described in this Agreement. You may not subfranchise or sublicense any of your rights under this Agreement. Unless we otherwise consent in writing, you shall only provide authorized services to customers in your Franchised Area, and you are not permitted to conduct any direct marketing, advertising or promotions to any prospective customer whose home or building is located outside your Franchised Area or market or advertise the Business on the Internet without our prior written approval, which may be withdrawn at our discretion at any time. So long as you are in compliance with this Agreement, your Franchised Area will not overlap with the territory boundaries of other franchised, company or affiliate-owned Storm Guard® businesses, and we will not establish, or license third parties to establish, any franchised, company or affiliate-owned Storm Guard® businesses in your Franchised Area during the term of this Agreement. However, we reserve the right to employ other channels of distribution (including the Internet, mail order catalogs, telemarketing, etc.) both within and outside of your Franchised Area without compensation to you. You acknowledge and agree that your rights under this Agreement are limited to the operation of your Business in the Franchised Area and that in the event significant weather-related damage occurs in your Franchised Area, and with your permission, we may grant certain limited rights to other franchised, company or affiliate-owned Storm Guard® businesses to solicit or obtain customers for your business and to perform Storm Guard services, as described in 2.2.2.

2.2.1 Notwithstanding Sections 2.1 or 2.2 above, in the event of severe weather-related property damage in a particular area of the United States, we may also grant to you, on a temporary basis and which grant must be in writing, the opportunity to assist in sales or restoration/construction efforts in that area of the country. We have the right to determine whether and for how long you may operate your Business in that area outside your Franchised Area. To the extent this weather-related property damage occurs in another Storm Guard® franchisee’s territory boundaries, you will be considered a Visiting Business (as described in 2.2.2), you will be limited to sales activities only, and compensated for your sales efforts as described in the Operations Manual. We retain the right to determine the terms of compensation among operating Storm Guard businesses for any work performed within the territory boundaries of another Storm Guard® business as described in the Operations Manual. We retain the right to terminate the operation of your Business outside your Franchised Area at any time.

2.2.2 In the event of severe weather-related property damage in your Franchised Area, you may grant permission in writing for us to operate or allow us to grant the right to others to operate, including without limitation to other Storm Guard® franchisees, in your Franchised Area on a limited basis and without establishing a Business office or performing any restoration/construction work. If you allow us to grant such permission to other franchised, company or affiliate-owned Storm Guard® businesses, those businesses will have the limited right to assist you in obtaining new customers by providing soliciting and sales services on behalf of your Business (“Visiting Business”). Any Visiting Business is limited to sales interactions only and you will retain all control of restoration/construction work performed on behalf of a customer in your Franchised Area. Visiting Businesses will only be compensated based on actual restoration/construction work performed by you for a customer in your Franchised Area and compensation will be determined in accordance with our policy for such compensation adopted from time to time by us, as set forth in the Operations Manual.

2.2.3 We have the right to sell franchises anywhere in the country, including geographic areas outside your Franchised Area where we may have granted you a limited right to conduct sales activities or perform restoration/construction work under Section 2.2.1. In the event we elect to open and operate a company-owned Storm Guard® business within that geographic area or award that geographic area to another Storm Guard® franchisee, we may immediately terminate your limited right to operate in that area or may immediately limit to sales activities only your right to operate in that geographic area and change your compensation to the terms set forth in the Operations Manual applicable to activities within the territory boundaries of another Storm Guard® business.

2.2.4 So long as you are in compliance with your obligations under this Agreement, except for a temporary grant or authorization by us with your written permission in connection with weather-related property damage occurring in your Franchised Area, we will not establish and operate, or grant franchises or licenses to others to establish and operate, any temporary or permanent Storm Guard® businesses within your Franchised Area during the term of the Agreement so long as you are in compliance with this Agreement.

2.3 National Accounts. We reserve the right to contract or enter into strategic alliances with “National Accounts” to provide Storm Guard services and products. A “National Account” means a customer that conducts its business for its own account or through agents, affiliates, dealerships, independent contractors, members or franchisees, in two or more locations and who has a contract or strategic alliance with us or our affiliates for the provision of Storm Guard services or products to its locations or to any customers or potential customers referred or assigned by the National Account. If we or our affiliates contract or enter into a strategic alliance with a National Account which has a location or customer referral or assignment within your Franchised Area, we will contact you and provide you with an opportunity to provide Storm Guard services and products to the National Account location or customer referral or assignment located within your Franchised Area under the terms and conditions agreed to between us or our affiliate and the National Account. If, within 5 days of the date that we first attempt to contact you regarding a National Account opportunity in your Franchised Area, you are unable for any reason, including not being qualified, to service the National Account, or you elect not to provide the contracted for products and services to the National Account location or customer referral or assignment within your Franchised Area in accordance with the agreed terms and conditions for such National Account, then we or our affiliates or their designees, including other franchisees, will have the right to provide the products and services at such location and you will have no right to the National Account or customers referred or assigned by the National Account throughout the remaining term of our contract or strategic alliance (including any renewal periods) with the National Account, and you will not be entitled to receive any compensation or proceeds from the provision of such products and services. We may choose to establish or discontinue National Accounts from time to time in our sole discretion, and if we do establish such accounts, you may or may not actually receive any National Account referrals in your Franchised Area.

2.4 Rights Reserved to Us. We reserve any and all rights not expressly granted to you under this

Agreement. Without limiting the preceding sentence, we (for ourselves and our affiliates) specifically reserve the right, from any location at any time, without any compensation to you or any other franchisee and regardless of whether it competes with the Business:

2.4.1 To own and operate and grant franchises or licenses to others to own and operate any business of any kind, selling similar services and products as a Storm Guard® business, under any names, trademarks, service marks, logos and other commercial symbols other than the Marks, at any locations within or outside your Franchised Area, provided that if we establish a franchise concept that operates under other names or trademarks and offers the same products and services as your Storm Guard business then we will not operate, or permit others to operate, such a competing franchised business within your Franchised Area without your prior written consent;

2.4.2 To acquire businesses that are the same or similar to a Storm Guard® business and operate or license others to operate such businesses regardless of where the businesses are located, including without limitation within your Franchised Area and to be acquired by any third party which operates businesses that are the same or similar to a Storm Guard® business regardless of where such businesses are located, including without limitation within your Franchised Area;

2.4.3 To offer, sell or distribute, or grant franchises or licenses to others to offer, sell or distribute, any materials or products we develop, including without limitation residential or commercial building restoration/construction products or services associated with the System (now or in the future) or identified with the Marks, or any other names, trademarks, service marks, logos or other commercial symbols, through “other channels of distribution” or “other methods of distribution” (as described below) at any locations within or outside your Franchised Area. “Other channels of distribution” shall mean any channels of distribution other than the operation of a Storm Guard® business and includes without limitation direct sales to customers or through stores or other locations where building restoration/construction products are sold. “Other methods of distribution” shall include, without limitation, wholesale, resale or the Internet (or any other existing or future form of electronic commerce);

2.4.4 To advertise the System on the Internet (or any other existing or future form of electronic commerce) and to create, operate, maintain and modify or discontinue the use of a website using the Marks.

3. TERM AND RENEWAL

3.1 Term. The initial term of this Agreement commences upon the Effective Date (as defined in Section 21.13) and shall continue for a period of 10 years from the Effective Date, unless it is sooner terminated in accordance with Section 19.

3.2 Renewal. This Agreement will automatically renew for three additional 10-year terms, provided you meet the following conditions with respect to each renewal:

3.2.1 You have not given us written notice of your intention not to renew at least 6 months but not more than 12 months prior to the end of the expiring term;

3.2.2 You are not in default of any provision of this Agreement or any other agreement between you and us or our affiliates, and have, on a timely basis, substantially complied with all of the terms and conditions of this Agreement and any of these other agreements during their respective terms;

3.2.3 You have satisfied all monetary obligations owed by you to us and our affiliates, and have timely met those obligations throughout the term of this Agreement and any other agreement between you and us or our affiliates;

3.2.4 You have not received more than 4 customer complaints to the Better Business Bureau or any other consumer-oriented organization or website in any 6-month period;

3.2.5 At our request, your Designated Owner, Production Manager, Sales Manager, and other staff, comply with our then-current training requirements, at your sole expense;

3.2.6 At our request, you and your Principal Owners and guarantors execute a general release of claims in a form we prescribe;

3.2.7 You are current in your payments to any lessor, suppliers, subcontractors and any others with whom you do business;

3.2.8 At our request, you replace or update your Business office, signage, vehicles or other equipment and supplies used in the Business to meet our then-current specifications; and

3.2.9 At our request, you sign our then-current form of franchise agreement at the time of the renewal. The terms of any then-current form franchise agreement you sign upon a renewal may contain materially different terms and conditions than this Agreement, including without limitation higher fees and modification to your Franchised Area.

4. FEES AND PAYMENTS

4.1 Initial Franchise Fee. You must pay to us a nonrefundable initial franchise fee of Sixty Five Thousand Dollars (\$65,000) for a Franchised Area that consists of a Standard Territory (“Initial Franchise Fee”). The Initial Franchise Fee, payable in full on the date you sign this Agreement, is earned upon receipt. Generally, the Initial Franchise Fee covers our cost of training and reimburses us for costs of sale of the franchise.

4.2 Royalty Fee. Minimum Royalty Fees and Minimum Performance Requirements. During the term of this Agreement and in consideration of the rights granted to you and the services we provide to you as described in Section 6 of this Agreement, you must pay to us weekly royalty fees (“Royalty Fees”) equal to the greater of (i) 6.25% of your Gross Sales, or (ii) the minimum royalty fees set forth below in this Section 4.2 (the “Minimum Royalty Fees”):

(a) (1) during your first full calendar year of operation you must achieve at least \$1,000,000 in Gross Sales and if you fail to do so, your royalty payments for that year must equal 6.25% of \$1,000,000; (2) during your second full calendar year of operation you must achieve at least \$1,500,000 in Gross Sales and if you fail to do so, your royalty payments for that year must equal 6.25% of \$1,500,000; and (3) during your third full calendar year of operation and each subsequent year you must achieve at least \$2,000,000 in Gross Sales and if you fail to do so, your royalty payments for that year must equal 6.25% of \$2,000,000.

(b) We may agree to reduce your minimum performance requirements in writing, including the Minimum Royalty Fees that you must pay, in our sole judgment and not subject to review. If you fail to meet the applicable minimum performance requirement for any year, such failure shall constitute a material breach of this Agreement, and we shall have the right to terminate this Agreement. **THE MINIMUM PERFORMANCE REQUIREMENTS ARE IN NO WAY INTENDED TO IMPLY THAT YOU WILL EXPERIENCE GROSS SALES OF ANY PARTICULAR LEVEL.**

4.3 Computations and Collection of Fees. We will compute the amount of Royalty Fees due and owing to us on a certain day of each week, as established in our Operations Manual, for the preceding week’s operation and collect these amounts from your account, electronically or through some other method of payment we designate, on

the day the Royalty Fees are due. You must sign our electronic transfer of funds form attached to this Agreement as Appendix A and any other form we require (and promptly update such electronic transfer of funds form upon any change in your banking information), and by executing this Agreement you acknowledge and agree that all amounts owed to us under this Agreement are payable via electronic funds transfer. We may also collect from your account, electronically or through some other method of payment we designate, any other amounts that become due and owing to us or our affiliates under this Agreement. All calculations will be based on figures you provide to us and/or we acquire electronically or otherwise. You must certify the computation of the amounts in the manner and form we specify, and you must supply to us any supporting or supplementary materials as we require to verify the accuracy of amounts we collect from your account. If you do not provide us with required Gross Sales reports as required under Section 12, we have the right to estimate your Business's Gross Sales for any missing period and collect from your account an amount equal to the Royalty Fees that would be due based on such estimation. In making our estimate, we may consider prior Gross Sales reports that we received from you and any regional averages and other pertinent information available to us. In the event we must estimate your Business's Gross Sales and the estimated amount exceeds the Gross Sales obtained by your Business, you will have 5 days to submit the accurate Gross Sales and upon evaluation of the submitted report, we will refund to you any amount collected that exceeds the correct amount.

4.4 Application of Payments. To the extent you owe any amount of money to us or any of our affiliates, we have the right to: (i) apply against such amount, in any manner we determine, any payments we receive from you and (ii) offset from such amount any amounts we or our affiliates owe you.

4.5 Withholding Payments Unlawful. You agree that you will not withhold payment of any fees or any other amounts due to us or our affiliates under this Agreement, and that the alleged nonperformance or breach of any of our obligations under this Agreement or any other agreement does not establish a right at law or in equity to withhold payment to us of any fees or any other amounts due to us or our affiliates under this Agreement.

4.6 Interest Charges; Late Payment Service Charges. Any and all amounts that you owe to us or our affiliates will bear interest at the rate of 1.5% per month or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual. In addition to interest charges on late fee payments, you must pay to us a service charge of up to \$100 for each delinquent payment, due when the delinquent payment is due, and up to \$100 for each delinquent report, due when the delinquent report was due. We will continue to charge a late fee for each period that the report remains delinquent. A payment is delinquent if we do not receive the payment on or before the date due. A report is delinquent if we do not receive it on or before the due date and remains delinquent for each designated period until we receive it. The service charge is not interest or a penalty, it is only to compensate us for increased administrative and management costs due to late payment or reporting.

4.7 Payment of Debts. You agree to pay promptly when due: (i) all payments, obligations, assessments and taxes due and payable to us and our affiliates, vendors, suppliers, manufacturers, distributors, subcontractors, landlords, lessors, federal, state and local governments and creditors in connection with your Business; (ii) all liens and encumbrances of every kind and character created or placed upon or against any of the property used in connection with the Business; and (iii) all accounts and other indebtedness of every kind incurred by you in the conduct of the Business. In the event you default in making any such payment, you must notify us within 30 days and we are authorized, but not required, to pay the same on your behalf and you agree promptly to reimburse us on demand for any such payment.

4.8 Tax Indemnification. We have the right to require you to indemnify and reimburse us and our affiliates for all income, capital, gross receipts, sales, and other taxes that the state in which the Business is located imposes upon us as a result of your operation of the Business or the license of any of your intangible property in the jurisdiction in which the Business is located. If more than 1 Storm Guard® franchisee is located in such jurisdiction, we have the right to require that they share the liability in proportion to their Gross Sales from their respective franchised businesses, except in the case of sales taxes and gross receipts taxes, which will be divided in proportion

to taxable sales to the franchisees. If applicable, this payment is in addition to the fees described above.

4.9 Opening Package. Before opening your Storm Guard® business, you must obtain from us your initial sales promotion, print materials, and certain materials for conducting your Storm Guard® business (collectively, the “Opening Package”). The Opening Package includes Storm Guard® signs, clothing, banners, door hangers, brochures, letterhead, business cards, Storm Guard® tarping equipment, vehicle wrap, and some technology set-up and service fees. The price of the Opening Package will range from \$21,000 to \$32,000, including shipping and handling. Your payment for the Opening Package is not refundable.

4.10 Technology Fees and e-mail Fees. During the term of this Agreement, you must pay us monthly technology fees (“Technology Fees”) in the amount of \$100 per month. We reserve the right to charge you \$12 per month for each e-mail address. At your option, you may choose to purchase enhanced email addresses including Microsoft Office features, which cost \$22 per month for each e-mail address. We may increase the monthly Technology Fees or e-mail fees upon 30 days’ written notice to you.

4.11 Sales App Fees. During the term of this Agreement, you must pay us monthly sales app fees (“Sales App Fees”) in the amount of \$24 per user per month. The sales application is provided by our designated vendor and is required for each of your employees engaged in the sales process. We may increase the monthly Sales App Fees upon 30 days’ written notice to you.

4.12 Work Expense Fees. If you fail to complete work for one of your clients or refund the funds allocable to the incomplete work within ten (10) days after you receive notice from us that you have failed to timely complete a client project, we may, in our sole discretion: (a) complete the work, (b) refund the funds allocable to the incomplete work to the party that advanced such funds to you, (c) take other related actions as we deem appropriate under the circumstances, or (d) take no action. If we perform any work for your clients, you must promptly reimburse us for all of our costs and expenses incurred in completing such work. If we refund the funds allocable to the incomplete work, you must promptly reimburse us for the funds that we reimbursed to the customer.

5. TRAINING AND OPERATING ASSISTANCE

5.1 Training. Prior to the opening of the Business (i.e. prior to you providing restoration/construction services to any customers), we will provide a pre-opening training program on the operation of a Storm Guard® business for up to two (2) individuals affiliated with your Business, including you (or your Designated Owner if you are a business entity) and one of your Key Managers, and we will not charge you any tuition for these two (2) individuals to attend the pre-opening training program. Once you have commenced operations, we will provide you with additional training sessions on the operation of your Business. The Designated Owner and at least one Key Manager must, at your expense, attend and successfully complete all training sessions to our satisfaction, both at a location we designate as well as training provided in or near your Franchised Area. A single individual may not serve as your Designated Owner, Production Manager and Sales Manager unless approved by us in writing. Each of your Key Managers must successfully complete the training program(s) that we designate. We have the right to determine when and where training takes place and the duration of the training. At all times during the term of this Agreement, the Designated Owner and at least one Key Manager must have attended and successfully completed to our satisfaction the designated training program and any other training we require. In the event you are given notice of default as set forth in Sections 19.1 and 19.2 and the default relates, in whole or in part, to your failure to meet any operational standards, we have the right to require as a condition of curing the default that the Designated Owner or any Sales or Production Manager, at your expense, comply with the additional training requirements we prescribe. Any new Designated Owner or Key Manager must, at your expense, comply with our training requirements within the time we specify. Under no circumstances may you permit management of the Business’ operations for more than 30 days by a person who has not successfully completed to our satisfaction all applicable training we require. Except with regard to the first two (2) people attending the pre-opening training program as stated above, we may, at our option, charge reasonable training tuition fees for all persons attending any training session. You are solely

responsible for the applicable tuition, if any, and the salaries, wages, benefits, travel, lodging, meals and living expenses and other related costs for all individuals affiliated with you and the Business who attend any initial and ongoing training, franchise conventions and meetings, as described in this Section 5.

5.2 Ongoing Training. We may require the Designated Owner(s) and any of your Key Managers to attend ongoing training from time to time, as needed in our discretion, at your expense. We have the right to determine when and where ongoing training takes place, the duration of the training and the cost of the training. We may also elect to offer ongoing training via telephone or the Internet.

5.3 Conventions and Meetings. We may periodically hold or sponsor franchise conventions and meetings relating to new services or products, new operational procedures or programs, Proprietary Products and Services, updates or training on new customer sales techniques, new supplies or restoration/construction products for residential or commercial buildings, equipment types and use, franchisee feedback, business management, referral management, sales and incentives promotion or similar topics. These franchise conventions and meetings may be optional or mandatory, as we designate, and we may charge a fee (currently \$1,000, subject to increase at our discretion upon written notice to you) to attend such conventions. The Designated Owner and at least one (1) Sales Manager or Production Manager must attend, at your expense, all mandatory franchise conventions and meetings we may hold. The cost to you to attend any mandatory meetings will be detailed in the Operations Manual. If the Designated Owner, Sales Manager or Production Manager is not able to attend a convention or meeting, he or she must so notify us before the convention or meeting and must have a substitute person acceptable to us attend the event.

5.4 Operating Assistance. We will advise you on operational issues and provide assistance in operating the Business as we deem appropriate. We will provide operating assistance, in our sole judgment, through our Operations Manual, bulletins or other written materials, telephone conversations and/or meetings at our office or in your Franchised Area in conjunction with an inspection. At your request, we may also provide additional assistance to you for a fee.

5.5 Operations Manual. We will furnish or make available to you, through our website or otherwise, our operations manual (the "Operations Manual"). The Operations Manual at all times is our sole property and is only on loan to you during the term of this Agreement. You must at all times treat the Operations Manual, and the information it contains, as secret and confidential, and must use all efforts to maintain such information as secret and confidential. The Operations Manual contains mandatory and suggested standards, procedures, techniques, management systems and other items relating to the operation of a Storm Guard® business. We may periodically revise the contents of the Operations Manual and you agree to comply with each new or changed requirement. You must at all times ensure that your copy of the Operations Manual is kept current and up to date, and in the event of any dispute as to the contents of your copy of the Operations Manual, the terms of the master copy of the Operations Manual that we maintain are controlling. You acknowledge and agree that the Operations Manual and other system communications may be available only on the Internet or other online or computer communications.

6. OTHER SERVICES

6.1 Website Maintenance. We will maintain a Storm Guard® website. As a part of our website, we may develop and maintain a website or web page for the Business. This website or web page will include certain information relating to the Business. In addition, we will host on our website our corporate e-mail address, as well as the corporate e-mail address for you and each of our other franchisees. We may charge a fee for each email address that we host for you. We currently charge \$10 per month for each Storm Guard e-mail address you use. At your option, you may choose to purchase enhanced email addresses including Microsoft Office features, which cost \$20 per month for each e-mail address. We may increase the monthly e-mail fees upon 30 days' written notice to you. In addition to our website, we may develop and maintain, in our sole judgment, an intranet/extranet. Your required participation in, and our rights relating to, our website and any intranet/extranet we develop and maintain, is

described in Section 10.7.

6.2 Prospective Customer Advertising. We will assist you with certain local advertising activities. Any customer serviced by your Business will be added to our databases and may receive additional Storm Guard® sales communications.

7. ADVERTISING

7.1 Advertising Materials. You must use your best efforts to promote and advertise the Business and must participate in all advertising and promotional programs we establish in the manner we direct. You must use only such advertising and sales promotion materials as we furnish, approve or make available, and the materials must be used only in a manner that we prescribe. You may advertise or promote the Business only within your Franchised Area, unless otherwise approved in writing by us. Any promotional activities you conduct in connection with the Business are subject to our approval. You may use only advertising agencies that meet our then-current standards and specifications to create and place local marketing, advertising and promotion in your Franchised Area. You must obtain our approval (in writing) of all marketing, advertising and promotional materials before use, including without limitation any of your own materials, at least 10 business days prior to the deadline for running or using the marketing, advertising or promotional materials. Any marketing, advertising or promotional materials not approved by us within 10 business days shall be deemed to be disapproved. At any time, we may require you to stop any marketing, advertising or promotions. You must use marketing, advertising and promotional materials that depict any of the Marks only in connection with your sale of approved services and products in connection with the Business. Any marketing, advertising and promotional materials used by you must be current, in good taste and in good condition and communicate the brand position and character that we have established for Storm Guard® businesses. We may periodically make available for purchase from us or our affiliates, or designated or approved suppliers, certain advertising, marketing and promotional materials at our cost, plus shipping and handling and a markup.

7.2 Required Local Marketing and Advertising Cooperatives. You must use your best efforts to promote and advertise the Business and participate in any local marketing and promotional programs we periodically establish. You must spend at least \$2,500 per month total on approved promotional activities during your first year of operations, \$5,000 per month total during your second year of operations, and \$7,500 per month during all subsequent years of operations. Upon request, you must provide to us a monthly report detailing your local marketing expenditures per month. On or before April 15 of each year, you will provide us with an accounting of the funds that you have spent for local advertising for the preceding calendar year. If you do not spend the minimum amount required for local advertising and promotional activities, you must pay us the amount of the difference for deposit in the Brand Development Fund (as defined in Section 7.4). We have the right to designate any geographic area in which two (2) or more company-owned or franchised Storm Guard businesses are located as a region for purposes of establishing an advertising cooperative (“Cooperative”). If we do, each Cooperative will be organized and governed as, and will begin operation on a date, we determine. Cooperatives will be organized for the exclusive purpose of administering advertising programs and developing promotional materials for local advertising and will be operated solely as a conduit for the collection and expenditure of advertising contributions. If a Cooperative is established for a geographic area that includes all or part of your Franchised Area, you must execute the applicable Cooperative documents promptly upon our request and participate as a member of the Cooperative. Among other things, this means that (i) you must submit to the Cooperative and to us all statements and reports that we or the Cooperative may require, and (ii) you must contribute to the Cooperative the amounts required by the Cooperative’s governing documents; provided, that your Cooperative contribution will be applied to satisfy your local advertising requirements under this Section 7.3. Each Cooperative member will be required to contribute monthly amounts determined by a majority vote of the members of the Cooperative. Any amounts you contribute to a Cooperative will be applied to satisfy your local advertising requirement. We or our designee will administer the Cooperatives. We reserve the right to form or dissolve Cooperatives at any time upon written notice to you, and we or our designee will administer the Cooperatives.

7.3 Brand Development Fund. You will be required to pay .75% of your Gross Sales into our marketing and brand development fund that we own and manage (the “Brand Development Fund”). Any Storm Guard® business owned by us or our affiliates will contribute to the Brand Development Fund the same amount as the majority of similarly situated franchised Storm Guard® businesses. The Brand Development Fund is not a trust or escrow account and we have no fiduciary obligation to franchisees with respect to the Brand Development Fund. We have the right to determine the expenditures of the amounts collected and the methods of marketing, advertising, media employed and contents, terms and conditions of marketing campaigns and promotional programs. We are not required to spend a pro-rated amount on each Storm Guard® business or in each advertising and sales promotion market. We have the right to make disbursements from the Brand Development Fund for expenses incurred in connection with the cost of creating, formulating, developing and implementing marketing, advertising and promotional campaigns and materials, and any other activities we, in our sole judgment, believe are appropriate to enhance, promote and protect the Storm Guard® brand or the System. The disbursements may include payments to us for the expense of administering the Brand Development Fund, including without limitation accounting expenses and salaries and benefits paid to our employees engaged in advertising or Brand Development Fund administration functions. You are responsible for purchasing any advertising materials specific to your Business and your contribution to the Brand Development Fund will not be reduced for any marketing material expenses you incur. If requested in writing no sooner than 90 days following our year end, we will provide you an annual unaudited statement of contributions and expenditures of the Brand Development Fund for the most recently completed fiscal year. In addition, we have the right to spend in any fiscal year an amount greater or less than the aggregate contributions of Storm Guard® businesses to the Brand Development Fund in that year and we or our affiliates have the right to make loans to the Brand Development Fund bearing interest to cover any deficits of the Brand Development Fund and cause the Brand Development Fund to invest any surplus for future use by the Brand Development Fund. If we or our affiliates make a loan to the Brand Development Fund, we may use any subsequent contributions to the Brand Development Fund to pay back the loan and any interest. We may spend up to 20% of the annual deposits into the Brand Development Fund each year on expenses related to selling and advertising the sale of franchises. However, beginning on January 1st of the year following the date on which we have 100 open and operating franchisees, we may no longer spend money from the Brand Development Fund on expenses related to selling and advertising the sale of franchises, except that we may continue to use Brand Development Fund monies on public relations or recognition of the Storm Guard® brand and creation and/or maintenance of our web site, a portion of which will focus on our franchise offering.

7.4 Participation in Certain Programs and Promotions. You must use your best efforts to promote, market and advertise your Business, and must participate in all advertising and promotional programs we establish in the manner we direct, which may include on-line directory advertising, customer loyalty programs, customer surveys or sponsorship of national charitable activities. If we establish sponsorship of national charitable activities, you may have to contribute a small portion of sales or profits to the national charity, as described in the Operations Manual.

8. TRADEMARK STANDARDS AND REQUIREMENTS

8.1 Trademark Ownership. You acknowledge and agree that the Marks are our valuable property. You further acknowledge and agree that as owner of the Marks, we are the owner of all right, title, and interest in and to the Marks and all past, present, or future goodwill of the Business. Your use of the Marks will inure to our exclusive benefit. You may not, during or after the term of this Agreement, engage in any conduct directly or indirectly that would infringe upon, harm, contest, or be injurious or prejudicial to our rights in any of the Marks or the goodwill associated with the Marks, including without limitation any use of the Marks in a derogatory, negative, or other inappropriate manner in any media, including without limitation print or electronic media.

8.2 Trademark Use. You may not use, or permit the use of, any trademarks, service marks, trade names, domain names, logos, or commercial symbols in connection with the Business except for the Marks or as we otherwise direct in writing. You may use the Marks only in connection with such services and products as we specify

and only in the form and manner we prescribe in writing. You must comply with all trademark, trade name, and service mark notice marking requirements. You may use the Marks only in association with services and products approved by us and that meet our standards or requirements, including without limitation those relating to quality, condition, image, and performance.

8.3 Business Identification. You must use the name Storm Guard® as the trade name of the Business and you may not use any other mark or words to identify the Business without our prior written approval. You may not use the words Storm Guard® or any of the other Marks as part of the name of your corporation, partnership, limited liability company or partnership, or other legal entity. You may use the Marks on various materials, such as business cards, stationery, checks, and customer documents and other forms, provided you (i) accurately depict the Marks on the materials as we describe in our Operations Manual or otherwise, (ii) include a statement on the materials indicating that the business is independently owned and operated by you, (iii) do not use the Marks in connection with any other trademarks, trade names, or service marks without our prior written approval, and (iv) provide to us, for our approval, a copy of any materials depicting the Marks before you use those materials. You must include a prominent statement on your Business office and any Business vehicles identifying you as a Storm Guard® franchisee in a format we deem acceptable, including without limitation an acknowledgment that you independently own and operate the Business.

8.4 Restrictions on Internet, Interactive Media and Website Use. We retain the sole right to advertise the System on the Internet and Interactive Media, as defined in Section 10.7, and to create, operate, maintain, and modify, or discontinue the use of, a website, intranet, or extranet system using the Marks, as further described in Sections 6.3 and 10.7. You will not register, as Internet domain names, any of the Marks now or hereafter owned by us or our affiliates or any abbreviation, acronym, or variation of the Marks, or any other name that could be deemed confusingly similar. Further, you may not market, advertise, or promote your Business or conduct any related business on the Internet without our prior written approval, including without limitation using Social Media Sites to promote your Business. You must participate in any Storm Guard® website or other online communication systems, which may include an extranet or intranet system. We have the right to determine the content and use of, and will establish the rules under which you will participate in the website, the intranet and other online communication systems. We may require you to pay to us or a third-party vendor a monthly fee to cover our costs in developing, maintaining, and hosting the website, extranet, intranet or any other online communications systems. Your right to participate in the website or any other online communications using the Marks or system terminates when this Agreement expires or terminates

8.5 Notification of Infringements and Claims. You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Mark, patent or copyright we license to you, or any claim by any person of any rights in any Mark, patent or copyright we license to you, or any similar trade name, trademark or service mark, of which you become aware. You must not communicate with any person other than us and our counsel regarding any infringement, challenge or claim. We may take any action we deem appropriate, and have the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Mark, patent or copyright. You will sign all documents, provide assistance and take all action as we may request to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks and any patents and copyrights we license to you.

8.6 Litigation. You will have no obligation to and will not, without our prior written consent, defend or enforce any of the Marks, patents, or copyrights we license to you in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. You will, however, immediately notify us of any claims or complaints made against you respecting the Marks and any patents and copyrights we license to you, and will, at your expense, cooperate in all respects with us in any court or other proceedings involving the Marks and any patents and copyrights we license to you. We will pay the cost and expense of all litigation we incur, including without limitation attorneys' fees, specifically relating to the Marks and any patents and copyrights we license to you, unless the litigation results from your misuse of the Marks, patents, or copyrights in violation of this

Agreement. We and our legal counsel will have the right to control any litigation related to the Marks and any patents and copyrights we license to you, and we have the right to decide to pursue or settle any infringement actions related to the Marks, and any patents and copyrights we license to you.

8.7 Changes. You may not make any changes or substitutions to the Marks unless we direct in writing. We have the right at any time to modify or discontinue use of any Mark, or to require you to use one or more additional or substitute trademarks, service marks, or trade names. In such event, you will, at your expense, comply with such modification, discontinuance, or substitution upon receipt of our written notice to you. We will have no liability or obligation as to your modification, discontinuance, or substitution of any Mark.

9. DEVELOPMENT AND COMMENCEMENT OF THE BUSINESS

9.1 Business Office. You must maintain a business address to serve as the business office for the Business (“Business Office”). You must be able to receive overnight delivery packages at your business office. The location of your Business Office must be within your Franchised Area and satisfy all the Computer System requirements. We have the right to approve or disapprove of any proposed Business Office. You must maintain a separate telephone line, voicemail, and cable or Internet connection for the Business Office pursuant to our standards and specifications. You agree not to use the business address or telephone number of the Business Office for any other business purpose other than the Business.

9.2 Vehicles, Supplies, and Equipment. Before you start your Business, you must purchase or lease a vehicle(s) that meets all the standards and specifications we designate in our Operations Manual, including without limitation the make, model, and color of the vehicle(s). You must maintain at least two vehicles (with at least one being a pick-up truck and both being less than five years old) for the Designated Owner and any additional Production Manager or Sales Manager working for your Business. All vehicles must display our full Storm Guard® vehicle wraps included in your Opening Package and any other required logos and Marks in the form we designate, including but not limited to adhering or affixing vinyl decals or vinyl panels approved by us to any vehicle(s) used in your Business. All replacement vehicles, equipment, and other items you use in the Business must comply with our then-current standards and specifications. You must also purchase any equipment or supplies designated by us for the operation of the Business and necessary for the evaluation of damaged property as specified in the Operations Manual.

9.3 Commencement of the Business. You may not commence operation of the Business until we have notified you that you have satisfied all of your pre-commencement obligations and training and we have approved your commencement date. You must secure a Franchisor-approved site for your Business at least 21 days prior to attending Training Session A of our initial training program. Your failure to secure an approved sight within this time schedule will constitute a material default your franchise agreement, and we may prohibit you from attending Training Session A. In addition, your failure to timely secure an approved site may, at our option, result in termination of this Agreement. In addition, you agree to complete development and commence operation of the Business within 270 days after the Effective Date or a time period that we may approve in writing, due to your location or the time of the year. “Commence operation” means that you have successfully completed our training requirements and are approved by us to begin operation of the Business. If you fail to commence operation within 270 days after the Effective Date or the time period that we approved, we have the right to terminate the Franchise Agreement.

10. SERVICES AND PRODUCTS, OPERATIONS STANDARDS AND REQUIREMENTS

10.1 Approved Services and Products. You must offer or sell in connection with the Business all services and products, including without limitation the Proprietary Products and Services, and only those services and products we periodically approve as being suitable for Storm Guard® businesses and meeting our standards of quality and uniformity for the System (“Approved Services and Products”), and may not offer or sell any other service or product in connection with the Business without our prior written approval. If we determine that we will

no longer approve a service or product as being suitable for sale from a Storm Guard® business, you must cease offering that service or product upon 30 days' written notice from us. Due to the regional or local nature of the restoration/construction services Approved Services may depend on the location of the Business, market factors, or the insurance coverage of any particular customer, among other things. You agree that you and any subcontractor you hire will perform all Approved Services to the specifications of local building codes or ordinances. You are solely responsible for ensuring all services meet local, state, or federal laws or regulations. We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products or services.

10.2 Computer System. You must purchase, use, maintain and pay for any computer system (including, without limitation, all hardware, software, telecommunications systems, related equipment, and associated services, mobile devices and mobile apps) we specify for the Business including all future updates, supplements, modifications, and substitutions we designate (the "Computer System"). You must ensure that the Computer System is continuously operational according to our standards and specifications. We may require you to license any designated software from us, an affiliate, or a third party, and also require you to pay us a software licensing and support fee in connection with your use of the designated software to operate the Business. We may designate software that you must use (and pay for) to be used in the management and growth of your Business, including without limitation to designating software to: (i) manage all aspects of property construction contracting and subcontracting, (ii) assist with any property measurements and building or housing dimensions, (iii) maintain and record customer data and customer leads based on geographical information and maps, and (iv) track weather-related property damage to assess impact on certain geographical regions. All rights, title, and interest, in the software will remain with the licensor of the software. You are required to participate in and purchase computer hardware maintenance and software support programs offered by your suppliers to ensure that your Computer System functions properly at all times. We or our affiliates may offer you computer software/hardware support. As further described in Section 10.3, we have the right to designate, as applicable, the specific brand and/or manufacturer, and/or the single source of supply, of the Computer System (and any components that make up the Computer System, including without limitation designated software or hardware).

You must keep all information stored on the Computer System secure at all times. You acknowledge and agree that we own all Customer Data and will have full and complete access to information and data entered and produced by the Computer System that relates to your operation of the Business, including without limitation all Customer Data. We may access the Computer System used in connection with the Business, at your Business Office or from other locations, or through any intranet or extranet system we develop. You must store all data and information that relates to your operation of the Business that we designate and report that data and information in the manner we specify, including without limitation through any intranet or extranet system we develop or other online communications. You must have, at all times, access to the Internet through an established service provider. We will assign you and you must maintain the email account(s) we designate on the Internet. We may charge you for email accounts that we maintain. You must conduct all Business communications through your email account we designate and may not use any account not approved by us for any Business communications.

You must pay all costs associated with the Computer System, including without limitation those relating to designated software, software licenses, usage fees, training, service fees, on-going support, upgrades, and any updates, supplements, modifications, substitutions, or replacements we require. There are no contractual limitations on the frequency and cost of this requirement.

10.3 Approved Supplies and Suppliers. You must use the approved services and products (including the Proprietary Products and Services), equipment (including without limitation the designated vehicle(s) or equipment and Computer System described above), restoration/construction materials, equipment and supplies, advertising, marketing and promotional materials, sales incentives, and any other items we periodically approve and require as part of the operation of the Storm Guard® businesses (collectively, "Approved Supplies"). We will provide you with

a list of Approved Supplies (“Approved Supplies List”) and a list of approved suppliers (“Approved Supplier List”). We have the right to periodically revise the Approved Supplies List and Approved Suppliers List, as we deem appropriate. We have the right to approve the brand, manufacturer, supplier, and/or distributor of any of the Approved Supplies. We also have the right to require you to use approved suppliers. In addition, we have the right to designate the specific brand and manufacturer of any of the Approved Supplies. Further, we have the right to designate a single source or sources from whom you must purchase any Approved Supplies, and we and/or our affiliates may be that single source (if we designate only a single source) or one or more of the sources (if we designate more than a single source). Under all circumstances and without limiting the above, we have the right to designate, as applicable, the specific brand, manufacturer, and single source of supply (which may be or include us or one of our affiliates), of the following: (i) the Computer System (and any components that make up the Computer System, including without limitation any designated software or software systems); (ii) the vehicle(s) used in the operation of the Business; (iii) Proprietary Products and Services; (iv) certain mandatory or optional advertising, marketing and sales promotion materials we make available to you for purchase as well as local telemarketing services; (v) certain sales incentives for your sales team and any Storm Guard® customer; (vi) standard attire and uniforms for you and any of your employees; and (vii) any supplies, equipment, or materials used in commercial or residential restoration/construction, including without limitation all roofing, siding, window or gutter materials, and supplies and certain equipment necessary for completion of all commercial or residential restoration/construction completed by the Business. We will periodically notify you of these requirements, and changes to these requirements, through the Operations Manual, the Approved Supplies List, the Approved Suppliers List, or other means. For certain Approved Supplies and other services and products, we, an affiliate or a third-party manufacturer, supplier, or distributor may be the only approved supplier even though we have not designated a single source of supply for those items. All products, services, inventory, materials, and other items and supplies used in the operation of the Business that are not included in the Approved Supplies List or Approved Suppliers List must conform to any specifications and standards we periodically establish. You are responsible for ensuring any subcontractor used in the Business complies with all Storm Guard® standards including without limitation all Approved Supplies and Approved Suppliers Lists.

We may conduct regional market research and testing to determine customer trends and the market for new services and products. If you want to participate in our market research programs and test market new services and products in the Business, you must provide us with timely reports and other relevant information regarding market research.

If we have not designated the brand, manufacturer, or the source or sources of any of the Approved Supplies, you may request that we approve an alternative to that item, or an alternative supplier for that item. In such case, you must first notify us in writing and provide us (upon our request) sufficient specifications, photographs, drawings, and other information or samples for us to determine whether the alternative item complies with our specifications and standards, or the alternative supplier meets our approved supplier criteria. We will notify you in writing as to whether or not the proposed alternative item or supplier is approved. We may develop procedures for the submission of requests for approved alternative items or suppliers, and obligations that approved suppliers must assume (which may be incorporated in a written agreement to be signed by approved suppliers). We will have the right to charge you and/or each proposed supplier a fee in reviewing a proposed alternative item or supplier. We may impose limits on the number of alternative items and/or suppliers to be used by you for the Business and/or in conjunction with the System.

We have the right to disapprove of any subcontractors used in the Business and to inspect any equipment used by you or any of your subcontractors in your Business.

ALTHOUGH APPROVED BY US, WE AND OUR AFFILIATES MAKE NO WARRANTY OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE, AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WITHOUT LIMITATION WARRANTIES OF MERCHANTABILITY,

FITNESS FOR ANY PARTICULAR PURPOSE, AND NON-INFRINGEMENT, WITH RESPECT TO ALL SERVICES, PRODUCTS, EQUIPMENT (INCLUDING WITHOUT LIMITATION THE VEHICLE AND THE COMPUTER SYSTEM), SUPPLIES, OR OTHER ITEMS THAT ARE MANUFACTURED OR DISTRIBUTED BY THIRD PARTIES AND THAT WE APPROVE FOR USE IN THE SYSTEM. WE MAKE NO PROMISES OR GUARANTEES AS TO THE EFFECTIVENESS OF ANY SERVICES AND PRODUCTS PROVIDED UNDER THIS AGREEMENT, EITHER WITH RESPECT TO YOU OR ANY OF YOUR CUSTOMERS.

10.4 Specifications, Standards, and Procedures. You acknowledge and agree that we have the right to establish quality standards regarding the appearance and operation of Storm Guard® businesses to protect the distinction, goodwill, and uniformity symbolized by the Marks and the System. You also acknowledge and agree that each and every detail of the appearance and operation of the Business is important to us and other Storm Guard® businesses. You agree to maintain the highest standards of quality and service in the Business and agree to comply, and ensure any subcontractor used in the Business complies, with all mandatory specifications, standards, and operating procedures (whether contained in the Operations Manual or any other written or oral communication to you) we periodically establish relating to the appearance or operation of a Storm Guard® business. You acknowledge and agree that we may periodically modify and add to these specifications, standards, and operating procedures, and that you are obligated to conform to any mandatory modified or additional specification, standard, or operating procedure. You also acknowledge and agree that any required specifications, standards, and operating procedures exist to protect our interests in the System and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you.

10.5 Maintenance of Vehicles and Equipment. You will at all times repair and keep in good working order and appearance all vehicles and equipment used in your Business in accordance with our quality standards. You will replace all equipment, supplies, and vehicles as such items become worn-out or in disrepair with replacements which comply with our then-current standards and specifications. We shall have no responsibility or liability for damages to any party that may result from your use of improper or defective equipment, and you shall indemnify and hold us harmless with regard to any such liabilities. You are solely responsible for ensuring the quality of any equipment used by you and any subcontractors performing work for your Business, including their equipment, vehicles, and any other materials used to perform work for your Business.

10.6 Standards of Service. You must at all times give prompt, courteous, and efficient service to your customers. You must, in all dealings with your customers, your suppliers, your referral sources, any subcontractors, and the general public, adhere to the highest standards of honesty, integrity, and fair dealing.

10.7 Participation in Internet Websites, Intranet/Extranet Systems or Other Social Media Sites or Online Communications. You must participate in our Storm Guard® website and any intranet/extranet we develop in accordance with our written standards, which we have the right to periodically modify. We have the right to determine the content and use of our website, any intranet/extranet system we develop, and any social media, networking and geolocation platforms (including all applications) (collectively “Interactive Media”), and will establish the rules under which franchisees may or must participate. You may not separately register any domain name containing any of the Marks, and may not have a website or web page for the Business other than the separate website or web page that we will develop as part of our Storm Guard® website. We have the right to require you to (1) post and update information on your website or web page on a regular basis, (2) participate in Interactive Media, as we prescribe in the Operations Manual; and (3) otherwise use your website or web page as we prescribe. We will set up your website or web page and maintain our Storm Guard® website. You must pay us, our designated website programmer or other suppliers for all costs relating to your website or web page, including without limitation, costs to initially set up your website or any Interactive Media, to customize it, to fix any problems relating solely to your website or Interactive Media pages and not our Storm Guard® website, and for help desk support. As further described in Section 10.3, we have the right to designate a single source or sources from whom you must purchase website or web page programming services or other media services related to Interactive Media. Without our prior written approval, you may not link or frame our website or use any email address which we have not authorized for

use in operating the Business. We retain all rights relating to our website, your website or web page, Interactive Media and any intranet/extranet system we develop, or you use to promote your Business, including without limitation all rights to the data stored therein, and may alter or terminate our website, your website or web page, any intranet/extranet system we develop, or any information posted or uploaded to any Interactive Media, including all registration and account information. We also have the right to access, at all times, all information and data contained on our website, including without limitation your separate website or web page that is part of our website, and any intranet/extranet system we develop. Your general conduct on our website, any intranet/extranet system we develop, Interactive Media, or other online communications and specifically your use of the Marks or any advertising is subject to the provisions of this Agreement. You acknowledge that certain information related to your participation in our website, Interactive Media, or any intranet/extranet system we develop may be considered Confidential Information, including without limitation access codes and identification codes. We will retain all rights relating to the Storm Guard® website, Interactive Media, and any intranet/extranet system we develop and may alter or terminate the website, Interactive Media pages or intranet/extranet system upon thirty (30) days' notice to you. Your right to participate in the Storm Guard® website, any intranet/extranet system we develop, or any Interactive Media relating to your Business, or otherwise use the Marks or the System on the Internet will terminate when this Agreement expires or terminates. Furthermore, if you commit a material breach under this Agreement or we reasonably believe that you intend to close your Business, then we may, at our option, immediately terminate your right to use the Marks or the System on the Internet and/or terminate your access to, and participation rights in, the Storm Guard® website, any intranet/extranet system we develop, and/or any Interactive Media relating to your Business.

10.8 Standard Attire. You will require your employees to wear the standard attire or uniforms which have been established and approved by us.

10.9 Customer Data. You must at all times provide us with up-to-date Customer Data (as defined in Section 1.4) in the format we prescribe. During and after the term of this Agreement, we own the Customer Data you and we collect and you acknowledge you have no rights, title, or interest in any Customer Data. We have the right to contact your former and current customers at any time to ascertain their level of satisfaction, or contact any prospective customer referral sources. You may not use Customer Data for any purpose whatsoever other than in the normal conduct of the Business, and may not sell, loan, or give Customer Data, including without limitation customer and customer referral source lists or accounts, to anyone without our prior written permission. Further, we have the right to periodically establish other policies respecting your use of the Customer Data during the term of this Agreement. Upon termination or expiration of this Agreement, you must promptly deliver to us all Customer Data in your possession, including without limitation lists (with addresses and telephone numbers) of all former, current, and prospective customers and customer referral sources, without retaining any copies of that Customer Data, including without limitation any hard or electronic copies.

10.10 Restrictions on Use of Vehicles. You agree that you will not, without our prior written approval, use your Storm Guard® vehicles for any services or products not then authorized by us for Storm Guard® businesses.

10.11 Compliance with Law, Licenses, and Permits. You must at all times maintain the Business and your Business Office and conduct business operations in compliance with all applicable federal, state, and local laws, regulations, codes, and ordinances, including without limitation consumer credit acts and other laws and regulations that apply to credit transactions, other consumer laws, laws that regulate construction services or building codes, usury laws, privacy laws, tax laws, wage and labor and safety and security laws. You must ensure that any subcontractor used also is in compliance with all applicable federal, state, and local laws, regulations, codes and ordinances. You must also secure and maintain in force all required licenses, permits, and certificates relating to the Business and require each of your employees to maintain any required licenses or certifications to perform any commercial or residential construction and sales or marketing activities. Furthermore, you must comply with all payment card infrastructure ("PCI") industry and government security standards and requirements designed to protect cardholder data. PCI standards apply to both technical and operational aspects of credit card and other

payment card transactions and apply to all organizations which store, process or transmit cardholder data.

You have had an opportunity to obtain legal advice regarding, and you currently comply with, all applicable legal requirements that prohibit unfair, fraudulent, or corrupt business practices, including without limitation U.S. and other legal requirements that are designed to combat terrorism and terrorist activities. In addition, neither you nor any holder of an ownership interest in you is named as a “specially designated national” or “blocked person” as designated by the United States Department of the Treasury’s Office of Foreign Assets Control.

You acknowledge that you are an independent business and responsible for control and management of the Business, including without limitation the hiring and discharging of your employees and setting and paying wages and benefits of your employees. You acknowledge that we have no power, responsibility, or liability in respect to the hiring, discharging, setting and paying of wages, or related matters. You also acknowledge that you are not our employee, but an independent business owner. You further acknowledge that we have no responsibility or liability for any contractors or subcontractors hired by you to fulfill your obligations to any Storm Guard® customer.

You acknowledge that we have no direct control over the operations of your Business on a day- to-day basis and you are responsible for the safety and security of any employees, contractors, or subcontractors hired in any aspect of the Business operation, including without limitation, the safety and security at any work site or at your Business Office.

You must immediately notify us in writing of any claim, litigation, or proceeding that arises from or affects the operation or financial condition of the Business, including without limitation any notices of insurance fraud, building code violations, or violation of any other state or local contracting law or ordinance.

10.12 Service Warranty. You must provide all customers with a full warranty on all residential or commercial building construction or repair or any other service provided to customers by your Business as is consistent with the Operations Manual, which currently requires that you provide a warranty for the greater of: (i) 5 years from the project completion date for any work performed in your Franchised Area or otherwise performed by you at any location outside your Franchised Area, or (ii) for the time period required by state law for any work performed in your Franchised Area or otherwise performed by you at any location. You must pay for all costs associated with servicing any warranty claim made by any of your customers. This provision survives termination of this Agreement.

10.13 Insurance. You agree to purchase and maintain in full force and effect, at your expense, all of the insurance coverage we require in the types and amounts described in the Operations Manual. All insurance policies must: (i) be issued by an insurance carrier(s) acceptable to us; (ii) name us and our affiliates, and any other persons we designate by name, as additional insureds; (iii) provide that we will receive 30 days’ prior written notice of a material change in or termination, expiration or cancellation of any policy; (iv) contain a waiver of the insurance company’s right of subrogation against us, our affiliates and any successors and/or assigns; (v) cover all vehicles used in the Business; and (vi) contain the above- mentioned insurance coverage for your Storm Guard® business. The required insurance coverage must be in effect on or before the commencement date of the Business. You must provide to us, on or before the commencement date and thereafter annually or at our request, endorsements or other proof of insurance we require evidencing the existence of such insurance coverage and your compliance with the provisions of this Section, including without limitation the requirement relating to additional insureds. In addition, you will provide us with a copy of endorsements or other proof of the renewal or extension of each insurance policy. We also may request copies of all policies. We periodically may, with prior written notice to you, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation, changes in relevant circumstances, industry standards, experiences in the Storm Guard® system, higher damage awards, or changes in standards of liability. If at any time you fail to maintain in effect any insurance coverage we require, or to furnish satisfactory evidence thereof, we, at our option, may obtain insurance coverage for you. You

agree to promptly sign any applications or other forms or instruments required to obtain any insurance and pay to us, on demand, any costs and premiums we incur, together with an administrative fee equal to 5% of the insurance premium.

You are responsible for confirming any contractor or subcontractor maintains all necessary insurance coverage for any services performed.

10.14 System Modifications. You acknowledge and agree that we have the right to modify, add to, or rescind any requirement, standard, or specification that we prescribe under this Agreement to adapt the System to changing conditions, competitive circumstances, business strategies, business practices, and technological innovations and other changes as we deem appropriate. You must comply with these modifications, additions, or rescissions at your expense, and any other express limitations set forth in this Agreement.

10.15 Relationship with Customer's Insurer and Contingency Contract. For projects that will be paid by the proceeds of an insurance claim, it is your responsibility to evaluate the cost of any project that you undertake, as compared to the price quoted by the insurance company to ensure that such project will be profitable. For each of your customers, you must enter into a form of service contract that is acceptable to us before you undertake any work or enter into any negotiations regarding the project price or scope with the customer's insurer. It is your responsibility to ensure that you understand and comply with any applicable laws regarding public adjusters and that you do not act as a public adjuster. You are responsible for reviewing any agreement developed for this purpose. We accept no responsibility for your failure to collect or obtain payment from a customer for any work commenced or completed. Any cost of collection of payment must be borne by you and will not be deducted from the amount collected for the purpose of determining Gross Sales.

10.16 Best Efforts. You agree that during the term of this Agreement you will use your best efforts to promote the Business and to conduct the Business pursuant to the System.

10.17 No Unbecoming Acts. You agree not to engage in any act that violates community standards or otherwise brings or tends to bring any of the Marks into disrepute or impairs or tends to impair your or our reputation or the goodwill associated with any of the Marks or the Business.

10.18 Required Services to be Purchased. You must purchase, use, maintain and pay for any services or systems (including without limitation all hardware, software and related equipment for the associated services or systems) we specify for the Business, including without limitation using construction and contracting tools or services for pricing and property evaluation, tracking severe-weather and related commercial or residential building damage, supplementing job information, and monitoring customer leads and referral sources. In association with these services or systems, we may require you to license any designated hardware or software from us, an affiliate, or a third party, and also require you to pay us a licensing and support fee in connection with your use of the designated services or systems. All rights, title, and interest, in these services or systems will remain with the designated supplier or vendor providing the service or system. You are required to participate in any training programs associated with using these services or systems and ensure that these systems function properly at all times. We or our affiliates may offer training or support on required services and systems.

10.19 Franchisee Advisory Council. We have formed a franchisee advisory council to advise us on various franchise-related matters, but we are not bound by advisory council advice or decisions. We reserve the right to form, and approve the formation of, other franchisee advisory councils as we deem appropriate. If requested by us, you must participate in or support any franchisee advisory council formed. We have the power to form, approve the formation of, change, dissolve, or merge any franchisee advisory council from time to time, and to establish the bylaws and other rules under which any advisory council operates.

10.20 Prior Approval Before Encumbering the Business or Its Assets. You are required to obtain our prior

written approval before you enter into a loan agreement under which you will receive funds to be used in connection with your Business or grant a lien on (a) the Business, including, but not limited to, a lien on any partnership interests, shareholder interests, membership interests, or securities, whether certificated or uncertificated, or (b) any assets owned and/or used by the Business, to any lender. Our approval shall not be unreasonably withheld.

11. PERSONNEL AND SUPERVISION STANDARDS

You must have a Designated Owner at all times during the term of this Agreement. In addition, you must designate and maintain at least one Key Manager at all times after the Business opens. During your first year of operation, you must employ at least two individuals who regularly engage in sales activities (one of whom may be your Key Manager if he/she regularly participates in sales activities), during your second year of operation you must employ at least 3 individuals who regularly engage in sales activities, and during your third year of operation and all subsequent years you must employ at least 4 individuals who regularly engage in sales activities. The Designated Owner and Key Manager may not be the same individual. Notwithstanding the above, as your number of customers grows, you must maintain a sufficient number of sales staff to serve those customers according to our standard and specifications. The Designated Owner must ensure that the Business is operated in accordance with the terms and conditions of this Agreement, although this in no way relieves you of your responsibility to do so. The Designated Owner and Key Manager also must be readily and continuously available to us.

12. RECORDS AND REPORTS

12.1 Accounting and Records. You must record daily Customer Data on the designated Computer System or some other device we designate. You must keep full, complete and accurate books and accounts for the Business in accordance with generally accepted accounting principles and all requirements of law. Such records shall be created exclusively for the Business and shall be separate and apart from records kept for any other business in which you have an interest. You will keep all of the following relating to the Business at your Business Office for the immediate past seven years (or longer if required by applicable state or federal regulations): control sheets, deposit slips, business and personal bank statements and canceled checks, sales and purchase records, business and personal tax returns, cash receipts journals, monthly sales and profit plan, monthly balance sheet and monthly statement of profit and loss, records of prices and special sales, check registers, purchase records, invoices, sales summaries and inventories, sales tax records and returns, payroll records and general ledger, and such other records and information as we may periodically request, all of which accurately reflect the operations and condition of the Business operations.

12.2 Reports, Tax Returns, and Financial Statements. You will deliver or provide us access to, in a form and manner and within the timeframe we specify, at your expense, reports and other information relating to the operation of the Business, including without limitation: (i) statements relating to Gross Sales; (ii) upon our request, copies of your most recent sales tax return, monthly sales summary and monthly balance sheet and statement of profit and loss, including without limitation a summary of your costs for labor, rent and other material cost items; (iii) within 60 days of a written request by us, all tax returns relating to the Business and each of the Principal Owners; and (iv) upon our request, all such books and records to verify your Gross Sales as we may require under our audit policies. Further, you also must, at your expense, prepare and, upon our request, submit to us, in a form and manner and within the timeframe we specify, annual reports and other information, including without limitation a detailed balance sheet, profit and loss statement, and statement of cash flows for such fiscal year, prepared on an accrual basis and containing all adjustments necessary for fair presentation of the financial statements. We may require that these annual financial statements be reviewed by a certified public accountant. You must certify all reports to be true and correct. You acknowledge and agree that we have the right to impose these requirements on you regardless of whether we impose the same requirement on our other franchisees.

12.3 Our Use and Disclosure of Your Records. We have the right to use or share any reports, sales figures, financial statements, customer information or any other information you provide to us with other Storm

Guard® franchisees in any form, including without limitation publishing your information in franchisee newsletters or other publications we share with our franchisees or designated suppliers and vendors; provided, however, we will not share copies of your personal tax records with anyone other than our professional advisors or as required by law or a court order. Except for this right, we will keep your financial books, records, reports, financial statements, and other information confidential, unless the information is: (i) requested by tax authorities; (ii) used as part of a legal proceeding; (iii) used in a manner as set forth in Section 17.4.7; or (iv) included in a financial performance representation included in our Franchise Disclosure Document.

13. INSPECTION AND AUDITS

13.1 Our Right to Inspect and Evaluate the Business. We or our authorized representative has the right to inspect the vehicle(s), equipment, supplies, and Business Office used in the Business at all times without prior notice to you for the purpose of making periodic evaluations and inspections of any aspect of the Business. This right includes without limitation the right for us or our authorized representative to inspect the work site of any restoration/construction services or any work performed by you, your contractors, or subcontractors. During the course of such inspections, we may photograph or record electronically any part of the Business, regardless of whether or not you are present. We may require you to remove any item which does not conform to our specifications and/or standards. If we determine that any condition of the vehicle(s), equipment, or supplies or, your operation of the Business, presents a threat to customers, or public health or safety, we may take whatever measures we deem necessary, including without limitation requiring you to immediately cease offering services and products until the situation is remedied to our satisfaction. In addition, we have the right to inspect and evaluate the services you provide to your customers. Our inspections and evaluations may include contacting or soliciting information from your current or former customers, or accompanying you on customer visits or to work sites of current or former customers. You agree to cooperate with us to allow us to conduct these inspections and evaluations.

13.2 Our Right to Examine Books and Records. You will allow us or our authorized representatives to access your Business Office, without prior notice, during regular business hours or at all times to inspect, audit, photocopy, scan, and videotape or record your business operations and records, and to interview the Business' employees and current and prospective customers. You will install and utilize any software we designate to monitor and track certain financial and customer information maintained by your Business. Instead of or in addition to the foregoing, you will, upon our written request, make photocopies of all records we request and forward them to us or our authorized representatives at such address as we designate in writing. You agree that we shall have the right to examine your books and records, and to perform such audits, inspections, tests, and other analyses as we deem appropriate to verify Gross Sales, including examination through software we designate to analyze your Business's financial and customer information. You also grant us permission to examine without prior notice to you, all records of any supplier, contractor, or subcontractor relating to your purchases, and you hereby authorize such suppliers, contractors, or subcontractors to release your purchase records to us at such times and places as we request. You must allow us electronic and manual access to any and all records relating to the Business.

13.3 Result of Audit; Under-Reported or Failure to Report Gross Sales. You will pay us, if we or our authorized representatives determine that you under-reported or failed to report any portion of Gross Sales, the Royalty Fees that were not paid, plus interest and service charges as provided in Section 4.6. We may estimate your Gross Sales to determine whether you under-reported Gross Sales. If you under-report your Gross Sales for any calendar year or calendar month by 2% or more of the actual Gross Sales for that period, you will (a) reimburse us for all costs of the investigation, including salaries, outside accountant fees, outside attorneys' fees, travel, meals and lodging, unless such under-reporting is due to an error or omission caused or created by us; and (b) we may immediately terminate the Franchise Agreement, unless such under-reporting is due to an error or omission caused or created by us. You agree to pay for all costs related to any planned audit that is not conducted or not completed on schedule due to your failure to produce your books and records at the time of audit if we notify you in writing of the audit at least five days before the scheduled date. We can collect any delinquent amounts that you owe to us under this Agreement by automatic funds transfer.

14. CONFIDENTIAL INFORMATION; IMPROVEMENTS

14.1 Confidential Information. You acknowledge and agree that you do not acquire any interest in the Confidential Information, other than the right to use it in developing and operating the Business pursuant to this Agreement, and that the use, duplication, or reverse engineering of the Confidential Information in any other business constitutes an unfair method of competition. You acknowledge and agree that the Confidential Information is proprietary and is our trade secret and is disclosed to you solely on the condition that you agree that you: (i) will not use the Confidential Information in any other business or capacity; (ii) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (iii) will not make unauthorized copies of any Confidential Information disclosed in written form; (iv) will adopt and implement all procedures we direct to prevent unauthorized use or disclosure of the Confidential Information, including without limitation restrictions on disclosure to Business employees; and (v) will sign a nondisclosure and confidentiality agreement, and will require the Designated Owner, the other Principal Owners, Sales and Production Managers, and any other of your owners, managers, and other employees and agents with access to Confidential Information to sign a nondisclosure and confidentiality agreement, in a form satisfactory to us. In addition, we may require that you obtain nondisclosure and confidentiality agreements in a form satisfactory to us from your potential investors, financial institutions, and suppliers. You must provide executed copies of all of the agreements described above to us prior to commencing operations of the Business and following the addition of new or replacement owners, employees, or agents. The restrictions on your disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information in judicial or administrative proceedings to the extent you are legally compelled to disclose this information, if you use your best efforts to maintain the confidential treatment of the Confidential Information, and provide us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

14.2 Proprietary Products and Services. You may use the Proprietary Products and Services only in connection with the operation of your Business, and you may not sell or otherwise dispose of any Proprietary Products or Services for any commercial use. You will not, nor will you permit any third party to, copy, reverse engineer, disassemble, or de-compile the Proprietary Products and Services. In addition, you will not permit the Proprietary Products and Services to be used by any third party, other than your customers, and you will use your best efforts to protect the Proprietary Products and Services at all times from any unauthorized use.

14.3 Improvements. You must fully and promptly disclose to us, all ideas, concepts, methods, inventions, developments, techniques, improvements, and additions relating to the development and/or operation of a Storm Guard® business or the System, or any new trade names, service marks, or other commercial symbols or associated logos relating to the operation of the Business, the services and products offered from the Business, including any advertising or promotion ideas related to the Business, any new or improved products (collectively the “Improvements”), conceived or developed by you and/or your employees during the term of this Agreement. You agree that we and our affiliates have the perpetual right to use and authorize others to use the Improvements without any obligation to you for royalties or other fees. You also agree, upon our request, to assign to us or our affiliates, as we designate, all right, title, and interest in and to the Improvements, including the right to grant sublicenses to any of the Improvements. We and our affiliates have the right to make application for and own copyrights, patents, trade names, trademarks, and service marks relating to any of the Improvements and you shall cooperate with us and our affiliates in securing those rights. In return, we and our affiliates will allow you to utilize any Improvements that other franchisees develop and we authorized for use in the System.

15. COVENANTS

15.1 Nonsolicitation of Customers and Employees. You covenant that, during the term of this Agreement, and for a period of 2 years thereafter, you will not, directly or indirectly: (i) divert or attempt to divert any business, account or customers of the Business or any other Storm Guard® business or the System to any competing business; or (ii) employ or seek to employ any person employed by us or our affiliates, or any other person

who is at that time operating or employed by or at any other Storm Guard® business, or otherwise directly or indirectly induce such persons to leave their employment. Unless otherwise specified, the term “you” as used in this Section and in Sections 15.2 and 15.3 includes, collectively and individually, your Designated Owner, all other Principal Owners, your Sales and Production Managers, your guarantors, officers, directors, members, managers, and partners, as the case may be, and holders of any ownership interest in you. We may require you to obtain from your Designated Owner and key employees, including without limitation your Sales and Production Managers and other individuals identified in the preceding sentence a signed non-solicitation agreement in a form satisfactory to us that contains the non-solicitation provisions of this Section.

15.2 Covenants Not To Compete During Term. You will not, during the term of this Agreement, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in any business (including without limitation any e-commerce or Internet-based business) that offers for sale commercial or residential restoration or construction products or services, or any other related business that is competitive with or similar to a Storm Guard® business, except: (i) with our prior written consent; or (ii) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent 1% or less of that class of securities. We may require you to obtain from your Designated Owner and key employees, including without limitation your Sales and Production Managers and other individuals identified in Section 15.1, a signed non-competition agreement in a form satisfactory to us that contains the non-compete provisions of this Section and Section 15.3.

15.3 Post-Term Covenant Not To Compete. You will not, for a period of 2 years after this Agreement expires or is terminated or the date on which you cease to conduct the business franchised under this Agreement, whichever is later, directly or as an employee, agent, consultant, partner, officer, director, or shareholder of any other person, firm, entity, partnership, or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any business that offers for sale commercial or residential storm or weather damage restoration services or construction services of any nature or any other related business that is competitive with or similar to a Storm Guard® business within 100 radius miles of your Franchised Area or within 100 radius miles of any other then existing Storm Guard® business; provided, however, that this Section will not apply to: (i) other Storm Guard® businesses that you operate under Storm Guard® franchise agreements; or (ii) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represents 1% or less of that class of securities. For purposes of this Section, any form of e-commerce business or website that offers for commercial or residential restoration services or construction products and services or any other related business that is competitive with or similar to a Storm Guard® business will be in violation of this provision if such e-commerce business or website offers, sells, or the otherwise makes its services or products available to individuals residing within 100 radius miles of your Franchised Area or within 100 radius miles of any other then existing Storm Guard® business. You agree that the two-year period described in this Section will not run for any period during which you are in breach of the covenant or any other period during which we seek to enforce this Agreement. The parties agree that covenants described in this Section 15 will be construed as independent of each other and independent of any other covenant or provision of this Agreement.

15.4 Injunctive Relief. You agree that damages alone cannot adequately compensate us if there is a violation of any covenant in this Section 15 or of your obligations described in Sections 15.1 and 15.2 in that injunctive relief is essential for our protection. You therefore agree that we are entitled to injunctive relief without posting any bond or security, in addition to the remedies that may be available to us at equity or law, if you or anyone acting on your behalf violates any covenant in this Section 15, or your obligations under Sections 15.1 and 15.2. The covenants stated in this Section 15 will survive the termination or expiration of this Agreement.

16. LIABILITY; INDEMNIFICATION

16.1 Liability; Your Indemnification Obligations. You hereby waive all claims against us or our

affiliates for damages to property or injuries to persons arising out of the operation of the Business, including without limitation damages to property or injuries to persons arising out of action or inaction by any contractor or subcontractor. You must fully protect, indemnify, and hold us and our affiliates, and our and their respective stockholders, members, managers, directors, officers, employees, agents, successors, and assigns (“Franchisor Indemnified Parties”), harmless from and against any and all claims, demands, damages, and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the ownership or operation of the Business (regardless of cause or any concurrent or contributing fault or negligence of any of the Franchisor Indemnified Parties) or any breach by you or any contractor or subcontractor or your failure to comply with the terms and conditions of this Agreement. The Franchisor Indemnified Parties (including without limitation us and our affiliates) also reserve the right to select their own legal counsel to represent their interests, and you must pay the Franchisor Indemnified Parties (including without limitation us and our affiliates) for their costs and reasonable attorneys’ fees.

16.2 Indemnification Based on Employer Relationship. We are not the employer, co-employer, joint employer or shared employer for your employees or any others working at or for your Storm Guard® business. If we are ever classified as an employer, co-employer, joint employer or shared employer, or are otherwise designated or assigned employer obligations for you, your employees, your contractors, or your sub-contractors, by any federal, state, or local government or agency, you must indemnify and reimburse us for all costs and expenses related to or resulting from such designation, including but not limited to, costs and expenses that we incur in performing any duties that we are deemed to have to you, your employees, your contractors, or your sub-contractors pursuant to such relationship, including, but not limited to, any (a) taxes; (b) costs associated with providing insurance (including health, workers’ compensation and unemployment insurance); and (c) wages and benefits.

16.3 Indemnification for Collective Bargaining Costs. If we are ever required to collectively bargain or enter into a collective bargaining agreement with any of your employees, contractors, or sub-contractors, you must indemnify and reimburse us for (a) all costs of attending and participating in collective bargaining, including, but not limited to, travel expenses and professional fees directly attributable to collectively bargaining (and if we are required to collectively bargain with the employees, contractors, or sub-contractors of more than one franchisee, such costs will be divided pro-rata among all franchisees who are required to indemnify us for such costs), and (b) all amounts that we are required to pay under a collective bargaining agreement that are payable to your employees, contractors, or subcontractors or that are attributable to them (such as taxes, insurance and benefits).

16.4 Liability; Our Indemnification Obligations. We hereby waive all claims against you or your affiliates for damages to property or injuries to persons arising out of the operation of any Storm Guard® business by us or our affiliates. We must fully protect, indemnify, and defend you and your affiliates, and your and their respective stockholders, members, directors, officers, employees, agents, successors, and assigns (“Franchisee Indemnified Parties”), and hold the Franchisee Indemnified Parties harmless from and against any and all claims, demands, damages, and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the ownership or operation of any Storm Guard® business owned by us or our affiliates.

16.5 Survival. The obligations described in Sections 16.1, 16.2 and 16.3 shall continue in full force and effect after the expiration or termination of this Agreement.

17. TRANSFER OF FRANCHISE

17.1 Transfers. We have entered into this Agreement with specific reliance upon your financial qualifications, experience, skills, and managerial qualifications as being essential to the satisfactory operation of the Business. Consequently, neither your interest in this Agreement nor in the Business may be transferred or assigned to or assumed by any other person or entity (the “assignee”), in whole or in part, unless you have first tendered to us the right of first refusal to acquire this Agreement in accordance with Section 17.7, and if we do not exercise such

right, unless our prior written consent is obtained, the transfer fee provided for in Section 17.3 is paid, and the transfer conditions described in Section 17.4 are satisfied. Any sale (including without limitation installment sale), lease, pledge, management agreement, contract for deed, option agreement, assignment, bequest, gift or otherwise, or any arrangement pursuant to which you turn over all or part of the daily operation of the Business to a person or entity who shares in the losses or profits of the Business in a manner other than as an employee will be considered a transfer for purposes of this Agreement. Specifically, but without limiting the generality of the foregoing, the following events constitute a transfer and you must comply with the right of first refusal, consent, transfer fee, and other transfer conditions in this Section 17:

17.1.1 Any change in the percentage of the franchisee entity owned, directly or indirectly, by any Principal Owner (including without limitation any addition or deletion of any person or entity who qualifies as a Principal Owner) which results in a change in 25% or more of the ownership of the franchisee entity or any series of changes in the percentage of the franchisee entity owned, directly or indirectly, by any Principal Owner (including without limitation any addition or deletion of any person or entity who qualifies as a Principal Owner) that results in any change in 25% or more of the ownership of the franchisee; provided, however, that up to 49% ownership of the franchise entity may be transferred by any Principal Owner to their parents, siblings, spouse, or children, so long as the person who is the Designated Owner does not change, without paying the transfer fee described in Section 17.3, and without providing us the right of first refusal described in Section 17.7;

17.1.2 Any change in the general partner of a franchisee that is a general, limited or other partnership entity; or

17.1.3 For purposes of this Section 17.1, a pledge or seizure of any ownership interests in you or in any Principal Owner that affects the ownership of 25% or more of you or the Principal Owners, which we have not approved in advance in writing.

In the event of your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, if your legal representative, successor, receiver, or trustee desires to succeed to your interest in this Agreement or the business conducted hereunder, such person first must notify us, tender the right of first refusal provided for in Section 17.7, and if we do not exercise such right, must apply for and obtain our consent to the transfer, pay the transfer fee provided for in Section 17.3, and satisfy the transfer conditions described in Section 17.4. In addition, you or the assignee must pay the attorneys' fees and costs that we incur in any bankruptcy or insolvency proceeding pertaining to you.

You may not place in any communication media or any form of advertising, any information relating to the sale of the Business or the rights under this Agreement, without our prior written consent.

17.2 Consent to Transfer. We will not unreasonably withhold our consent to transfer, provided we determine that all of the conditions described in this Section 17 have been satisfied. Application for our consent to a transfer and tender of the right of first refusal provided for in Section 17.7 must be made by submission of our form of application for consent to transfer, which must be accompanied by the documents (including without limitation a copy of the proposed purchase or other transfer agreement) or other required information. The application must indicate whether you or a Principal Owner proposes to retain a security interest in the property to be transferred. No security interest may be retained or created, however, without our prior written consent and except upon conditions acceptable to us. Any agreement used in connection with a transfer shall be subject to our prior written approval. You immediately must notify us of any proposed transfer and must submit promptly to us the application for consent to transfer. Any attempted transfer by you without our prior written consent or otherwise not in compliance with the terms of this Agreement will be void and will provide us with the right to elect either to default and terminate this Agreement or to collect from you and the guarantors a transfer fee equal to two times the transfer fee provided for in Section 17.3.

17.3 Transfer Fee. You must pay to us a transfer fee of \$12,500, plus any applicable broker fees that we incur, at the time the transfer is completed. If you transfer the Business to an existing Storm Guard® franchisee, the transfer fee will be reduced to \$2,500. The transfer fee is nonrefundable.

17.4 Conditions of Transfer. We condition our consent to any proposed transfer upon the following:

17.4.1 Assignee Requirements. The assignee must meet all of our then-current requirements for the franchise program we are offering at the time of the proposed transfer, including without limitation that the assignee must be a corporation, partnership, limited liability company or partnership, or other legal entity.

17.4.2 Payment of Amounts Owed. All amounts you owe to us or any of our affiliates, your suppliers, contractors, subcontractors, or any landlord in connection with the Business, or upon which we or any of our affiliates have any contingent liability must be paid in full.

17.4.3 Reports. You must have provided all required reports to us in accordance with Sections 12 and 13.

17.4.4 Guaranty. In the case of an installment sale for which we have consented to you or any Principal Owner retaining a security interest or other financial interest in this Agreement or the business operated thereunder, you or such Principal Owner, and the guarantors, are obligated to guarantee the performance under this Agreement until the final close of the installment sale or the termination of such interest, as the case may be.

17.4.5 General Release. You, each Principal Owner and each guarantor must sign a general release of all claims arising out of or relating to this Agreement, the Business or the parties' business relationship, in the form we designate, releasing us and our affiliates.

17.4.6 Training. The assignee must, at your or assignee's expense, comply with our training requirements.

17.4.7 Licensing. The assignee must, at assignee's expense, complete any licensing or certification necessary to operating the Business.

17.4.8 Financial Reports and Data. We have the right to require you to prepare and furnish to assignee and us such financial reports and other data relating to the Business and its operations as we deem necessary or appropriate for assignee or us to evaluate the Business and the proposed transfer. You agree that we have the right to confer with proposed assignees and furnish them with information concerning the Business and proposed transfer without being held liable to you, except for intentional misstatements made to an assignee. Any information furnished by us to proposed assignees is for the sole purpose of permitting the assignees to evaluate the Business and proposed transfer and must not be construed in any manner or form whatsoever as earnings claims or financial performance representations, or claims of success or failure.

17.4.9 Not in Default of Any Other Agreements. Neither you nor the assignee are in default of any agreement with us or our affiliates.

17.4.10 Agreement. The assignee must, at our option, sign an agreement in a form we approve agreeing to assume and perform all of your duties and obligations under this Agreement or sign our then-current form of franchise agreement, and the assignee's principal owners must sign a personal guaranty.

17.4.11 Acceptable Customer Transition Plan. You and the assignee must work out a transition plan to address the needs of your current and prospective customers, which is acceptable to us.

17.4.12 Acceptable Subcontractor Transition Plan. You and the assignee must work out a transition plan to address any ongoing or future restoration/construction work and any agreements, formal or informal, you have with local subcontractors to perform the work, which is acceptable to us.

17.4.13 Assignment of Warranties. The assignee must assume all warranties as described in Section 10.12 of this Agreement.

17.4.14 Success of Business. The purchase price and terms of the sales may not negatively impact the capability of the Business to profit after the transfer.

17.4.15 Other Conditions. You must have complied with any other conditions that we periodically require as part of our transfer policies.

17.5 Death, Disability, or Incapacity of Designated Owner. If your Designated Owner dies or becomes disabled or incapacitated, the decedent's or disabled or incapacitated person's heir or successor-in-interest must (i) find another person who wants to become the Designated Owner for the Business and have assigned to him or her the prior Designated Owner's rights and obligations under this Agreement, (ii) apply for our consent under Section 17.2 to the proposed assignment, (iii) pay the applicable transfer fee under Section 17.3, and (iv) satisfy the transfer conditions under Section 17.4, as in any other case of a proposed transfer, all within 6 months of the death or event of disability or incapacity of the prior Designated Owner. During any transition period to a new Designated Owner under this Section, we may, but are not required to, manage, or designate a third party to manage, the Business on your behalf. Our, or our designee's, management of the Business does not relieve you of your obligations and neither we nor our designee will be liable for any debts, losses, costs or expenses incurred in operating the Business or to any of your creditors for any materials supplies or services purchased by the Business while we, or our designee, manage it. We, or our designee, may charge you a fee for management services and may cease providing management services at any time. If the new Designated Owner and assignee of the decedent or disabled or incapacitated person is the parent, spouse, child or sibling of such person, no transfer fee will be payable to us and we will not have a right of first refusal as set forth in Section 17.7. Fees for training will apply.

17.6 Death, Disability or Incapacity of Principal Owner Other than Designated Owner. If any individual who is a Principal Owner, but not the Designated Owner, dies or becomes disabled or incapacitated and the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as a Principal Owner, such person or entity must apply for our consent under Section 17.2, pay the applicable transfer fee under Section 17.3, and satisfy the transfer conditions under Section 17.4, as in any other case of a proposed transfer, all within 180 days of the death or event of disability or incapacity. During any transition period to an heir or successor-in-interest, the Business still must be operated in accordance with the terms and conditions of this Agreement. If the assignee of the decedent or disabled or incapacitated person is the parent, spouse, child or sibling of such person, no transfer fee will be payable to us and we will not have a right of first refusal as set forth in Section 17.7. Such terms apply to transfers to family trusts. Fees for training will apply.

17.7 Right of First Refusal. If you propose to transfer or assign this Agreement or your interest herein or in the Business, in whole or in part, to any third party, including any transfer contemplated by Sections 17.5 or 17.6, or any transfer described in Section 17.1, you first must offer to sell such interest to us on the same terms offered to the applicable third party. In the event of a bona fide offer from such third party, you must obtain from the third-party offeror and deliver to us a statement in writing, signed by the offeror and by you, of the terms of the offer. In the event the proposed transfer results from a change in control of the franchisee or a Principal Owner under sections 17.1.1 through 17.1.3, or your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, you first must offer to sell to us your interest in this Agreement and the tangible

and intangible assets of the Business owned by you or any of your affiliates. Unless otherwise agreed to in writing by us and you, the purchase price for our purchase of assets in the event of a transfer that occurs by a change in control or insolvency or bankruptcy filing will be established by the price determination formula and process established in Section 20.2 in connection with an asset purchase upon expiration by three appraisers chosen in the following manner: you will select one and we will select one, and these two appraisers will select a third appraiser. The decision of the majority of the appraisers shall be conclusive. The cost of the third appraiser will be shared equally by the parties. In addition, unless otherwise agreed to in writing by us and you, the transaction documents, which we will prepare, will be those customary for this type of transaction and will include representations and warranties then customary for this type of transaction.

You or your legal representative must deliver to us a statement in writing incorporating the appraiser's report and all other information we have requested. We then have 30 days from our receipt of the statement setting forth the third-party offer or the appraiser's report and other requested information to accept the offer by delivering written notice of acceptance to you. Our acceptance of any right of first refusal will be on the same price and terms set forth in the statement delivered to us; provided, however, we have the right to substitute equivalent cash for any noncash consideration included in the offer. If we fail to accept the offer within the 30-day period, you will be free for 60 days after such period to effect the disposition described in the statement delivered to us provided such transfer is in accordance with this Section 17. You may effect no other sale or assignment of you, this Agreement or the Business without first offering the same to us in accordance with this Section 17.7, provided that you do not have to offer us a right of first refusal for sale or assignment to immediate family members (spouse, children, parents or siblings).

17.8 Public Or Private Offerings. Subject to Section 17.1, if you (or any of your Principal Owners) desire to raise or secure funds by the sale of securities (including without limitation common or preferred stock, bonds, debentures or general or limited partnership interests) in you or any of your affiliates, you agree to submit any written information to us before its inclusion in any registration statement, prospectus or similar offering circular or memorandum and must obtain our written consent to the method of financing before any offering or sale of securities. Our written consent will not imply or represent our approval respecting the method of financing, the offering literature submitted to us or any other aspect of the offering. No information respecting us or any of our affiliates will be included in any securities disclosure document, unless we furnish the information in writing in response to your written request, which request will state the specific purpose for which the information is to be used. Should we, in our sole judgment, object to any reference to us or any of our affiliates in the offering literature or prospectus, the literature or prospectus will not be used unless and until our objections are withdrawn. We assume no responsibility for the offering. We also have the right to require you to reimburse us for all of the costs we incur with respect to this Section.

The prospectus or other literature utilized in any offering must contain the following language in boldface type on the first textual page:

“NEITHER STORM GUARD FRANCHISE SYSTEMS, LLC NOR ANY OF ITS AFFILIATES IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED. NEITHER STORM GUARD FRANCHISE SYSTEMS, LLC NOR ANY OF ITS AFFILIATES ASSUMES ANY RESPONSIBILITY RESPECTING THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED HEREIN. NEITHER STORM GUARD FRANCHISE SYSTEMS, LLC NOR ANY OF ITS AFFILIATES ENDORSES OR MAKES ANY RECOMMENDATION RESPECTING THE INVESTMENT CONTEMPLATED BY THIS OFFERING.”

17.9 Transfer by Us. We have the right to sell or assign, in whole or in part, our interest in this Agreement.

18. DISPUTE RESOLUTION

18.1 Consent to Jurisdiction and Venue. Any cause of action, claim, suit, or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties must be brought in the state or federal court of competent jurisdiction covering the location at which we have our principal place of business at the time the action is commenced. Both parties hereto irrevocably submit themselves to, and consent to, the jurisdiction of said courts. The provisions of this Section will survive the termination of this Agreement. You are aware of the business purposes and needs underlying the language of this Section, and with a complete understanding thereof, agree to be bound in the manner set forth.

18.2 Arbitration. Except for claims for amounts you owe to us or our affiliates or to enforce our or our affiliates' intellectual property rights, including without limitation those relating to the Marks, and except as otherwise qualified below, any dispute between you and us, or any of our or your affiliates, arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, or the Business must be submitted to binding arbitration under the authority of the Federal Arbitration Act. Unless the parties agree otherwise, there shall be a single arbitrator appointed to administer and rule on the dispute. The arbitrator must have at least five years of experience in franchise law. Discovery will be limited to the exchange of exhibits and the names of witnesses, which will take place at least three weeks prior to the start of the arbitration hearing. No party may consolidate its claims with that of any other, and no class arbitration will be permitted. The arbitration must take place in Fort Worth, Texas, or at such other place as may be mutually agreeable to the parties. The arbitrators will issue a ruling in writing, and will detail all findings of fact and conclusions of law upon which the ruling was made. The arbitrators will not have the power to commit errors of law or legal reasoning, and the ruling may be vacated or corrected on appeal to a court of competent jurisdiction for such errors. The decision of the arbitrators will otherwise be final and binding on all parties to the dispute; however, the arbitrators may not under any circumstances (i) stay the effectiveness of any pending termination of this Agreement; (ii) assess punitive or exemplary damages; or (iii) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set. A judgment may be entered upon the arbitration award by any state or federal court in Texas or the state(s) where your Franchised Area is located.

18.3 Injunctive Relief. Notwithstanding Section 18.2, you recognize that the Business is one of a number of businesses identified by the Marks and similarly situated and selling to the public similar services and products, and the failure on the part of a single franchisee to comply with the terms of its agreement could cause irreparable damage to us and to some or all of our other franchisees. Therefore, notwithstanding anything to the contrary contained in Sections 18.1 and 18.2, we have the right to: (i) in a proper case, including without limitation your breach or threatened breach of any of the terms of this Agreement, obtain specific performance, temporary restraining orders and temporary or preliminary injunctive relief from any court, wherever located, having competent jurisdiction; (ii) seek monies owed and enforce judgments obtained in state or federal courts covering the location where our principal place of business is located at the time the action is commenced, and/or the courts in the state(s) where you are domiciled and/or the Franchised Area is located; and (iii) seek to enforce the provisions of this Agreement which relate to restrictions on your (and your Principal Owners') competitive activities in the courts of the state(s) where you are domiciled, the Franchised Area is located or any competitive activities are occurring. You agree that we are entitled to temporary or preliminary injunctive relief without showing or proving any actual damage or providing a bond, but upon due notice, and your sole remedy in the event of the entry of such injunctive relief will be a request for dissolution of the injunctive relief, if warranted. The foregoing equitable remedies are in addition to, and not in lieu of, all other remedies or rights that we might otherwise have by virtue of your breach of this Agreement.

18.4 Attorneys' Fees. You will pay to us all costs and expenses, including without limitation payroll and travel expenses for our employees, and investigation and attorneys' fees, incurred by us in enforcing any provisions of this Agreement. You will reimburse us for the attorneys' fees and costs we incur in connection with any action or proceeding arising under, out of, in connection with, or in relation to this Agreement, any lease, rental agreement or

other agreement relating to your Business.

18.5 Waiver to Right of Jury Trial. ALL PARTIES HEREBY WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN CONNECTION WITH THE ENFORCEMENT OR INTERPRETATION BY JUDICIAL PROCESS OF ANY PROVISION OF THIS AGREEMENT, AND IN CONNECTION WITH ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION OR SIMILAR CAUSES OF ACTION OR ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES FOR BREACH OF THIS AGREEMENT. THIS WAIVER IS DONE VOLUNTARILY AND KNOWINGLY, AND WITH THE OPPORTUNITY TO REVIEW THIS PROVISION WITH AN ATTORNEY.

18.6 Waiver of Punitive Damages. YOU AND WE AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF ANY DISPUTE BETWEEN THEM, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED, EXCEPT THAT WE WILL BE FREE TO BRING AN ACTION FOR WILLFUL TRADEMARK INFRINGEMENT AND, IF SUCCESSFUL, TO RECEIVE AN AWARD OF MULTIPLE DAMAGES AS PROVIDED BY APPLICABLE LAWS.

18.7 Rights of Parties Are Cumulative. Our and your rights under this Agreement are cumulative and the exercise or enforcement of any right or remedy under this Agreement will not preclude the exercise or enforcement by a party of any other right or remedy under this Agreement which it is entitled by law or this Agreement to exercise or enforce.

19. DEFAULT AND TERMINATION

19.1 Defaults. You are in default if we determine that you or any Principal Owner (including without limitation the Designated Owner) or guarantor has breached any of the terms of this Agreement or any other agreement between you and us or our affiliates, which without limiting the generality of the foregoing includes making any false report to us, intentionally understating or underreporting Gross Sales, failing to timely pay us any amounts owed under this Agreement, including any Gross Revenues, intentionally or unintentionally committing any fraudulent act related to insurance claims or coverage, accepting money from a client (or third party paying such client's bill) and not completing such client's project or refunding such money in a timely manner, failure to pay when due any amounts owed to any of our affiliates, failure to comply with reporting and audit requirements, failure to comply with our mandatory specifications, standards and operating procedures and systems, failure to meet training requirements, failure to use Approved Supplies, any act by or conviction of you, a Principal Owner, or a guarantor of (or pleading no contest to) any misdemeanor that brings or tends to bring any of the Marks into disrepute or impairs or tends to impair your or our reputation or the goodwill of any of the Marks or the Business, any felony, filing of tax or other liens that may affect this Agreement, voluntary or involuntary bankruptcy by or against you or any Principal Owner or guarantor, insolvency, or making an assignment for the benefit of creditors or any similar voluntary or involuntary arrangement for the disposition of assets for the benefit of creditors.

19.2 Termination by Us. We have the right to terminate this Agreement in accordance with the following provisions:

19.2.1 Termination After Opportunity to Cure. Except as otherwise provided in this Section 19.2, you will have 30 days from the date of our issuance of a written notice of default to cure any default under this Agreement or any other agreement between you and us or our affiliates, other than a failure to pay us the Gross Revenues or any other amounts due and payable hereunder or submit required reports, in which case you will have 10 days to cure those defaults. If you fail to cure a default within the 30-day or 10-day period, we may, in our sole discretion, terminate this Agreement without further notice at midnight on the 30th or 10th day, as specified in the notice of default.

19.2.2 Immediate Termination With No Opportunity to Cure. In the event any of the following defaults occurs, you will have no right or opportunity to cure the default and this Agreement will terminate effective immediately on our issuance of written notice of termination: (a) any material misrepresentation or omission in your franchise application; (b) the falsification of financial data; (c) any fraudulent action related to insurance claims or coverage; (d) your voluntary abandonment of this Agreement, the Business, or any other agreement between you and us or our affiliates; (e) any unauthorized use of the Confidential Information; (f) insolvency of you, a Principal Owner (including the Designated Owner) or guarantor; (g) you, a Principal Owner (including the Designated Owner), or guarantor making an assignment or entering into any similar arrangement for the benefit of creditors; (h) you, any Principal Owners (including the Designated Owner), or guarantors are convicted of, or plead guilty to or no contest to any felony or misdemeanor that brings or tends to bring any of the Marks into disrepute or impairs or tends to impair your or our reputation or the goodwill of the Marks or the Business, or if we have proof that you or any of these individuals have committed such a felony or misdemeanor; (i) intentionally understating or underreporting Gross Sales; (j) any unauthorized transfer or assignment in violation of Section 17; (k) your use of the Business for any illegal or unauthorized use; (l) you are a suspected terrorist or otherwise associated directly or indirectly with terrorist activities; or (m) any default by you that is the second same or similar default within any 12-month consecutive period or the 4th default of any type within any 24-month consecutive period.

19.2.3 Immediate Termination After No More than 72 Hours to Cure. Except as otherwise provided in this Section 19.2, in the event that a default under this Agreement occurs that brings or tends to bring any of the Marks into disrepute or impairs or tends to impair your or our reputation or the goodwill associated with any of the Marks or the Business, violates any health and safety or environmental, building, or construction law, regulation, code, or ordinance, violates any system standard as to health and safety, or if the operation of the Business presents a health or safety hazard to your employees, customers, or to the public: (i) you will have no more than 72 hours after we provide written notice of the default to cure the default; and (ii) this Agreement will terminate effective immediately on our issuance of written notice of termination.

19.2.4 Effect of Other Laws. The provisions of any valid, applicable law or regulation prescribing permissible grounds, cure rights, or minimum periods of notice for termination of this franchise supersede any provision of this Agreement that is less favorable to you.

During the period from the date any default occurs until expiration of any applicable cure period or ultimate termination, we have the option to revoke your right to use the Customer Data, participate in our website, any intranet, extranet, or otherwise use the Marks or System on the Internet or other online communications.

19.3 Our Right to Complete Work, Refund Customers and to Suspend Your of Use of Marks. We have the right, but not the obligation, to complete any work that you have undertaken, refund funds received by you from customers or other parties, and suspend your right to use the Marks, without terminating this Agreement, in accordance with the following provision:

19.3.1 Our Right to Complete Your Work or Refund Your Customers After Opportunity to Cure. In the event that you accept money from a client (whether from the client directly, from an insurance carrier, from a finance company, or from any other party), and you do not complete the work for which the funds were advanced or refund the funds allocable to the incomplete work within a reasonable time (as determined in our sole discretion), you will have 10 days from the date of our issuance of a written notice of default to complete the work or refund the funds allocable to the incomplete work to the party that advanced such funds to you. If you fail to complete the work or refund the funds allocable to the incomplete work within the applicable 10-day period, we may, in our sole discretion, (a) complete the work, (b) refund the funds allocable to the incomplete work to the party that advanced such funds to you, (c) take other related actions

as we deem appropriate under the circumstances, or (d) take no action. If we perform any work for your clients you must promptly reimburse us for all of our costs and expenses incurred in completing such work, and if we refund money to a client or other party you must reimburse us for the amount that we refunded to the client or other party.

19.3.2 Discontinuation of Use of Marks. In the event that (a) you express to us a desire to close the Business and terminate or otherwise discontinue this Agreement (or we otherwise reasonably believe you intend to close the Business), or (b) you accept money from a client (whether from the client directly, from an insurance carrier, from a finance company, or from any other party) and do not complete the work for which the funds were advanced or refund the funds allocable to the incomplete work within a reasonable time (as determined in our sole discretion) and you do not cure the default by completing the work or refunding the funds as set forth in section 19.3.1 within the 10-day period, we may, in our sole discretion, suspend your right to use the Marks or the System, including, but not limited to, use in advertising, promotional, and sales activities, and we may suspend your access to, and participation rights in, the Storm Guard® website, any intranet/extranet system we develop, and/or any Interactive Media relating to your Business. In the event that we suspend your right to use the Marks, the System or other privileges, such suspension shall last until the later of the date on which (1) you complete the work or refund the funds allocable to the incomplete work to the party that advanced such funds, (2) you reimburse us for any work that we completed or funds that we refund on your behalf pursuant to section 19.3.1, or (3) we determine, in our sole discretion, that you intend to continue operating the Business and comply with all terms of this Agreement.

20. POST-TERM OBLIGATIONS

Upon the expiration or termination of this Agreement:

20.1 Reversion of Rights; Discontinuation of Mark Use. All of your rights to the use of the Marks and all other rights and licenses granted herein and the right and license to conduct business under the Marks in the Franchised Area, as well as your right to use the Customer Data, will revert to us without further act or deed of any party. All of your right, title, and interest in, to and under this Agreement will become our property. Your right to participate in our website and any intranet or extranet system, or otherwise use the Marks or System on the Internet or other online communications, will immediately terminate, and you will have no further rights in or to the data or other information contained therein. In addition, your license to use the Customer Data will immediately terminate, and you will have no further rights in or to the Customer Data. Further, you must:

20.1.1 Immediately cease all use and display of the Marks and of any proprietary material (including without limitation the Operations Manual);

20.1.2 Remove from your Business Office, vehicle(s), other equipment, or supplies all signs, posters, fixtures, decals, wall coverings, and other materials that are distinctive of the Business or bear the name “Storm Guard®” or other Marks, unless we purchase such vehicle(s) or equipment;

20.1.3 Within 15 days after termination, pay all sums due to us, our affiliates or designees and all sums you owe to third parties that have been guaranteed by us or any of our affiliates, including without limitation all fees and payments due to us under this Agreement;

20.1.4 Immediately discontinue using, and return to us by first class prepaid United States mail, any hard copies of the Operations Manual, advertising materials, and all other printed materials relating to the operation of the Business then in your possession or control or previously disseminated to your employees;

20.1.5 Immediately cease using, and return to us by first class prepaid United States mail, all documents in your possession that contain Confidential Information;

20.1.6 Subject to applicable law, promptly deliver to us, or, at our option, destroy all Customer Data, including without limitation lists (with addresses and telephone numbers) of all former, current, and prospective customers and referral sources of the Business;

20.1.7 Assign to us or, at our option, disconnect the telephone number for the Business. You acknowledge that we have the sole right to and interest in all telephone numbers and directory listings associated with the Marks, and you authorize us, and appoint us as your attorney-in-fact, to direct the telephone company and all listing agencies to transfer such numbers and listings to us;

20.1.8 Assign to us or, at our option, disable any email address, approved website or web page, or URL for the Business. You acknowledge that we have the sole right to and interest in all email addresses and websites and web pages associated with the Marks, and you authorize us, and appoint us as your attorney-in-fact, to direct any electronic traffic from email addresses or websites or web pages associated with the Marks to us;

20.1.9 Cancel or assign, at our option, any assumed name rights or equivalent registrations filed with authorities; and

20.1.10 Comply with all other applicable provisions of this Agreement, including without limitation the post-term noncompete, post-term non-solicitation and confidentiality provisions.

20.2 Purchase Option. We have the right to purchase or designate a third party that will purchase all or any portion of the physical assets of the Business that are owned by you or any of your affiliates. These physical assets may be purchased at a price determined by mutual agreement or by appraisal as described below. This right to purchase will apply provided we give you written notice of our preliminary intent to exercise our purchase rights under this Section prior to or within seven days after the date of the expiration or termination of this Agreement.

If the parties are unable to agree as to a purchase price for the physical assets of the Business, the fair market value of the physical assets of the Business will be determined by three appraisers chosen in the following manner: you will select one and we will select one, and these two appraisers will select a third appraiser. The decision of the majority of the appraisers shall be conclusive. The cost of the third appraiser will be shared equally by the parties. The purchase price determined by the appraisers will be the fair market value of the assets with no value or credit attributed to the goodwill or the other intangible assets of the Business, as the goodwill and other intangible assets of the business are attributable to the Marks and the System, even though we may be purchasing the assets as part of the Business. In addition, the assets do not include the Customer Data which we own.

Within 45 days after our receipt of the appraisal report, we or our designated purchaser will identify the assets, if any, that we intend to purchase at the price designated for those assets in the appraisal report. We or our designated purchaser and you will then proceed to complete and close the purchase of the identified assets, and to prepare and execute purchase and sale documents customary for the assets being purchased. Our interest in the assets of the Business that are owned by you or your affiliates will constitute a lien thereon and may not be impaired or terminated by the sale or other transfer of any of those assets to a third party. Upon our or our designated purchaser's exercise of the purchase option and tender of payment, you agree to sell and deliver, and cause your affiliates to sell and deliver, the purchased assets to us or our designated purchaser, free and clear of all encumbrances, and to execute and deliver, and cause your affiliates to execute and deliver, to us or our designated purchaser a bill of sale therefore and such other documents as may be required to effectuate the sale and transfer of the assets being purchased.

20.3 Continuing Obligations. All obligations under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect following its expiration or termination.

20.4 Claims. Any claim arising out of or relating to this Agreement, the relationship of the parties, our operation of the Storm Guard® system, or your operation of the Business will be barred unless filed before the expiration of the earlier of: (i) the time period for bringing an action under any applicable state or federal statute of limitations; (ii) 1 year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (iii) 1 year after the first act or omission giving rise to an alleged claim. Notwithstanding the foregoing, claims by us for the underreporting of Gross Sales or failure to timely pay Gross Revenues or other amounts owed under this Agreement, for indemnification, or for claims related to a breach of confidentiality or our rights under any of the Marks shall be subject only to the applicable state or federal statute of limitations.

21. GENERAL PROVISIONS

21.1 Severability. Should one or more clauses of this Agreement be held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Agreement is valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses. It is the intent and expectation of each of the parties that each provision of this Agreement will be honored, carried out and enforced as written. Consequently, each of the parties agrees that any provision of this Agreement sought to be enforced in any proceeding must, at the election of the party seeking enforcement and notwithstanding the availability of an adequate remedy at law, be enforced by specific performance or any other equitable remedy.

21.2 Waiver and Integration. No waiver by us of any breach by you, nor any delay or failure by us to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights with respect to that or any other or subsequent breach. Subject to our rights to modify Appendices, Exhibits and standards and as otherwise provided herein, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us. This Agreement together with the Appendices, Exhibits and any addenda hereto and the application form executed by you requesting us to enter into this Agreement constitute the sole agreement between the parties with respect to the entire subject matter of this Agreement and embody all prior agreements and negotiations with respect to the business. You acknowledge and agree that you have not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of the Business. There are no representations or warranties of any kind, express or implied, except as contained herein and in the aforesaid application. Nothing in this Agreement is intended to disclaim the representations we made in the Franchise Disclosure Document we provided to you.

21.3 Notices. Except as otherwise provided in this Agreement, any notice, demand or communication provided for herein must be in writing and signed by the party serving the same and either delivered personally or by a reputable overnight service or deposited in the United States mail, service or postage prepaid, and if such notice is a notice of default or of termination, by registered or certified mail or by reputable overnight service, and addressed as follows:

21.3.1 If intended for us, addressed to President or Chief Executive Officer, Storm Guard Franchise Systems, LLC, 5000 Overton Plaza, Suite 200, Ft. Worth, Texas 76109.

21.3.2 If intended for you, addressed to you at _____; or, in either case, to such other address as may have been designated by notice to the other party. Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this Section.

21.4 Authority. Any modification, consent, approval, authorization, or waiver granted hereunder required to be effective by signature will be valid only if in writing executed by the Designated Owner or, if on behalf of us, in writing executed by our President or our Chief Executive Officer.

21.5 Headings. Headings and captions contained herein are for convenience of reference and may not be taken into account in construing or interpreting this Agreement.

21.6 Guaranty and Assumption of Obligations. All Principal Owners of a franchisee must execute the form of Guaranty and Assumption of Obligations attached hereto as Exhibit C. Any person or entity that at any time after the Effective Date of this Agreement becomes a Principal Owner pursuant to the provisions of Section 17 or otherwise must execute the form of Guaranty and Assumption of Obligations attached hereto as Exhibit C. In addition, a spouse of a Principal Owner and any other person we designate, including without limitation any person who co-signed a loan or was involved in obtaining financing for the Business, must execute the same form of Guaranty and Assumption of Obligations attached hereto as Exhibit C. In connection with the Guaranty and Assumption of Obligations, we have the right to require you to provide us with additional information, including without limitation loan documents.

21.7 Successors and Assigns. Subject to the terms of Section 17, this Agreement is binding upon and inures to the benefit of the administrators, executors, heirs, successors and assigns of the parties.

21.8 Interpretation of Rights and Obligations. The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

21.8.1 Applicable Law and Waiver. Subject to our rights under federal trademark laws, the parties' rights under this Agreement, and the relationship between the parties is governed by, and will be interpreted in accordance with, the laws (statutory and otherwise) of the state of Texas without regard to choice of law provisions. You waive, to the fullest extent permitted by law, the rights and protections that might be provided through the laws of any state relating to franchises or business opportunities, other than those of the state of Texas.

21.8.2 Our Rights. Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

21.8.3 Our Reasonable Business Judgment. Whenever we reserve or are deemed to have reserved discretion in a particular area or where we agree or are deemed to be required to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Reasonable Business Judgment in making our decision or exercising our rights. Our decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest. Examples of items that will promote or benefit the System include without limitation enhancing the value of the Marks, improving customer service and satisfaction, improving service or product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System. Neither you nor any third party (including without limitation a court of competent jurisdiction or arbitrator), shall substitute its judgment for our Reasonable Business Judgment.

21.9 Relationship of the Parties. You and we are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venture or employee of the other. Neither party may obligate the other or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of

special trust or confidence. You acknowledge that we are in the business of franchising and supporting a method of offering and selling commercial or residential building restoration/construction services. You further acknowledge that our franchisees are not our employees, but independent business owners.

21.10 Force Majeure. In the event of any failure of performance of this Agreement according to its terms by any party the same will not be deemed a breach of this Agreement if it arose from a cause beyond the control of and without the negligence of said party. Such causes include, but are not limited to, strikes, wars, riots and acts of government except as may be specifically provided for elsewhere in this Agreement. The above causes shall suspend compliance with those impacted terms of this Agreement for the period the cause continues to prevent compliance or for a shorter period specifically provided for elsewhere in this Agreement.

21.11 Adaptations and Variances. Complete and detailed uniformity under many varying conditions may not always be possible, practical, or in the best interest of the Storm Guard® system. Accordingly, we have the right to vary the System, the Proprietary Products and Services and other standards, specifications, and requirements for any franchised Storm Guard® business or franchisee based upon the customs or circumstances of a particular franchise or franchise agreement, site or location, population density, seasonal weather conditions, business potential, trade area population, existing business practice, competitive circumstance, or any other condition that we deem to be of importance to the operation of such Storm Guard® business, franchisee's business or the System. We are not required to grant to you a like or other variation as a result of any variation from the System, specifications or requirements granted to any other franchisee. You acknowledge that you are aware that future franchisees may operate under different forms of franchise agreement, and that, consequently, the obligations and rights of the parties to future franchise agreements may differ materially in certain instances from your rights and obligations under this Agreement.

21.12 Notice of Potential Profit. We or our affiliates may periodically make available to you goods, products and services for use in the Business on the sale of which we and/or our affiliates may make a profit. Further, we or our affiliates may periodically receive consideration from suppliers and/or manufacturers in respect to sales of goods, products or services to you or in consideration of services rendered or rights licensed to such persons. The consideration may or may not be related to services performed. You agree that we and/or our affiliates are entitled to said profits or consideration.

21.13 Effective Date. We will designate the "Effective Date" of this Agreement in the space provided on the cover page. If no Effective Date is designated on the cover page, the Effective Date is the date when we sign this Agreement. However, as described in Section 9.3, you do not have the right to, and may not, commence operation of the Business until we notify you that you have satisfied all of your pre-commencement obligations set forth in this Agreement, and we have approved your commencement date.

YOU ACKNOWLEDGE YOUR WAIVER OF CERTAIN RIGHTS AND CLAIMS UNDER THIS AGREEMENT, INCLUDING WITHOUT LIMITATION YOUR RIGHT TO A JURY TRIAL (SECTION 18.5), YOUR RIGHT TO AND CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES (SECTION 18.6), YOUR RIGHT TO BRING CLAIMS WITHIN A CERTAIN PERIOD OF TIME (SECTION 20.5), AND YOUR RIGHTS AND PROTECTIONS UNDER LAWS OTHER THAN THOSE OF THE STATE OF TEXAS. (SECTION 21.8.1).

[Signatures on next page]

IN WITNESS WHEREOF, the parties have executed this Franchise Agreement as of the dates written below.

WE:

Storm Guard Franchise Systems, LLC,
a Texas limited liability company

By: _____

Title: _____

Date: _____

YOU:

(If you are a corporation or limited liability company)

_____,
an _____

(Name and type of legal entity (i.e., corporation or limited liability company) and state in which it was formed)

By: _____

Title: _____

Date: _____

(If you are a partnership,
all partners must sign below)

(Signature)

(Name of partner)

Date: _____

(Signature)

(Name of partner)

Date: _____

(Signature)

(Name of partner)

Date: _____

**APPENDIX A
TO
FRANCHISE AGREEMENT**

AUTHORIZATION AGREEMENT FOR DIRECT DEBITS

[Important Instructions for Completing this Form: Before we can process your Franchise Agreement, you must sign and return this authorization. If, at the time you sign your Franchise Agreement, you do not have your account set up, or if you do not yet know your account information, please show that you agree to the terms of this authorization by signing this form, leaving the account information blank, and returning the signed form with your Franchise Agreement. You can give us your account information when you receive it, but we must receive it before you commence your Business. If you have any questions about what this form means, you should get advice from your lawyer, accountant or bank.]

Your Name (or name of legal entity on Franchise Agreement): _____
Your Social Security Number (or legal entity Federal Tax ID Number): _____
Name on Bank Account (if different than above): _____

The undersigned (“ACCOUNT HOLDER”) hereby authorizes _____ (the “COMPANY”) to initiate debit entries and/or credit correction entries to ACCOUNT HOLDER’s checking and/or savings account(s) listed below at the bank, credit union or other depository listed below (“BANK”) and to debit such account per COMPANY’s instructions for any and all amounts due to the COMPANY. The ACCOUNT HOLDER understands and agrees that all amounts debited from the account below will be credited to COMPANY’s account:

[ENTER ACCOUNT INFORMATION, OR ATTACH A VOIDED CHECK FROM ACCOUNT]

This authority is to remain in effect until BANK has received joint written notice from COMPANY and ACCOUNT HOLDER rescinding or terminating this authority. Any such notice must be given in a way as to give BANK a reasonable opportunity to act on it. If a debit entry is initiated to ACCOUNT HOLDER’s account in error, ACCOUNT HOLDER shall have the right to have the amount of the error credited to the account by BANK, if (a) within 15 calendar days following the date on which BANK sent to ACCOUNT HOLDER a statement of account or a written notice regarding such entry, or (b) 45 days after posting, ACCOUNT HOLDER shall have sent to BANK a written notice identifying such entry, stating that such entry was in error and requesting BANK to credit the amount thereof to such account. These rights are in addition to any rights ACCOUNT HOLDER may have under federal and state banking laws.

ACCOUNT HOLDER
By: _____
Title: _____
Date: _____

**EXHIBIT A
TO FRANCHISE AGREEMENT**

FRANCHISED AREA

This Exhibit is attached to and is an integral part of Storm Guard® Franchise Agreement between you and us with an Effective Date of _____ (the "Franchise Agreement").

1. Franchised Area. You and we agree that your Franchised Area will consist of the following: One Standard Territory as more fully described on the map attached to this Exhibit.

2. Defined Terms. All capitalized terms contained in this Exhibit and not defined in this Exhibit will have the same meaning as provided in the Franchise Agreement.

WE:

YOU:

Storm Guard Franchise Systems, LLC,
a Texas limited liability company

(If you are a corporation or limited liability company)

_____,
an _____
(Name and type of legal entity (i.e., corporation or limited liability company) and state in which it was formed)

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

(If you are a partnership,
all partners must sign below)

(Signature)

(Name of partner)

Date: _____

(Signature)

(Name of partner)

Date: _____

**EXHIBIT A
TO FRANCHISE AGREEMENT
FRANCHISED AREA MAP**

**EXHIBIT B
TO FRANCHISE AGREEMENT**

OWNERSHIP AND MANAGEMENT ADDENDUM

1. Principal Owner(s). You represent and warrant to us that the following person(s) or entity, and only the following person(s) or entity, will be your Principal Owner(s):

<u>NAME</u>	<u>HOME ADDRESS</u>	<u>PERCENTAGE OF INTEREST</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

2. Designated Owner. You represent and warrant to us that the following person, and only the following person, is your Designated Owner:

<u>NAME</u>	<u>TITLE</u>	<u>ADDRESS</u>
_____	_____	_____

3. Change. You must immediately notify us in writing of any change in the information contained in this Addendum and, at our request, prepare and sign a new Addendum containing the correct information. Upon notification, we will issue to you another addendum for you to execute.

4. Effective Date. This Addendum is effective as of _____.

Your initials
Our Initials

**EXHIBIT C
TO FRANCHISE AGREEMENT**

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of the execution by Storm Guard Franchise Systems, LLC (“we” or “us”) of Storm Guard® Franchise Agreement (the “Franchise Agreement”) with _____ (“Franchisee”), which has an Effective Date of _____, and for other good and valuable consideration, the undersigned (“Guarantors” and each a “Guarantor”), for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Franchise Agreement, to be paid, kept and performed by Franchisee, including without limitation the arbitration and other dispute resolution provisions of the Franchise Agreement.

Further, the Guarantors, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Franchise Agreement, including without limitation the non- compete provisions contained in Sections 15.2 and 15.3, and agree that this Guaranty will be construed as though each of the Guarantors executed a Franchise Agreement containing the identical terms and conditions of this Franchise Agreement.

Each of the Guarantors waives: (1) acceptance and notice of acceptance by us of the foregoing undertaking; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (4) any right he/she may have to require that an action be brought against the Franchisee or any other person as a condition of liability.

In addition, each of the Guarantors consents and agrees that:

(1) Guarantor’s liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, Franchisee and Franchisee’s other Guarantors;

(2) We may proceed against Guarantor and Franchisee jointly and severally, or we may, at our option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against you or any other Guarantor;

(3) Guarantor will make any payment or perform any obligation required under the Franchise Agreement upon demand if Franchisee fails to do so;

(4) Guarantor’s liability hereunder will not be diminished, relieved or otherwise affected by Franchisee’s insolvency, bankruptcy or reorganization of Franchisee or any assignee or successor, the invalidity, illegality or unenforceability of all or any part of the Franchise Agreement, or the amendment or extension of the Franchise Agreement with or without notice to Guarantor;

(5) Guarantor’s liability will not be diminished, relieved or otherwise affected by any extension of time or credit which we may grant to you, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims; and

(6) Guarantor will pay all attorneys’ fees and all costs and other expenses we incur in enforcing this Guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed.

It is further understood and agreed by the Guarantors that the provisions, covenants and conditions of this Guaranty will inure to the benefit of our successors and assigns.

FRANCHISEE: _____

GUARANTORS:

Individually

Print Name

Address

City State Zip Code

Telephone

Individually

Print Name

Address

City State Zip Code

Telephone

Individually

Print Name

Address

City State Zip Code

Telephone

Individually

Print Name

Address

City State Zip Code

Telephone

**EXHIBIT D
TO FRANCHISE AGREEMENT**

ASSIGNMENT OF TELEPHONE NUMBER(S)

This Assignment relates to:

Name of Franchisee: _____

Address of Business: _____

Telephone Number(s): (_____) _____; (_____) _____; (_____) _____

For valuable consideration, the Franchisee identified above ("Franchisee") assigns and transfers to Storm Guard Franchise Systems, LLC ("Company") all of Franchisee's rights and interests in each and all of the telephone numbers listed above (the "Numbers").

Franchisee authorizes Company to file this Assignment with the telephone company that issued the Numbers for the purposes of establishing Company's claim to and right to designate the user of the Numbers.

Franchisee irrevocably constitutes and appoints Company as Franchisee's agent and attorney-in-fact for the purposes of (i) signing and delivering any Transfer of Service Agreement or comparable document the telephone company requires to transfer the rights in the Numbers from Franchisee to Company or its designee, and (ii) canceling and revoking any call-forwarding or similar instructions Franchisee has issued to the telephone company with respect to any of the Numbers, with full power to sign Franchisee's name and otherwise to act in Franchisee's name, place and stead.

Franchisee agrees to reimburse Company the full amount of any local service and long distance charges the telephone company requires that Company paid to obtain the Numbers, together with interest as provided in the Franchise Agreement for the School.

Franchisee represents and warrants to Company that Franchisee obtained the Numbers in his or her own name, and that Franchisee is the person of record the telephone company will recognize as registered user or "owner" of the Numbers.

Franchisee's signature

Franchisee's name, printed

Subscribed and sworn to before me this
_____ day of _____, 20____.

Notary Public

EXHIBIT E
TO FRANCHISE AGREEMENT
ACKNOWLEDGMENT ADDENDUM

**ACKNOWLEDGMENT ADDENDUM TO
STORM GUARD® FRANCHISE AGREEMENT ⁽¹⁾**

As you know, you and we are entering into a Franchise Agreement for the operation of Storm Guard® franchise. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of the Business. Please review each of the following questions carefully and provide honest responses to each question.

Acknowledgments and Representations.

1. Did you receive a copy of our Franchise Disclosure Document (and all exhibits and attachments) at least 14 calendar days prior to signing the Franchise Agreement? Check one: () Yes () No. If no, please comment: _____

2. Have you studied and reviewed carefully our Franchise Disclosure Document and Franchise Agreement? Check one: () Yes () No. If no, please comment: _____

3. If we unilaterally and materially altered the terms and conditions of the basic Franchise Agreement or any related agreements attached to the Franchise Disclosure Document (except as the result of negotiations you initiated), did you receive a copy of the revised Franchise Agreement or related agreement at least 7 calendar days prior to the date on which the Franchise Agreement or related agreement was signed? Check one: () No () Yes () Not Applicable. If no, please comment: _____

4. Did you understand all the information contained in both the Franchise Disclosure Document and Franchise Agreement? Check one: () Yes () No. If no, please comment: _____

5. Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the Franchise Disclosure Document? Check one: () No () Yes. If yes, please state in detail the oral, written or visual claim or representation: _____

6. Except for the information contained in Item 19 of the Franchise Disclosure Document, did any employee or other person speaking on our behalf make any oral, written or visual representation that stated, suggested, predicted or projected, expressly or by implication, a specific level or range of actual or potential sales, income, gross profits or net profits at any Storm Guard® business, or the likelihood of success at your franchised Storm Guard® Business Check one: () No () Yes. If yes, please state in detail the oral, written or visual claim or representation: _____

7. Do you understand that we and our affiliates cannot and do not make any predictions, promises, representations or guarantees of any kind as to the future success of a Storm Guard® business, or that a particular Storm Guard® business will achieve any particular results or a specific level or range of actual or potential sales, income, gross profits, or net profits? Check one: () Yes () No. If no, please comment: _____

⁽¹⁾ **NOTE: All representations requiring you 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.**

8. Do you understand that the franchise granted under the Franchise Agreement is for the right to operate a Business in the Franchised Area only and includes no area protection other than as provided in Section 2.2 of the Franchise Agreement, and that, we and our affiliates have the right to issue franchises, sell competitive products and services, and operate competing businesses for or at locations, as we determine, within or near the Franchised Area, consistent with the terms of Section 2.3 of the Franchise Agreement? Check one: () Yes () No. If no, please comment: _____

9. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the franchise for the franchised business, meaning that any prior oral or written statements not set out in the Franchise Agreement will not be binding? Check one: () Yes () No. If no, please comment: _____

10. Do you understand that the success or failure of the Business will depend in large part upon your skills and experience, your business acumen, your capital and financing, your training, the hours you work, your location, the physical condition and size of the Business, the staff you employ, and the local market for storm restoration/construction services under Storm Guard® service mark and other trademarks, service marks and trade names we license to you, interest rates, the economy, inflation, the number of managers and other employees you hire, the salaries, wages and other benefits you pay to them and how many of them are full-time and part-time employees, the salaries and wages you pay your owners, the amounts you spend on local marketing, advertising and promotion, the varying costs of materials, lesson plans, equipment, lease terms and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open the Business may change? Check one () Yes () No. If no, please comment: _____

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

NOTE: AS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER LEGAL ENTITY, EACH OF YOUR PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

Signed: _____
 Print Name: _____
 Date: _____

Signed: _____
 Print Name: _____
 Date: _____

APPROVED ON BEHALF OF
 Storm Guard Franchise Systems, LLC

Signed: _____
 Print Name: _____
 Date: _____

By: _____
 Title: _____
 Date: _____

**EXHIBIT B
TO
FRANCHISE DISCLOSURE DOCUMENT**

FINANCIAL STATEMENTS

See financial statements starting on following page

**STORM GUARD FRANCHISE
SYSTEMS, LLC**

FINANCIAL STATEMENTS

**Years Ended December 31, 2021 and 2020
with Report of Independent Auditors**

**STORM GUARD FRANCHISE
SYSTEMS, LLC**

FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

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REPORT OF INDEPENDENT AUDITORS

To the Members of
Storm Guard Franchise Systems, LLC

Opinion

We have audited the financial statements of Storm Guard Franchise Systems, LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income and members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Storm Guard Franchise Systems, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Storm Guard Franchise Systems, 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 Storm Guard Franchise Systems, 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.

Whitley Penn LLP

Fort Worth, Texas
March 17, 2022

STORM GUARD FRANCHISE SYSTEMS, LLC

BALANCE SHEETS

	December 31,	
	2021	2020
	<u> </u>	<u> </u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,434,005	\$ 1,755,566
Accounts and contracts receivable	922,757	628,348
Accounts receivable - related parties	45,307	25,364
Retainage receivable	109,968	978,251
Due from third-party	-	210,000
Due from franchisees, net of non-current portion	10,191	190,609
Inventory	39,705	33,977
Prepaid expenses	50,019	32,798
Other assets, net of non-current portion	395,238	395,238
Contract assets - roofing and construction services	306,098	321,776
Total current assets	<u>4,313,288</u>	<u>4,571,927</u>
Non-current portion of due from franchisees	436,817	237,125
Non-current portion of other assets	263,492	658,730
Property and equipment, net	<u>749,256</u>	<u>811,658</u>
Total assets	<u><u>\$ 5,762,853</u></u>	<u><u>\$ 6,279,440</u></u>
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable	\$ 116,704	\$ 129,105
Accounts payable - related parties	253,381	3,944
Contract liabilities - roofing and construction services	60,735	251,538
Brand development fund liability	175,001	486,845
Accrued expenses and other liabilities	163,510	89,150
Deferred revenue	57,021	11,000
Current portion of long-term debt	243,815	243,815
Total current liabilities	<u>1,070,167</u>	<u>1,215,397</u>
Commitments and contingencies		
Members' equity	<u>4,692,686</u>	<u>5,064,043</u>
Total liabilities and members' equity	<u><u>\$ 5,762,853</u></u>	<u><u>\$ 6,279,440</u></u>

See accompanying notes to financial statements.

STORM GUARD FRANCHISE SYSTEMS, LLC
STATEMENTS OF INCOME AND MEMBERS' EQUITY

	Year Ended December 31,	
	2021	2020
	<u> </u>	<u> </u>
Contract revenues earned	\$ 2,655,034	\$ 4,457,362
Royalty fees	3,925,314	3,896,038
Other franchise fees	136,773	118,441
Opening pack fees	46,809	23,000
Initial franchise fees	88,500	9,500
Construction support fees	55,000	-
Rental income	<u>13,440</u>	<u>13,440</u>
 Total revenue	 6,920,870	 8,517,781
 Cost of sales:		
Company store	1,915,801	3,537,420
Franchise operations	<u>48,396</u>	<u>28,266</u>
 Total cost of sales	 <u>1,964,197</u>	 <u>3,565,686</u>
 Gross profit	 4,956,673	 4,952,095
 Operating expenses:		
Salaries and wages	1,351,499	1,337,048
Depreciation and amortization	691,422	666,639
Miscellaneous operating expenses	421,291	328,678
Professional services	90,775	162,774
Employee expenses	178,507	146,915
Office expenses	202,858	169,831
Advertising and marketing	<u>93,441</u>	<u>37,343</u>
 Total operating expenses	 <u>3,029,793</u>	 <u>2,849,228</u>
 Income from operations	 1,926,880	 2,102,867
 Other income (expense):		
Other income (expense), net	254,567	(2,565)
Gain on sale of property and equipment	<u>47,196</u>	<u>-</u>
Total other income (expense)	<u>301,763</u>	<u>(2,565)</u>
 Net income	 2,228,643	 2,100,302
 Members' equity at beginning of year	 5,064,043	 4,663,741
Distributions to members	<u>(2,600,000)</u>	<u>(1,700,000)</u>
 Members' equity at end of year	 <u>\$ 4,692,686</u>	 <u>\$ 5,064,043</u>

See accompanying notes to financial statements.

STORM GUARD FRANCHISE SYSTEMS, LLC

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2021	2020
Cash Flows from Operating Activities:		
Net income	\$ 2,228,643	\$ 2,100,302
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	296,184	271,401
Amortization	395,238	395,238
Gain on disposal of property and equipment	(47,196)	-
Bad debt expense	19,891	6,883
Paycheck Protection Program loan forgiveness	(243,815)	-
Changes in operating assets and liabilities:		
Accounts and contracts receivable	(314,300)	640,402
Accounts receivable - related parties	(19,943)	(18,870)
Retainage receivable	868,283	(167,805)
Due from third party	210,000	(210,000)
Due from franchisees	(19,274)	(136,568)
Other receivables	-	60,000
Inventory	(5,728)	985
Prepaid expenses and other assets	(17,221)	31,217
Contract assets - roofing and construction services	15,678	322,458
Accounts payable	(12,401)	(325,615)
Accounts payable - related parties	249,437	(604,497)
Contract liabilities - roofing and construction services	(190,803)	(494,594)
Brand development liability	(311,844)	62,891
Accrued expenses and other liabilities	74,360	(62,439)
Deferred revenue	46,021	11,000
Net cash provided by operating activities	3,221,210	1,882,389
Cash Flows from Investing Activities:		
Acquisitions of property and equipment	(256,820)	(55,120)
Proceeds from sale of property and equipment	70,234	-
Net cash used in investing activities	(186,586)	(55,120)
Cash Flows from Financing Activities:		
Distributions to members	(2,600,000)	(1,700,000)
Proceeds from long-term debt	243,815	243,815
Payments on long-term debt	-	(344,294)
Proceeds from line of credit	-	500,000
Payments on line of credit	-	(500,000)
Net cash used in financing activities	(2,356,185)	(1,800,479)
Net increase in cash and cash equivalents	678,439	26,790
Cash and cash equivalents at beginning of year	1,755,566	1,728,776
Cash and cash equivalents at end of year	\$ 2,434,005	\$ 1,755,566

See accompanying notes to financial statements.

STORM GUARD FRANCHISE SYSTEMS, LLC

STATEMENTS OF CASH FLOWS *(continued)*

	Year Ended December 31,	
	2021	2020
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ -	\$ 13,306
Cash paid during the year for state income taxes	\$ 77,051	\$ 48,018

See accompanying notes to financial statements.

STORM GUARD FRANCHISE SYSTEMS, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and December 31, 2020

A. Nature of Business

Storm Guard Franchise Systems, LLC (the “Company”) is a Limited Liability Company (“LLC”) formed on January 25, 2011, in the state of Minnesota. Effective November 10, 2014, the Company converted to an LLC domiciled in the state of Texas. The Company has a perpetual duration unless dissolved earlier in accordance with the regulations of the Company.

As an LLC, the amount of loss at risk for each individual member is limited to the amount of capital contributed to the LLC and, unless otherwise noted, the individual member’s liability for indebtedness of an LLC is limited to the member’s actual capital contribution.

The Company is a franchisor of independent franchisees doing business as Storm Guard Roofing and Construction. The Company’s principal business activities are the receipts of royalties from franchisees and the operation of a Company-owned store located in Fort Worth, Texas. The Company-owned store performs roofing and construction services for residential and commercial properties.

B. Summary of Significant Accounting Policies

A summary of the Company’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The accounts are maintained, and the financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2021 and 2020, the Company had no such investments. The Company maintains deposits primarily in two financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (“FDIC”). The Company has not experienced any losses related to amounts in excess of FDIC limits.

STORM GUARD FRANCHISE SYSTEMS, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Accounts and Contracts Receivable

Accounts and contracts receivable are recorded when sales invoices are issued and are presented in the balance sheet net of the allowance for doubtful accounts. Accounts and contracts receivable are written off when they are determined to be uncollectible. The Company considers accounts and contract receivable balances to be fully collectible; accordingly, no allowance for doubtful accounts has been established at December 31, 2021 and 2020.

In management’s opinion, billing and collection policies are adequate to cover the credit risk associated with the contracts receivable. The Company follows the practice of filing statutory liens on all construction projects where collection problems are anticipated. The liens serve as collateral for contracts receivable.

Retainage

Retainage represents amounts which have not been billed to customers or paid pursuant to retainage provisions in construction contracts, which generally become payable upon contract completion and acceptance by the customer.

Inventory

Inventory is carried at the lower of cost (first-in, first-out method of accounting) or net realizable value and consists of materials provided to new franchisees.

Property and Equipment

Property and equipment are stated at cost. Maintenance, repairs, and renewals are expensed, and additions and improvements are capitalized. Depreciation is computed using the straight-line method. The cost of assets sold or abandoned, and the related accumulated depreciation, are eliminated from the accounts, and any gains or losses are charged or credited to the operating results of the respective period. Depreciable lives of assets are stated below:

	<u>Estimated Useful Lives</u>
Transportation equipment	5 years
Machinery equipment	5 years
Computer equipment	3 years
Leasehold improvements	4 years

STORM GUARD FRANCHISE SYSTEMS, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Other Assets

In a prior year, the Company cancelled a franchise sales management agreement with Rhino 7 Consulting, Inc. (“Rhino 7”). As a condition of the cancellation, the Company paid a \$2,075,000 settlement to Rhino 7, which represented the expected royalties that would have been paid to Rhino 7 through the agreement term had their agreement not been cancelled. The settlement costs are being amortized through August 2023, which represents the period in which the original agreement would have expired. The Company recognized amortization expense of \$395,238 related to these costs for the years ended December 31, 2021 and 2020. Annual amortization expense will be \$395,238 until fully amortized in 2023.

Long-Lived Assets

The Company evaluates its long-lived assets including other assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows that the assets are expected to generate. If long-lived assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value and is recorded in the period the determination was made. Based upon management’s assessment, there was no impairment of long-lived assets at December 31, 2021.

Brand Development Fund

The Company maintains a brand development fund (the “Fund”) that receives contributions from its franchisees and Company stores based upon a percentage of gross sales. The Fund is used to create marketing materials relating to the Storm Guard Roofing and Construction franchise system and the products sold, to place and run advertisements, commercials, and promotional material in local, regional, and national media (including but not limited to, print, radio, television, online, mobile, and social media), to pay for public relations projects intended to enhance the goodwill and public image of the franchise system, and to pay for other activities that enhance, promote, and protect the Storm Guard brand or system. Contributions and expenses related to the Fund are excluded from the accompanying statements of income and members’ equity

For the years ended December 31, 2021 and 2020, the total contributions and expenditures in the Fund were as follows:

Balance as of December 31, 2019	\$ 423,954
Brand partner contributions and other funding	575,791
Expenditures	<u>(512,900)</u>
Balance as of December 31, 2020	486,845
Brand partner contributions and other funding	579,344
Expenditures	<u>(891,188)</u>
Balance as of December 31, 2021	<u><u>\$ 175,001</u></u>

STORM GUARD FRANCHISE SYSTEMS, LLC

NOTES TO FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

Sales Taxes

The Company includes sales taxes as a line item at the point of invoicing customers for taxable transactions. These taxes are recorded net (excluded from revenue and costs) to a payable account. At the point of remitting the taxes to the proper authority, the payable account is relieved.

Revenue Recognition – Franchising Activities

In general, the Company's franchise agreements provide for the payment of one-time fees associated with the opening of a new franchise and an ongoing royalty based on a percentage of sales. These agreements also require contributions by the franchisee to a brand development fund, as discussed above.

Initial Franchise Fees – Initial franchise fees represent a one-time fee paid by franchisees to the Company for: (1) performance of pre-opening activities, primarily training and website development, and (2) reimbursement of commissions due to third-party brokers and/or employees. The performance obligation related to pre-opening activities is met once the Company provides training and a website to the franchisees. Upon the execution of a franchise agreement with a franchisee, the Company will collect commissions from the franchisee and remit the commissions to the respective third-party broker(s) and/or employee(s) as an agent based on the terms of the underlying agreement the Company has with the respective third-party broker(s) and/or employee(s). These commissions are recorded net (excluded from revenue and costs) to a payable account. At the point of remitting the commissions to the third-party broker(s) and/or employee(s), the payable account is relieved. Proceeds paid by franchisees relating to pre-opening activities are classified as deferred revenue until the respective performance obligations are met.

Opening Pack Fees – Opening pack fees represent a one-time fee paid by franchisees to the Company for promotional and print materials, signs, clothing, banners, and other miscellaneous items needed as part of the opening of a franchise. The performance obligation related to the opening pack fees is met once the Company delivers the opening pack materials to the franchisees.

Royalty Fees – Royalty fees represent a weekly fee paid by franchisees to the Company and are based on a percentage of weekly collections from customers generated by franchisees. The performance obligation related to royalty fees is met simultaneously with customer collections by franchisees.

Other Franchise Fees – Miscellaneous fees represent a monthly fee paid by franchisees to the Company and are based on ancillary activities performed by the Company to support the franchisee operations. The performance obligation related to other franchise fees is generally met over time as the services are performed by the Company.

STORM GUARD FRANCHISE SYSTEMS, LLC

NOTES TO FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

Revenue Recognition – Roofing and Construction Services

The Company recognizes roofing and construction services revenue as performance obligations are satisfied, which is generally calculated by using the percentage of completion method. This method is based primarily on contract costs incurred to date compared to total estimated contract costs. The percentage of completion method is the most faithful depiction of the Company's performance of roofing and construction because it directly measures the value of the services transferred to the customer.

Provisions for estimated losses on uncompleted construction contracts are made in the period in which such losses become known. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income, which are recognized in the period in which the revisions are determined. Changes in estimated job profitability resulting from job performance, job conditions, contract penalty provisions, claims, change order, and settlements are accounted for as changes in estimated cost in the current period.

The asset, "Contract assets – roofing and construction services," represents revenue recognized in excess of amounts billed. The liability, "Contract liabilities – roofing and construction services," represents billings in excess of revenue recognized.

Revenue Recognition – Construction Support Services

The Company recognizes construction support services revenue as performance obligations are satisfied, which is generally over a period of time as the Company provides the administrative and billing services to the customer as outlined in the respective contract.

Advertising

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2021 and 2020, were approximately \$93,000 and \$37,000, respectively, and are included in advertising and marketing in the accompanying statements of income and members' equity. Fund advertising contributions incurred by the Company, which are included in these amounts, were approximately \$20,000 and \$37,000 for the years ended December 31, 2021 and 2020, respectively.

Income Taxes

The Company is organized as an LLC and therefore is not a taxpaying entity for federal income tax purposes. As a result, income or losses are taxable or deductible to the members rather than at the Company level; accordingly, no provision has been made for federal income taxes in the accompanying financial statements. In certain instances, the Company is subject to state taxes on income arising in or derived from the state tax jurisdictions in which it operates.

STORM GUARD FRANCHISE SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Income Taxes – continued

State income tax positions are evaluated in a two-step process. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more likely than not threshold, it is then measured to determine the amount of expense to record in the financial statements. The tax expense recorded would equal the largest amount of expense related to the outcome that is 50% or greater likely to occur. The Company classifies any potential accrued interest recognized on an underpayment of income taxes as interest expense and classifies any statutory penalties recognized on a tax position taken as an operating expense. Management of the Company has not taken a tax position that, if challenged, would be expected to have a material effect on the financial statements as of December 31, 2021 and 2020 or for the years ended December 31, 2021 and 2020.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations.

C. Franchise Agreements

Individual franchise arrangements generally include a license and provide for payment of initial fees, as well as a continuing royalty fee of 6.25% and advertising fee of 0.75% to the Company based on gross sales. Franchisees are granted the right to operate under the Company's DBA, Storm Guard Roofing and Construction. For agreements effective prior to March 2014, the length of agreement is for a period of 20 years with two additional 10-year extensions available. For agreements effective subsequent to March 2014 – December 2020, the length of agreements is for a period of 20 years with one additional 20-year extension available. Subsequent to December 2020, the length of agreements is for a period of 10 years with three additional 10-year extensions available.

D. Summary of Franchise Outlets

The following is a summary of changes in the number of franchise outlets at December 31:

	<u>2021</u>	<u>2020</u>
New franchises sold during the year ended	3	2
Franchises closed during the year ended	1	2
Franchisor-owned outlets in operation as of year-end	1	1
Franchise outlets in operation as of year-end	35	34

STORM GUARD FRANCHISE SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS (continued)

E. Accounts and Contracts Receivable

Accounts and contracts receivable are comprised of the following at December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contracts	\$ 665,167	\$ 557,935	\$ 1,237,002
Royalties and other franchise fees	226,900	67,697	33,626
Construction support	25,272	-	-
Miscellaneous	<u>5,418</u>	<u>2,716</u>	<u>5,005</u>
Total accounts and contracts receivable	<u>\$ 922,757</u>	<u>\$ 628,348</u>	<u>\$ 1,275,633</u>

F. Due from Third Parties

The Company has a revolving line of credit with a third-party subcontractor. The agreement bears interest at 1.15% per annum. Payments on the line of credit will be required at the sole discretion of the Company based on the receipt of draw payments by the third party. The unpaid balance was repaid upon the maturity of the line of credit in July 2021. The unpaid principal balance on this agreement was \$210,000 as of December 31, 2020. No amounts were written off on this agreement during the years ended December 31, 2021 and 2020.

G. Due from Franchisees

The Company has various notes receivable and revolving line of credit agreements with franchisees. Each agreement bears interest at 4.00% per annum, with some agreements requiring monthly principal payments based on a percentage of gross sales. All unpaid balances are due upon maturity. Maturities on these agreements range from January 2022 to December 2025. Unpaid principal balances on these agreements were \$447,008 and \$427,734 as of December 31, 2021 and 2020, respectively. No amounts were written off on these agreements during the years ended December 31, 2021 and 2020.

STORM GUARD FRANCHISE SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS (continued)

H. Property and Equipment

Property and equipment are comprised of the following at December 31:

	<u>2021</u>	<u>2020</u>
Transportation equipment	\$ 292,676	\$ 200,364
Machinery equipment	878,314	822,203
Computer equipment	18,010	18,010
Leasehold improvements	<u>321,636</u>	<u>321,636</u>
Total property and equipment	1,510,636	1,362,213
Less accumulated depreciation	<u>761,380</u>	<u>550,555</u>
Property and equipment, net	<u>\$ 749,256</u>	<u>\$ 811,658</u>

I. Contract Assets (Liabilities)

Information with respect to contract assets (liabilities) on roofing and construction services is as follows at December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Costs incurred on uncompleted contracts	\$ 1,735,494	\$ 9,335,753	\$ 7,780,615
Estimated earnings	<u>311,447</u>	<u>868,877</u>	<u>728,447</u>
	2,046,941	10,204,630	8,509,062
Less billings to date	<u>(1,801,578)</u>	<u>(10,134,392)</u>	<u>(8,610,960)</u>
	<u>\$ 245,363</u>	<u>\$ 70,238</u>	<u>\$ (101,898)</u>

Contract assets (liabilities) on roofing and construction services information is included in the accompanying balance sheets under the following captions at December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contract assets – roofing and construction services	\$ 306,098	\$ 321,776	\$ 644,234
Contract liabilities – roofing and construction services	<u>(60,735)</u>	<u>(251,538)</u>	<u>(746,132)</u>
	<u>\$ 245,363</u>	<u>\$ 70,238</u>	<u>\$ (101,898)</u>

STORM GUARD FRANCHISE SYSTEMS, LLC

NOTES TO FINANCIAL STATEMENTS *(continued)*

J. Debt

Notes Payable

The Company had two notes payable agreements with Signature Financial, LLC, which were both secured by certain equipment of the Company. Principal and interest payments of \$12,641 were due monthly until the scheduled maturities in May 2022. The notes payable each bore interest at 4.89% per annum. Both notes were paid in full during the year ended December 31, 2020.

Paycheck Protection Program Loans

On March 27, 2020, the U.S. federal government enacted the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), which included provision for a Paycheck Protection Program (“PPP”) administered by the U.S. Small Business Administration (“SBA”). The PPP allows qualifying businesses to borrow up to \$10 million calculated based on qualifying payroll costs.

Payments of principal and interest are deferred based on the terms of the PPP loan and prepayments may be made at any time without penalty. The PPP loan may be forgiven, in part or whole, if the proceeds are used to retain and pay employees and for other qualifying expenditures. The Company applied for a PPP loan in the amount of \$243,815, which was approved by the SBA on April 5, 2020. The Company’s PPP loan bears a fixed interest rate of 0.98% per annum over a two-year term, is guaranteed by the federal government, and does not require collateral.

On December 27, 2020, the 2021 Consolidated Appropriations Act (“CAA”) was signed into law, which reopened the PPP administered by the SBA and allows qualifying borrowers of an initial PPP loan to obtain a “second draw” PPP loan (“PPP2”). The CAA allows qualifying “first draw” borrowers to obtain a PPP2 loan of up to \$2 million calculated based on qualifying payroll costs. PPP2 loans have substantially the same terms as the initial PPP loan, and the loan may be forgiven, in part or whole, if the proceeds are used to retain and pay employees and for other qualifying expenditures. The Company applied for a PPP2 loan in the amount of \$243,815, which was approved by the SBA on March 23, 2021.

The Company has elected to account for the PPP and PPP2 loans in accordance with Accounting Standards Codification 470 – *Debt*. The Company used the proceeds of the PPP loan in accordance with the provisions of the CARES Act and applied for full forgiveness during December 2020. On March 16, 2021, the Company was informed that the PPP loan has been forgiven and paid in full by the SBA. As such, the outstanding PPP loan amount of \$243,815 is reflected within debt on the accompanying balance sheet as of December 31, 2020, and a gain on loan extinguishment of \$243,815 is reflected within other income on the accompanying statement of income of members’ equity for the year ended December 31, 2021. The Company used the proceeds of the PPP2 loan in accordance with the provisions of the CAA and applied for full forgiveness during December 2021. On January 7, 2022, the Company was informed that the PPP2 loan has been forgiven and paid in full by the SBA. As such, the outstanding PPP2 loan amount of \$243,815 is reflected within debt on the accompanying balance sheet as of December 31, 2021, and a gain on loan extinguishment of \$243,815 will be reflected during the year ended December 31, 2022.

STORM GUARD FRANCHISE SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS (continued)

K. Commitments and Contingencies

Leases

During the years ended December 31, 2021 and 2020, the Company leased commercial office space in Fort Worth, Texas from an affiliate. For the years ended December 31, 2021 and 2020, total lease expense for this related-party lease was \$56,117.

Future minimum payments under the operating lease at December 31, are:

2022	\$ 56,117
2023	<u>23,382</u>
 Total minimum lease payments	 <u><u>\$ 79,499</u></u>

Other

At times the Company may be involved in various lawsuits and claims arising in the normal course of business which may have a material adverse effect on the financial position or results of operations of the Company. In management's opinion, there are no such lawsuits or claims as of and for the year ended December 31, 2021.

L. Retirement Plan

Effective April 1, 2016, the Company became a participating employer in the 401(k) plan held with Bobby Cox Companies, Inc. (the "Plan"). Employees must be twenty-one years of age and have completed one year of service to be eligible to participate in the Plan. Eligible employees may contribute up to 100% of their earnings, not to exceed limits set by federal law. During the years ended December 31, 2021 and 2020, the Company matched 100% of participant contributions, up to 3% of eligible compensation, plus 50% of participant contributions, up to the next 2% of eligible compensation. Company matching contributions for the years ended December 31, 2021 and 2020, were \$8,438 and \$16,687, respectively.

M. Related-Party Transactions

During the year ended December 31, 2020, the Company paid \$49,500 to an affiliate company for accounting services. No such charges were incurred for this service for the year ended December 31, 2021.

The Company has accounts receivable balances from affiliates totaling \$45,307 and \$25,364 as of December 31, 2021 and 2020, respectively. The Company has accounts payable balances to affiliates totaling \$253,381 and \$3,944 as of December 31, 2021 and 2020, respectively.

STORM GUARD FRANCHISE SYSTEMS, LLC

NOTES TO FINANCIAL STATEMENTS *(continued)*

M. Related-Party Transactions – continued

As discussed in Note G, the Company has various notes receivable and revolving line of credit agreements with franchisees.

As discussed in Note K, the Company leases commercial office space from an affiliate.

In the normal course of business, the Company may complete roofing and construction services on businesses that are partially owned by a member.

N. Subsequent Events

In preparing the financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through March 17, 2022, the date the financial statements were available for issuance.

**STORM GUARD FRANCHISE
SYSTEMS, LLC**

FINANCIAL STATEMENTS

**Years Ended December 31, 2022 and 2021
with Report of Independent Auditors**

**STORM GUARD FRANCHISE
SYSTEMS, LLC**

FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

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REPORT OF INDEPENDENT AUDITORS

To the Members of
Storm Guard Franchise Systems, LLC

Opinion

We have audited the financial statements of Storm Guard Franchise Systems, LLC (the “Company”), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and members’ equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (“GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Whitley Penn LLP

Fort Worth, Texas

April 6, 2023

STORM GUARD FRANCHISE SYSTEMS, LLC

BALANCE SHEETS

	December 31,	
	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,833,550	\$ 2,434,005
Accounts and contracts receivable	736,467	922,757
Accounts receivable - related parties	270,203	45,307
Retainage receivable	500,557	109,968
Due from franchisees, net of non-current portion	35,186	10,191
Inventory	53,216	39,705
Prepaid expenses	77,008	50,019
Other assets, net of non-current portion	263,492	395,238
Contract assets - roofing and construction services	344,773	306,098
Total current assets	5,114,452	4,313,288
Non-current portion of due from franchisees	261,398	436,817
Non-current portion of other assets	-	263,492
Right-of-use asset - operating leases	23,319	-
Property and equipment, net	601,065	749,256
Total assets	\$ 6,000,234	\$ 5,762,853
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable	\$ 184,408	\$ 116,704
Accounts payable - related parties	204,217	253,381
Contract liabilities - roofing and construction services	55,000	60,735
Brand development fund liability	-	175,001
Accrued expenses and other liabilities	283,414	163,510
Current portion of operating lease liabilities	23,319	-
Deferred revenue	-	57,021
Current portion of long-term debt	-	243,815
Total current liabilities	750,358	1,070,167
Commitments and contingencies		
Members' equity	5,249,876	4,692,686
Total liabilities and members' equity	\$ 6,000,234	\$ 5,762,853

See accompanying notes to financial statements.

STORM GUARD FRANCHISE SYSTEMS, LLC
STATEMENTS OF INCOME AND MEMBERS' EQUITY

	Year Ended December 31,	
	2022	2021
	<u> </u>	<u> </u>
Contract revenues earned	\$ 4,995,209	\$ 2,655,034
Royalty fees	3,998,755	3,925,314
Other franchise fees	141,868	136,773
Opening pack fees	80,000	46,809
Initial franchise fees	72,500	88,500
Construction support fees	36,694	55,000
Rental income	<u>13,440</u>	<u>13,440</u>
 Total revenue	 9,338,466	 6,920,870
 Cost of sales:		
Company store	4,767,078	1,915,801
Franchise operations	<u>81,204</u>	<u>48,396</u>
 Total cost of sales	 <u>4,848,282</u>	 <u>1,964,197</u>
 Gross profit	 4,490,184	 4,956,673
 Operating expenses:		
Salaries and wages	1,282,208	1,351,499
Depreciation and amortization	713,777	691,422
Miscellaneous operating expenses	395,863	421,291
Professional services	148,101	90,775
Employee expenses	251,499	178,507
Office expenses	228,478	202,858
Advertising and marketing	<u>107,290</u>	<u>93,441</u>
 Total operating expenses	 <u>3,127,216</u>	 <u>3,029,793</u>
 Income from operations	 1,362,968	 1,926,880
 Other income:		
Other income, net	255,222	254,567
Gain on sale of property and equipment	<u>9,000</u>	<u>47,196</u>
Total other income	<u>264,222</u>	<u>301,763</u>
 Net Income	 1,627,190	 2,228,643
 Members' equity at beginning of year	 4,692,686	 5,064,043
Distributions to members	<u>(1,070,000)</u>	<u>(2,600,000)</u>
 Members' equity at end of year	 <u>\$ 5,249,876</u>	 <u>\$ 4,692,686</u>

See accompanying notes to financial statements.

STORM GUARD FRANCHISE SYSTEMS, LLC

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2022	2021
Cash Flows from Operating Activities:		
Net income	\$ 1,627,190	\$ 2,228,643
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	318,539	296,184
Amortization	395,238	395,238
Gain on disposal of property and equipment	(9,000)	(47,196)
Bad debt expense	75,895	19,891
Paycheck Protection Program loan forgiveness	(243,815)	(243,815)
Changes in operating assets and liabilities:		
Accounts and contracts receivable	110,395	(314,300)
Accounts receivable - related parties	(224,896)	(19,943)
Retainage receivable	(390,589)	868,283
Due from third party	-	210,000
Due from franchisees	150,424	(19,274)
Inventory	(13,511)	(5,728)
Prepaid expenses and other assets	(26,989)	(17,221)
Contract assets - roofing and construction services	(38,675)	15,678
Accounts payable	67,704	(12,401)
Accounts payable - related parties	(49,164)	249,437
Contract liabilities - roofing and construction services	(5,735)	(190,803)
Brand development liability	(175,001)	(311,844)
Accrued expenses and other liabilities	119,904	74,360
Deferred revenue	(57,021)	46,021
Net cash provided by operating activities	1,630,893	3,221,210
Cash Flows from Investing Activities:		
Acquisitions of property and equipment	(170,348)	(256,820)
Proceeds from sale of property and equipment	9,000	70,234
Net cash used in investing activities	(161,348)	(186,586)
Cash Flows from Financing Activities:		
Distributions to members	(1,070,000)	(2,600,000)
Proceeds from long-term debt	-	243,815
Net cash used in financing activities	(1,070,000)	(2,356,185)
Net increase in cash and cash equivalents	399,545	678,439
Cash and cash equivalents at beginning of year	2,434,005	1,755,566
Cash and cash equivalents at end of year	\$ 2,833,550	\$ 2,434,005

See accompanying notes to financial statements.

STORM GUARD FRANCHISE SYSTEMS, LLC

STATEMENTS OF CASH FLOWS (continued)

	Year Ended December 31,	
	2022	2021
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for state income taxes	<u>\$ 62,278</u>	<u>\$ 77,051</u>
Right of use asset assumed through lease liability	<u>\$ 78,643</u>	<u>\$ -</u>
Lease assumed through lease liability	<u>\$ 78,643</u>	<u>\$ -</u>

See accompanying notes to financial statements.

STORM GUARD FRANCHISE SYSTEMS, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and December 31, 2021

A. Nature of Business

Storm Guard Franchise Systems, LLC (the “Company”) is a Limited Liability Company (“LLC”) formed on January 25, 2011, in the state of Minnesota. Effective November 10, 2014, the Company converted to an LLC domiciled in the state of Texas. The Company has a perpetual duration unless dissolved earlier in accordance with the regulations of the Company.

As an LLC, the amount of loss at risk for each individual member is limited to the amount of capital contributed to the LLC and, unless otherwise noted, the individual member’s liability for indebtedness of an LLC is limited to the member’s actual capital contribution.

The Company is a franchisor of independent franchisees throughout the United States doing business as Storm Guard Roofing and Construction. The Company’s principal business activities are the receipts of royalties from franchisees and the operation of a Company-owned store located in Fort Worth, Texas. The Company-owned store performs roofing and construction services for residential and commercial properties in the state of Texas.

B. Summary of Significant Accounting Policies

A summary of the Company’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The accounts are maintained, and the financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2022 and 2021, the Company had no such investments. The Company maintains deposits primarily in two financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (“FDIC”). The Company has not experienced any losses related to amounts in excess of FDIC limits.

STORM GUARD FRANCHISE SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Accounts and Contracts Receivable

Accounts and contracts receivable are recorded when sales invoices are issued and are presented in the balance sheet net of the allowance for doubtful accounts. Accounts and contracts receivable are written off when they are determined to be uncollectible. The Company considers accounts and contract receivable balances to be fully collectible; accordingly, no allowance for doubtful accounts has been established at December 31, 2022 and 2021.

In management's opinion, billing and collection policies are adequate to cover the credit risk associated with the contracts receivable. The Company follows the practice of filing statutory liens on all construction projects where collection problems are anticipated. The liens serve as collateral for contracts receivable.

Retainage

Retainage represents amounts which have not been billed to customers or paid pursuant to retainage provisions in construction contracts, which generally become payable upon contract completion and acceptance by the customer.

Inventory

Inventory is carried at the lower of cost (first-in, first-out method of accounting) or net realizable value and consists of materials provided to new franchisees.

Property and Equipment

Property and equipment are stated at cost. Maintenance, repairs, and renewals are expensed, and additions and improvements are capitalized. Depreciation is computed using the straight-line method. The cost of assets sold or abandoned, and the related accumulated depreciation, are eliminated from the accounts, and any gains or losses are charged or credited to the operating results of the respective period. Depreciable lives of assets are stated below:

	<u>Estimated Useful Lives</u>
Transportation equipment	5 years
Machinery equipment	5 years
Computer equipment	3 years
Leasehold improvements	4 years

STORM GUARD FRANCHISE SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Other Assets

In a prior year, the Company cancelled a franchise sales management agreement with Rhino 7 Consulting, Inc. (“Rhino 7”). As a condition of the cancellation, the Company paid a \$2,075,000 settlement to Rhino 7, which represented the expected royalties that would have been paid to Rhino 7 through the agreement term had their agreement not been cancelled. The settlement costs are being amortized through August 2023, which represents the period in which the original agreement would have expired. The Company recognized amortization expense of \$395,238 related to these costs for the years ended December 31, 2022 and 2021. Management expects to incur \$263,492 of amortization during 2023, at which point the settlement costs will be fully amortized.

Long-Lived Assets

The Company evaluates its long-lived assets including other assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows that the assets are expected to generate. If long-lived assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value and is recorded in the period the determination was made. Based upon management’s assessment, there was no impairment of long-lived assets at December 31, 2022.

Brand Development Fund

The Company maintains a brand development fund (the “Fund”) that receives contributions from its franchisees and Company stores based upon a percentage of gross sales. The Fund is used to create marketing materials relating to the Storm Guard Roofing and Construction franchise system and the products sold, to place and run advertisements, commercials, and promotional material in local, regional, and national media (including but not limited to, print, radio, television, online, mobile, and social media), to pay for public relations projects intended to enhance the goodwill and public image of the franchise system, and to pay for other activities that enhance, promote, and protect the Storm Guard brand or system. Accordingly, the Company acts as an agent in the collection of these contributions from its franchisees and therefore no contributions received from its franchisees or expenses incurred on behalf of its franchisees related to the Fund are included from the accompanying statements of income and members’ equity.

STORM GUARD FRANCHISE SYSTEMS, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Brand Development Fund – continued

For the years ended December 31, 2022 and 2021, the total contributions and expenditures in the Fund were as follows:

Balance as of December 31, 2020	\$ 486,845
Brand partner contributions and other funding	579,344
Expenditures	<u>(891,188)</u>
Balance as of December 31, 2021	175,001
Brand partner contributions and other funding	714,519
Expenditures	<u>(904,762)</u>
Balance as of December 31, 2022 (included within accounts receivable - related parties on the accompanying balance sheet)	<u>\$ (15,242)</u>

Sales Taxes

The Company includes sales taxes as a line item at the point of invoicing customers for taxable transactions. These taxes are recorded net (excluded from revenue and costs) to a payable account. At the point of remitting the taxes to the proper authority, the payable account is relieved.

Revenue Recognition – Franchising Activities

In general, the Company’s franchise agreements provide for the payment of one-time fees associated with the opening of a new franchise and an ongoing royalty based on a percentage of sales. These agreements also require contributions by the franchisee to a brand development fund, as discussed above.

Initial Franchise Fees – Initial franchise fees represent a one-time fee paid by franchisees to the Company for: (1) performance of pre-opening activities, primarily training and website development, and (2) reimbursement of commissions due to third-party brokers and/or employees. The performance obligation related to pre-opening activities is met once the Company provides training and a website to the franchisees. Upon the execution of a franchise agreement with a franchisee, the Company will collect commissions from the franchisee and remit the commissions to the respective third-party broker(s) and/or employee(s) as an agent based on the terms of the underlying agreement the Company has with the respective third-party broker(s) and/or employee(s). These commissions are recorded net (excluded from revenue and costs) to a payable account. At the point of remitting the commissions to the third-party broker(s) and/or employee(s), the payable account is relieved. Proceeds paid by franchisees relating to pre-opening activities are classified as deferred revenue until the respective performance obligations are met.

STORM GUARD FRANCHISE SYSTEMS, LLC

NOTES TO FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

Revenue Recognition – Franchising Activities – continued

Opening Pack Fees – Opening pack fees represent a one-time fee paid by franchisees to the Company for promotional and print materials, signs, clothing, banners, and other miscellaneous items needed as part of the opening of a franchise. The performance obligation related to the opening pack fees is met once the Company delivers the opening pack materials to the franchisees.

Royalty Fees – Royalty fees represent a weekly fee paid by franchisees to the Company and are based on a percentage of weekly collections from customers generated by franchisees. The performance obligation related to royalty fees is met simultaneously with customer collections by franchisees.

Other Franchise Fees – Miscellaneous fees represent a monthly fee paid by franchisees to the Company and are based on ancillary activities performed by the Company to support the franchisee operations. The performance obligation related to other franchise fees is generally met over time as the services are performed by the Company.

Revenue Recognition – Roofing and Construction Services

The Company recognizes roofing and construction services revenue as performance obligations are satisfied, which is generally calculated by using the percentage of completion method. This method is based primarily on contract costs incurred to date compared to total estimated contract costs. The percentage of completion method is the most faithful depiction of the Company's performance of roofing and construction because it directly measures the value of the services transferred to the customer.

Provisions for estimated losses on uncompleted construction contracts are made in the period in which such losses become known. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income, which are recognized in the period in which the revisions are determined. Changes in estimated job profitability resulting from job performance, job conditions, contract penalty provisions, claims, change order, and settlements are accounted for as changes in estimated cost in the current period.

The asset, "Contract assets – roofing and construction services," represents revenue recognized in excess of amounts billed. The liability, "Contract liabilities – roofing and construction services," represents billings in excess of revenue recognized.

Revenue Recognition – Construction Support Services

The Company recognizes construction support services revenue as performance obligations are satisfied, which is generally over a period of time as the Company provides the administrative and billing services to the customer as outlined in the respective contract.

STORM GUARD FRANCHISE SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Advertising

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2022 and 2021, were approximately \$107,000 and \$93,000, respectively, and are included in advertising and marketing in the accompanying statements of income and members' equity. Fund advertising contributions incurred by the Company, which are included in these amounts, were approximately \$16,000 and \$20,000 for the years ended December 31, 2022 and 2021, respectively.

Income Taxes

The Company is organized as an LLC and therefore is not a taxpaying entity for federal income tax purposes. As a result, income or losses are taxable or deductible to the members rather than at the Company level; accordingly, no provision has been made for federal income taxes in the accompanying financial statements. In certain instances, the Company is subject to state taxes on income arising in or derived from the state tax jurisdictions in which it operates.

State income tax positions are evaluated in a two-step process. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more likely than not threshold, it is then measured to determine the amount of expense to record in the financial statements. The tax expense recorded would equal the largest amount of expense related to the outcome that is 50% or greater likely to occur. The Company classifies any potential accrued interest recognized on an underpayment of income taxes as interest expense and classifies any statutory penalties recognized on a tax position taken as an operating expense. Management of the Company has not taken a tax position that, if challenged, would be expected to have a material effect on the financial statements as of or for the years ended December 31, 2022 and 2021.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company elected the package of practical expedients permitted under the transition guidance, allowing the Company to carry forward conclusions related to: (a) whether expired or existing contracts contain leases; (b) lease classification; and (c) initial direct costs for existing leases. The Company has elected not to record operating lease ROU assets or lease liabilities associated with leases with durations of 12 months or less. The Company elected the practical expedient allowing aggregation of non-lease components with related lease components when evaluating the accounting treatment for all classes of underlying assets.

STORM GUARD FRANCHISE SYSTEMS, LLC

NOTES TO FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

Adoption of New Accounting Standards – continued

The Company adopted this standard effective January 1, 2022, using the modified retrospective approach. In transitioning to ASC 842, the Company elected to use the practical expedient package available at the time of implementation and did not elect to use hindsight. These elections have been applied consistently to all leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption). As a result of the adoption of the new lease accounting guidance, management recognized on January 1, 2022, an ROU asset and lease liability of approximately \$78,600. The standard did not materially impact our net income and had no impact on cash flows. Lease disclosures for the year ended December 31, 2021, are made under prior lease guidance in FASB ASC 840.

C. Franchise Agreements

Individual franchise arrangements generally include a license and provide for payment of initial fees, as well as a continuing royalty fee of 6.25% and advertising fee of 0.75% to the Company based on gross sales. Franchisees are granted the right to operate under the Company's DBA, Storm Guard Roofing and Construction. For agreements effective prior to March 2014, the length of agreement is for a period of 20 years with two additional 10-year extensions available. For agreements effective subsequent to March 2014 – December 2020, the length of agreements is for a period of 20 years with one additional 20-year extension available. Subsequent to December 2020, the length of agreements is for a period of 10 years with three additional 10-year extensions available.

D. Summary of Franchise Outlets

The following is a summary of changes in the number of franchise outlets at December 31:

	<u>2022</u>	<u>2021</u>
New franchises sold during the year ended	3	3
Franchises closed during the year ended	1	1
Franchisor-owned outlets in operation as of year-end	1	1
Franchise outlets in operation as of year-end	37	35

STORM GUARD FRANCHISE SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS (continued)

E. Accounts and Contracts Receivable

Accounts and contracts receivable are comprised of the following at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contracts	\$ 588,814	\$ 665,167	\$ 557,935
Royalties and other franchise fees	147,653	226,900	67,697
Construction support	-	25,272	-
Miscellaneous	-	5,418	2,716
Total accounts and contracts receivable	<u>\$ 736,467</u>	<u>\$ 922,757</u>	<u>\$ 628,348</u>

F. Due from Franchisees

The Company has various notes receivable and revolving line of credit agreements with franchisees. Each agreement bears interest at 4.00% per annum, with some agreements requiring monthly principal payments based on a percentage of gross sales. All unpaid balances are due upon maturity. Maturities on these agreements range from February 2023 to December 2025. Unpaid principal balances on these agreements were \$296,584 and \$447,008 as of December 31, 2022 and 2021, respectively. The Company wrote off one note in the amount of \$75,895 during the year ended December 31, 2022. No amounts were written off on these agreements during the year ended December 31, 2021.

G. Property and Equipment

Property and equipment are comprised of the following at December 31:

	<u>2022</u>	<u>2021</u>
Transportation equipment	\$ 361,380	\$ 292,676
Machinery equipment	878,314	878,314
Computer equipment	18,010	18,010
Leasehold improvements	321,636	321,636
Construction in progress	9,796	-
Land	65,000	-
Total property and equipment	1,654,136	1,510,636
Less accumulated depreciation	<u>1,053,071</u>	<u>761,380</u>
Property and equipment, net	<u>\$ 601,065</u>	<u>\$ 749,256</u>

STORM GUARD FRANCHISE SYSTEMS, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

H. Contract Assets (Liabilities)

Information with respect to contract assets (liabilities) on roofing and construction services is as follows at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Costs incurred on uncompleted contracts	\$ 2,821,989	\$ 1,735,494	\$ 9,335,753
Estimated earnings (losses)	<u>(148,887)</u>	<u>311,447</u>	<u>868,877</u>
	2,673,102	2,046,941	10,204,630
Less billings to date	<u>(2,383,329)</u>	<u>(1,801,578)</u>	<u>(10,134,392)</u>
	<u>\$ 289,773</u>	<u>\$ 245,363</u>	<u>\$ 70,238</u>

Contract assets (liabilities) on roofing and construction services information is included in the accompanying balance sheets under the following captions at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contract assets – roofing and construction services	\$ 344,773	\$ 306,098	\$ 321,776
Contract liabilities – roofing and construction services	<u>(55,000)</u>	<u>(60,735)</u>	<u>(251,538)</u>
	<u>\$ 289,773</u>	<u>\$ 245,363</u>	<u>\$ 70,238</u>

I. Debt

Paycheck Protection Program Loans

On March 27, 2020, the U.S. federal government enacted the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), which included provision for a Paycheck Protection Program (“PPP”) administered by the U.S. Small Business Administration (“SBA”). The PPP allows qualifying businesses to borrow up to \$10 million calculated based on qualifying payroll costs.

Payments of principal and interest are deferred based on the terms of the PPP loan and prepayments may be made at any time without penalty. The PPP loan may be forgiven, in part or whole, if the proceeds are used to retain and pay employees and for other qualifying expenditures. The Company applied for a PPP loan in the amount of \$243,815, which was approved by the SBA on April 5, 2020. The Company’s PPP loan bears a fixed interest rate of 0.98% per annum over a two-year term, is guaranteed by the federal government, and does not require collateral.

STORM GUARD FRANCHISE SYSTEMS, LLC

NOTES TO FINANCIAL STATEMENTS (*continued*)

I. Debt – continued

Paycheck Protection Program Loans – continued

On December 27, 2020, the 2021 Consolidated Appropriations Act (“CAA”) was signed into law, which reopened the PPP administered by the SBA and allows qualifying borrowers of an initial PPP loan to obtain a “second draw” PPP loan (“PPP2”). The CAA allows qualifying “first draw” borrowers to obtain a PPP2 loan of up to \$2 million calculated based on qualifying payroll costs. PPP2 loans have substantially the same terms as the initial PPP loan, and the loan may be forgiven, in part or whole, if the proceeds are used to retain and pay employees and for other qualifying expenditures. The Company applied for a PPP2 loan in the amount of \$243,815, which was approved by the SBA on March 23, 2021.

The Company has elected to account for the PPP and PPP2 loans in accordance with ASC 470 – *Debt*. The Company used the proceeds of the PPP loan in accordance with the provisions of the CARES Act and applied for full forgiveness during December 2020. On March 16, 2021, the Company was informed that the PPP loan has been forgiven and paid in full by the SBA. As such, a gain on loan extinguishment of \$243,815 is reflected within other income on the accompanying statement of income and members’ equity for the year ended December 31, 2021. The Company used the proceeds of the PPP2 loan in accordance with the provisions of the CAA and applied for full forgiveness during December 2021. On January 7, 2022, the Company was informed that the PPP2 loan has been forgiven and paid in full by the SBA. As such, the outstanding PPP2 loan amount of \$243,815 is reflected within debt on the accompanying balance sheet as of December 31, 2021, and a gain on loan extinguishment of \$243,815 is reflected within other income on the accompanying statement of income and members’ equity for the year ended December 31, 2022.

J. Leases

A lease provides the lessee the right to control the use of an identified asset for a period of time in exchange for consideration. Operating lease right-of-use assets and finance lease right-of-use assets (collectively “ROU assets”) represent the Company’s right to use an underlying asset for the lease term. Operating lease liabilities and finance lease liabilities (collectively, “lease liabilities”) represent the Company’s obligation to make lease payments arising from the lease. The Company determines if an arrangement is a lease at inception. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company excludes short-term leases having initial terms of 12 months or less from ROU assets and lease liabilities and recognizes rent expense on a straight-line basis over the lease term.

The Company has a lease with an affiliate for its commercial office space in Fort Worth, Texas. The lease agreement contains renewal options but was not exercised during the option period. This lease is classified as an operating lease.

STORM GUARD FRANCHISE SYSTEMS, LLC

NOTES TO FINANCIAL STATEMENTS (continued)

J. Leases – continued

The discount rate used to determine the commencement date present value of lease payments is the interest rate implicit in the lease, or when that is not readily determinable, the Company utilizes a risk-free rate. ROU assets include any lease payments required to be made prior to commencement and exclude lease incentives. Both ROU assets and lease liabilities exclude variable payments not based on an index or rate, which are treated as period costs. The Company's lease agreement does not contain significant residual value guarantees, restrictions, or covenants.

Total operating lease costs were approximately \$56,000 for the year ended December 31, 2022.

Maturities of lease liabilities as of December 31, 2022, are as follows:

2023	\$ 23,319
Thereafter	<u>-</u>
Total lease payments	23,382
Less present value discount	<u>(63)</u>
Lease liabilities	<u><u>\$ 23,319</u></u>

Weighted average lease term and discount rate as of December 31, 2022, are as follows:

Weighted average remaining lease term (years)	0.42
Weighted average discount rate	1.63%

Cash paid during the year ended December 31, 2022, for operating leases totaled approximately \$56,000. ROU assets obtained in exchange for lease liabilities during the year ended December 31, 2022, were approximately \$78,600.

K. Commitments and Contingencies

Other

At times the Company may be involved in various lawsuits and claims arising in the normal course of business which may have a material adverse effect on the financial position or results of operations of the Company. In management's opinion, there are no such lawsuits or claims as of and for the year ended December 31, 2022.

STORM GUARD FRANCHISE SYSTEMS, LLC

NOTES TO FINANCIAL STATEMENTS *(continued)*

L. Retirement Plan

Effective April 1, 2016, the Company became a participating employer in the 401(k) plan held with Bobby Cox Companies, Inc. (the "Plan"). Employees must be twenty-one years of age and have completed one year of service to be eligible to participate in the Plan. Eligible employees may contribute up to 100% of their earnings, not to exceed limits set by federal law. During the years ended December 31, 2022 and 2021, the Company matched 100% of participant contributions, up to 3% of eligible compensation, plus 50% of participant contributions, up to the next 2% of eligible compensation. Company matching contributions for the years ended December 31, 2022 and 2021, were \$11,185 and \$8,438, respectively.

M. Related-Party Transactions

The Company has accounts receivable balances from affiliates totaling \$270,203 and \$45,307 as of December 31, 2022 and 2021, respectively. The Company has accounts payable balances to affiliates totaling \$204,217 and \$253,381 as of December 31, 2022 and 2021, respectively.

As discussed in Note F, the Company has various notes receivable and revolving line of credit agreements with franchisees.

As discussed in Note J, the Company leases commercial office space from an affiliate.

In the normal course of business, the Company may complete roofing and construction services on businesses that are partially owned by a member.

N. Subsequent Events

In preparing the financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through April 6, 2023, the date the financial statements were available for issuance.

**EXHIBIT C
TO
FRANCHISE DISCLOSURE DOCUMENT**

LIST OF STATE AGENCIES

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

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	Williams Building, 6th Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7th Place East, Suite 500 St. Paul, MN 55101-2198
New York (State Administrator)	New York State Department of Law Investor Protection Bureau	28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222
New York (Agent)	New York Secretary of State	99 Washington Ave. Albany, NY 12231
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Securities	124 S. Euclid, Suite 104 Pierre, South Dakota 57501
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9th Floor Richmond, VA 23219-3630
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 201 W Washington Avenue, Suite 300 Madison, WI 53703

**EXHIBIT D
TO
FRANCHISE DISCLOSURE DOCUMENT**

STATE ADDENDA

**ILLINOIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
STORM GUARD FRANCHISE SYSTEMS, LLC**

1. The following is inserted after the third paragraph under the sub-heading “Risk Factors” at the cover page of this disclosure document:

“The Risk Factors set forth above may be affected by Illinois law, 815 ILCS §§ 705/4 and 705/41.”

2. The following paragraphs are inserted at the end of **Item 17**:

“The conditions under which your franchise can be terminated and your rights upon non-renewal is affected by Illinois law, 815 ILCS 705/19 and 705/20.”

“Provisions regarding jurisdiction and venue, choice of law, and waiver are affected by Illinois law, 815 ILCS §§ 705/4 and 705/41, respectively. The Illinois Franchise Disclosure Act prohibits franchise agreements from designating jurisdiction outside the State of Illinois or waiving the applicability of Illinois law.

**ILLINOIS ADDENDUM TO THE FRANCHISE AGREEMENT
STORM GUARD FRANCHISE SYSTEMS, LLC**

This Addendum relates to franchises sold in Illinois and is intended to comply with Illinois statutes and regulations. In consideration of the execution of the Franchise Agreement, Franchisor and Franchisee agree to amend the Franchise Agreement as follows:

1. Applicable Law and Wavier. Section 21.8.1 of the Franchise Agreement is amended to provide that any provision that designates governing law to be other than Illinois is void under the Illinois Franchise Disclosure Act of 1987.

2. Venue. The first sentence of Section 18.1 of the Franchise Agreement is deleted.

3. The Franchise Agreement is amended to disclose the provisions of Section 41 of the Illinois Franchise Disclosure Act of 1987, which provisions read as follows: “Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.”

4. Construction. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

FRANCHISEE:

FRANCHISOR:
STORM GUARD FRANCHISE SYSTEMS, LLC

By: _____

Its: _____

Date: _____

By: _____

Its: _____

Date: _____

MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
STORM GUARD FRANCHISE SYSTEMS, LLC

The following paragraphs are added to the end of Item 17 of the disclosure document:

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.).

A franchisor may not require a franchisee to sign anything that waives or releases the franchisor from liability for claims that may arise under the Maryland Franchise Registration and Disclosure Law.

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document or the Franchise Agreement, a period of limitations less than three years shall not apply to any claims arising under the Maryland Franchise Law.

Notwithstanding the requirement in the Franchise Disclosure Document and Franchise Agreement that the franchisee must litigate with the franchisor only in Texas courts, a franchisee still can file a civil lawsuit in Maryland alleging a violation of the Maryland Franchise Law.

The following paragraph is added to the end of Item 22:

The Franchise Agreement requires the franchisee to sign a general release as a condition of renewal, sale, or assignment of the franchise. This release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law. The form of release that you must sign in those situations will be substantially similar to the form attached to this page.

**MARYLAND ADDENDUM TO FRANCHISE AGREEMENT
STORM GUARD FRANCHISE SYSTEMS, LLC**

This Addendum relates to franchises sold in Maryland and is intended to comply with Maryland statutes and regulations. In consideration of the execution of the Franchise Agreement, Franchisor and Franchisee agree to amend the Franchise Agreement as follows:

1. Release. To the extent that the Maryland Franchise Registration and Disclosure Law (the “Maryland Franchise Law”) prohibits a release as a condition of assignment or renewal, Sections 3.2.6 and 17.4 of the Franchise Agreement are amended to provide that any release required as a condition of assignment or renewal will not apply to liability under the Maryland Franchise Law.

2. Maryland Franchise Law. All representations in this Agreement, including the Acknowledgement Addendum attached as Exhibit D to this Agreement, requiring you to assent to a release, estoppel or waiver of liability is 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. Venue. To the extent that the Maryland Franchise Law prohibits a franchisor from requiring a Maryland franchisee to litigate outside Maryland, Section 18.1 of the Franchise Agreement is amended to provide that any litigation involving claims arising under the Maryland Franchise Law will be brought in Federal District Court in Maryland.

4. Construction. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

FRANCHISEE:

FRANCHISOR:

STORM GUARD FRANCHISE SYSTEMS, LLC

By: _____

Its: _____

Date: _____

By: _____

Its: _____

Date: _____

**MINNESOTA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
STORM GUARD FRANCHISE SYSTEMS, LLC**

As a supplement to the information disclosed in this disclosure document, the following applies to franchises and franchisees subject to Minnesota statutes and regulations. Item numbers correspond to those in the main body:

Item 13

We will undertake the defense of any third party claim of infringement involving the Storm Guard Trademarks. You must cooperate with the defense in any reasonable manner we prescribe with any direct cost of such cooperation to be borne by us.

Item 17

1. Any release executed in connection with the Franchise Agreement shall not apply to any claims arising under Minnesota Statutes 1973 Supplement, Sections 80C.01 to 80C.22, providing that a franchisee cannot be required to assent to a release, assignment, or waiver that would relieve any person from liability imposed by such statutes; provided, however that this shall not bar the voluntary settlement of disputes.

2. With respect to the franchises governed by Minnesota law, we will comply with Minnesota Statute Sec. 80C.14, subdivisions 3, 4 and 5 which require, except in certain specific cases, that we give you 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement.

3. Minnesota Statute Sec. 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 Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to a jury trial or any procedure, forum, or remedies provided for by the laws of the jurisdiction.

4. In the event you breach or threaten to breach any of the terms of this Agreement, we may seek an injunction restraining such breach and/or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as the Court makes a final decision. The Court will determine if a bond is required.

**MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT
STORM GUARD FRANCHISE SYSTEMS, LLC**

This Addendum relates to franchises sold in Minnesota and is intended to comply with Minnesota statutes and regulations. In consideration of the execution of the Franchise Agreement, we and you agree to amend the Franchise Agreement as follows:

1. Application of Minnesota Law. Section 19 of the Franchise Agreement is amended by adding the following sentences at the end of each Section: “Minnesota law provides franchisees with certain termination and nonrenewal rights. Minnesota Statutes Section 80C.14, subs. 3, 4 and 5 require, except in certain specified cases, that a Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for nonrenewal of the Franchise Agreement.”

2. Applicable Law and Waiver. Section 21.8.2 of the Franchise Agreement is amended by adding the following provision at the end of such Section: “Under Minnesota Statutes Section 80C.21, this section will not in any way abrogate or reduce any rights of the franchisee as provided for in Minnesota Statutes, Chapter 80C, including the right to submit non-arbitrable matters to the jurisdiction of the courts in Minnesota. Minnesota statutes Section 80C.21 and Minnesota Rule 2860.4400J prohibit a franchisor from requiring litigation to be conducted outside Minnesota.”

3. Release. No release language stated in the Franchise Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota, provided, that this part will not bar the voluntary settlement of disputes.

4. Injunctive Relief. The first sentence of Section 18.3 of the Agreement is deleted in its entirety and will have no further force and effect and the following is substituted in lieu thereof:

Therefore, it is mutually agreed that in the event of a breach or threatened breach of any of the terms of this Agreement the other party will forthwith be entitled to seek an injunction restraining such breach and/or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys’ fees and other costs incurred in obtaining said equitable relief, until such time as the Court makes a final decision. The Court will determine if a bond is required.

5. Use of Trademarks. We will undertake the defense of any claim of infringement by third parties involving the STORM GUARD Trademarks, and you will cooperate with the defense in any reasonable manner prescribed by us with any direct cost of such cooperation to be borne by us.

6. Statute of Limitations. To the extent Section 20.5 of the Franchise Agreement conflicts with Minnesota statutes Section 80C.17, the Franchise Agreement is amended to comply with Minnesota law, requiring commencement of an action under Minnesota statutes Chapter 80C no “more than three years after the cause of action accrues.”

7. Construction. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

FRANCHISEE:

FRANCHISOR:

STORM GUARD FRANCHISE SYSTEMS, LLC

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

**NEW YORK ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
STORM GUARD FRANCHISE SYSTEMS, LLC**

As a supplement to the information disclosed in this disclosure document, the following additional paragraphs are added:

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective Rev. March 17, 2021 2 injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements**

for franchisee to renew or extend,” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

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.

**NEW YORK ADDENDUM TO THE FRANCHISE AGREEMENT
STORM GUARD FRANCHISE SYSTEMS, LLC**

This Addendum relates to franchises sold in New York and is intended to comply with New York statutes and regulations. In consideration of the execution of the Franchise Agreement, Franchisor and Franchisee agree to amend the Franchise Agreement as follows:

1. Sections 3 and 19 of the Franchise Agreement are amended to provide that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force, it being the intent of this provision that the applicable nonrenewal or termination provisions of the General Business Law be satisfied.

2. Section 21.8.1 of the Franchise Agreement is amended by adding the following sentence at the end of such Section: "The terms of this Agreement should not be considered a waiver of any right that either Franchisor or Franchisee may have under the General Business Law of the State of New York, Article 33."

3. Except as amended herein, the Franchise Agreement will be construed and enforced with its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

FRANCHISEE:

FRANCHISOR:

STORM GUARD FRANCHISE SYSTEMS, LLC

By: _____

Its: _____

Date: _____

By: _____

Its: _____

Date: _____

**NORTH CAROLINA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
STORM GUARD FRANCHISE SYSTEMS, LLC**

This Addendum pertains to franchises/business opportunities sold in the State of North Carolina and will be for the purpose of complying with certain provisions of North Carolina Law:

1. Contract Cancellation

If the Seller (Franchisor) fails to deliver the product, equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the Seller (Franchisor) in writing and demand that the contract be canceled.

**NORTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
STORM GUARD FRANCHISE SYSTEMS, LLC**

The Securities Commissioner has held certain provisions in franchise agreements to be unfair, unjust or inequitable to North Dakota franchises (Section 51-19-09, N.D.C.C.). If any of the following provisions are in these franchise documents, the provisions may not be enforceable:

1. Franchise Disclosure Documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to the statute.
2. Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.
3. Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
4. Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
5. Franchise agreements which specify that they are to be governed by the laws of a state other than North Dakota.
6. Requiring North Dakota franchises to consent to the waiver of a trial by jury.
7. Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
8. Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
9. Franchise Agreements that require the franchisee to consent to a limitation of claims contrary to North Dakota law.
10. Franchise Agreements that require franchisees to consent to a waiver of trial by jury.
11. Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. (The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.)

**NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT
STORM GUARD FRANCHISE SYSTEMS, LLC**

This Addendum relates to franchises sold in North Dakota and is intended to comply with North Dakota statutes and regulations. In consideration of the execution of the Franchise Agreement, we and you agree to amend the Franchise Agreement as follows:

1. Covenant Not to Compete. Section 15 of the Franchise Agreement is amended to provide that covenants not to compete upon termination or expiration of the Franchise Agreement may be unenforceable, except in certain circumstances provided by law.

2. Release. If the Franchisee is required in the Franchise Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the North Dakota Franchise Investment Law, or a rule or order under the North Dakota Franchise Investment Law, such release shall exclude claims arising under the North Dakota Franchise Investment Law, and such acknowledgments shall be void with respect to claims under the North Dakota Franchise Investment Law.

3. Covenant Not to Compete. Covenants not to compete during the term of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota Law. If the Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.

4. Jury Trial Waiver. If the Franchise Agreement requires waiver of a trial by jury, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

5. Governing Law. If the Franchise Agreement requires that it be governed by a state's law, other than the State of North Dakota, to the extent that such law conflicts with the North Dakota Franchise Investment Law, the North Dakota Franchise Investment Law will control.

6. Liquidated Damages. If the Franchise Agreement requires payment of a termination penalty, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

7. Exemplary and Punitive Damages. If the Franchise Agreement requires the waiver of exemplary and punitive damages, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

8. Costs and Expenses. Notwithstanding anything to the contrary contained within the Franchise Agreement, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

9. Venue. To the extent North Dakota laws prohibit a franchisor from requiring a North Dakota franchisee to litigate outside North Dakota, Section 18.1 of the Franchise Agreement is amended to provide that any litigation involving claims arising under the North Dakota franchise law will be brought in federal district court in North Dakota.

10. Construction. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

FRANCHISEE:

FRANCHISOR:
STORM GUARD FRANCHISE SYSTEMS, LLC

By: _____

Its: _____

Date: _____

By: _____

Its: _____

Date: _____

**RHODE ISLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
STORM GUARD FRANCHISE SYSTEMS, LLC**

The following paragraph is added to the end of Item 17 of the disclosure document:

19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

**RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT
STORM GUARD FRANCHISE SYSTEMS, LLC**

This Addendum relates to franchises sold in Rhode Island and is intended to comply with Rhode Island statutes and regulations. In consideration of the execution of the Franchise Agreement, we and you agree to amend the Franchise Agreement as follows:

1. Governing Law. Section 18.1 of the Franchise Agreement is amended by the addition of the following sentence: “Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that a ‘provision in a franchise agreement restricting jurisdiction or venue to a forum outside the state or requiring the application of the laws of another state is void respecting a claim otherwise enforceable under this Act.’”

2. Construction. In all other respects, the Franchise Agreement will be construed and enforced with its terms.

FRANCHISEE:

By: _____

Its: _____

Date: _____

FRANCHISOR:

STORM GUARD FRANCHISE SYSTEMS, LLC

By: _____

Its: _____

Date: _____

**SOUTH CAROLINA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
STORM GUARD FRANCHISE SYSTEMS, LLC**

This Addendum pertains to franchises/business opportunities sold in the State of South Carolina and will be for the purpose of complying with certain provisions of South Carolina Law:

1. Contract Cancellation

If the Seller (Franchisor) fails to deliver the product, equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the Seller (Franchisor) in writing and demand that the contract be canceled.

SOUTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
STORM GUARD FRANCHISE SYSTEMS, LLC

The following provisions supersede any inconsistent provisions in the disclosure document and apply to all franchises offered and sold in the State of South Dakota.

1. The following language is inserted at the end of Item 5 of the disclosure document:

In South Dakota, the payment of all initial franchise fees will be deferred until all of franchisor's pre-opening obligations to franchisee have been satisfied and the franchise is operational. The South Dakota Securities Commissioner has imposed the fee deferral requirement because of our financial condition.

2. Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of South Dakota, except in certain instances as provided by law.

3. Termination provisions covering breach of the Franchise Agreement, failure to meet performance and quality standards, and failure to make royalty payments contained in the disclosure document and Franchise Agreement will afford you thirty (30) days written notice with an opportunity to cure the default before termination.

**VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
STORM GUARD FRANCHISE SYSTEMS, LLC**

This Addendum related to franchises sold in the state of Virginia and is intended to comply with Virginia statutes and regulations.

1. 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 does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

**WISCONSIN ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
STORM GUARD FRANCHISE SYSTEMS, LLC**

The following information applies to franchises and franchisees subject to the Wisconsin Fair Dealership Law. Item numbers correspond to those in the main body:

Item 17

For all franchisees residing in the State of Wisconsin, we will provide you at least 90 days' prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

For Wisconsin franchisees, Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract which is inconsistent with the Law.

**WISCONSIN ADDENDUM TO THE FRANCHISE AGREEMENT
STORM GUARD FRANCHISE SYSTEMS, LLC**

This Addendum relates to franchises sold in Wisconsin and is intended to comply with Wisconsin statutes and regulations. In consideration of the execution of the Franchise Agreement, we and you agree to amend the Franchise Agreement as follows:

1. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, Sections 17 and 19 of the Franchise Agreement are amended as follows:

We will provide you at least 90 days' prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, or substantial change in competitive circumstances and will provide that you have 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days, the notice will be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will be entitled to written notice of such default, and will have not less than 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between you and us inconsistent with the Law.

3. Except as amended herein, the Franchise Agreement will be construed and enforced in accordance with its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

FRANCHISEE:

FRANCHISOR:
STORM GUARD FRANCHISE SYSTEMS, LLC

By: _____

Its: _____

Date: _____

By: _____

Its: _____

Date: _____

**EXHIBIT E
TO
FRANCHISE DISCLOSURE DOCUMENT**

LEASE ADDENDUM

LEASE ADDENDUM – FRANCHISEE LEASE

FOR VALUE RECEIVED, the undersigned (“Assignor”) assigns, transfers and sets over to STORM GUARD FRANCHISE SYSTEMS, LLC (“Assignee”), all of Assignor’s right and title to and interest in that certain lease, a copy of which is attached as Appendix A (the “Lease”), respecting premises commonly known as _____ . This assignment is for collateral purposes only, and, except as specified in this document, Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this assignment or the Lease unless and until Assignee takes possession of the premises the Lease demises according to the terms of this document and assumes Assignor’s obligations under the Lease.

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and that Assignor has not previously assigned or transferred, and is not otherwise obligated to assign or transfer, any of its interest in the Lease or the premises it demises.

Upon Assignor’s default under the Lease or under the franchise agreement for a Storm Guard® Business between Assignee and Assignor (the “Franchise Agreement”), or in the event Assignor defaults under any document or instrument securing the Franchise Agreement, Assignee has the right to take possession of the premises the Lease premises and expel Assignor from the premises. Such assignment will not release Assignor from any obligations it may have for payments or performance through the remaining term of the Lease, including without limitation, liability for all past due rents Assignee is required to pay Lessor to effectuate the assignment this document contemplates, but Assignor will have no further right and title to or other interest in the Lease.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without Assignee’s prior written consent. Throughout the term of the Franchise Agreement, Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day upon which the option must be exercised, unless Assignee agrees otherwise in writing. Upon Assignee’s failure to agree otherwise in writing, and upon Assignor’s failure to elect to extend or renew the Lease as required, Assignor appoints Assignee as its true and lawful attorney-in-fact with the authority to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

ASSIGNOR:

Dated: _____ **ENTITY SIGNATURE:**

_____ a _____ corporation

By: _____

Its: _____

INDIVIDUAL SIGNATURE(S):

CONSENT TO LEASE ADDENDUM AND AGREEMENT OF LESSOR

The undersigned Lessor under the Lease:

- (1) Agrees to notify Assignee in writing of, and upon Assignee's failure to cure, any default by Assignor under the Lease;
- (2) Agrees that Assignee will have the right, but not the obligation, to cure any default by Assignor under the Lease within thirty (30) days after Lessor's delivery of notice of the default under section (a) above;
- (3) Consents to the collateral assignment in the Lease Addendum and agrees that, if Assignee takes possession of the premises the Lease demises and confirms to Lessor that it has assumed the Lease as tenant, Lessor will recognize Assignee as tenant under the Lease, provided that Assignee cures within the thirty (30)-day period noted in section (b) above Assignor's defaults under the Lease; and
- (4) Agrees that Assignee may further assign the Lease to or enter into a sublease with a person, firm or corporation who agrees to assume the tenant's obligations under the Lease and is reasonably acceptable to Lessor and that, upon that assignment, Assignee will have no further liability or obligation under the Lease as assignee, tenant or otherwise, other than to certify that the additional assignee or sublessee operates the premises the Lease demises as a franchised retail outlet of Assignee.

DATED: _____

_____, Lessor

APPENDIX A TO LEASE ADDENDUM:
FRANCHISEE LEASE

**EXHIBIT F
TO
FRANCHISE DISCLOSURE DOCUMENT**

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Operations Manual Table of Contents

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EXHIBITS

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- Exhibit 2.2.4 Lease Addendum
- Exhibit 2.6.2 Opening Package Contents
- Exhibit 2.7 Required and Suggested Services
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**EXHIBIT G
TO
FRANCHISE DISCLOSURE DOCUMENT**

NONDISCLOSURE AGREEMENT



NONDISCLOSURE AGREEMENT

THIS NONDISCLOSURE AGREEMENT (the "Agreement") is made and entered into as of _____, 20____ between Storm Guard Franchise Systems, LLC, ("Company") and _____ ("Recipient").

1. **PURPOSE.** Company and Recipient wish to explore a business opportunity of mutual interest and in connection with this opportunity, Company may disclose to Recipient certain confidential technical and business information which Company desires Recipient to treat as confidential. Exploring the business opportunity or access to information obtained hereunder may require Recipient to travel to and/or enter onto the property of Company and/or its affiliates, or their respective agent(s) or designee(s), and/or participate in training, meetings or field work with Company sales representatives ("Visits").

2. **CONFIDENTIAL INFORMATION.** "Confidential Information" means any information disclosed to Recipient by Company, either directly or indirectly in writing, orally or by inspection of tangible objects, including without limitation documents, samples, methods and the Company's intellectual property and operations. Confidential Information shall include without limitation the items set forth in the Appendix attached hereto. Confidential Information also shall include without limitation non-public information that relates to the actual or anticipated business, research or development of the Company, or to the Company's technical data, trade secrets or know-how, including, but not limited to, research, plans or other information regarding the Company's products or services and markets therefore, customer lists and customers, software, developments, inventions, processes, technology, designs, drawings, marketing, sales promotion activities, finances and other business information. Confidential Information may also include information disclosed to Company by third parties.

The Recipient agrees that he will not at any time or in any manner divulge, disclose or communicate to any person, firm or corporation any trade, technical or technological secrets; any details of the Company's organization or business affairs, its manner of operation, its plans, processes, and/or other data; any names of past or present customers of the Company; or any other information relating to the business of the Company, without regard to whether all of the foregoing matters will be deemed confidential, material, or important.

Confidential Information shall not, however, include any information which Recipient can establish (i) was publicly known and made generally available in the public domain prior to the time of disclosure to Recipient by Company; (ii) becomes publicly known and made generally available after disclosure to Recipient by Company through no action or inaction of Recipient; or (iii) is in the possession of Recipient, without confidentiality restrictions, at the time of disclosure by Company as shown by Recipient's files and records immediately prior to the time of disclosure.

3. **NON-USE AND NON-DISCLOSURE.** Recipient agrees not to use any Confidential Information for any purpose except to evaluate and engage in discussions concerning a potential business relationship between Recipient and Company. Recipient agrees not to disclose any Confidential Information to any third parties without written consent of the Company. Recipient shall not disclose Confidential Information to employees of Recipient, except to those employees who are required to have the information in order to evaluate or engage in discussions concerning the business relationship



contemplated herein, and only to those employees who have signed a non-use and non-disclosure agreement in content at least as protective as the provisions hereof prior to any disclosure of Confidential Information to such employees. Recipient shall not reverse engineer, disassemble or decompile any software or other tangible objects which embody Company's Confidential Information and which are provided to Recipient hereunder.

4. **MAINTENANCE OF CONFIDENTIALITY.** Recipient agrees that it shall take all reasonable measures to protect the secrecy of and avoid disclosure and unauthorized use of the Confidential Information. Without limiting the foregoing, Recipient shall take at least those measures that Recipient takes to protect its own most highly confidential information. Recipient shall not make any copies of Confidential Information unless the same are previously approved in writing by Company. Recipient shall reproduce Company's proprietary rights notices on any such approved copies, in the same manner in which such notices were set forth in or on the original. Recipient shall immediately notify Company in the event of any unauthorized use or disclosure of the Confidential Information.

5. **NO OBLIGATION; VISITS; ASSUMPTION OF RISK AND RELEASE.** Nothing herein shall obligate Company or Recipient to proceed with any transaction between them, and each party reserves the right, in its sole discretion, to terminate the discussions contemplated by this Agreement concerning the business opportunity. If, during the course of research and due diligence for assessing any transaction, or in connection with any training or discovery day offered by Company, Recipient shall have occasion to conduct a Visit, then any information and documentation obtained during such Visit shall be included in the definition of Confidential Information. Unless otherwise agreed in writing by the Company, Recipient shall bear any and all costs of Visits, including, without limitation, airfare, lodging, living expenses, wages and benefits, and costs of copying or obtaining information. Company shall have no obligation to reimburse Recipient for any costs arising from Visits, whether or not Company and Recipient eventually complete any transaction. **Recipient further assumes all risks associated with Visits, and Recipient agrees to defend and indemnify Company and hold Company harmless from and against any and all claims, actions, damages, liability and expenses arising from, out of or related to Recipient's Visits. In addition, except to the extent limited or prohibited by applicable law, Recipient agrees to release and forever discharge Company and its affiliates, and all of their respective owners, officers, directors, members, employees, agents, representatives, attorneys, insurers, successors, assigns, heirs and personal representatives, from any and all claims, debts, covenants, liabilities, suits, judgments, damages, actions and causes of action, whether known or unknown, direct or indirect, which Recipient ever had, has or ever may have or claim to have had, arising out of or related to any of Recipient's Visits.**

6. **NO WARRANTY.** ALL CONFIDENTIAL INFORMATION IS PROVIDED "AS IS." COMPANY MAKES NO WARRANTIES, EXPRESS, IMPLIED OR OTHERWISE, REGARDING ITS ACCURACY, COMPLETENESS OR PERFORMANCE.

7. **RETURN OF MATERIALS.** All documents and other tangible objects containing or representing Confidential Information and all copies thereof which are in the possession of Recipient shall be and remain the property of Company and shall be promptly returned to Company upon Company's request.

8. **NO LICENSE.** Nothing in this Agreement is intended to grant any rights to Recipient under any patent, mask work right or copyright of Company, nor shall this Agreement grant Recipient any



rights in or to Confidential Information except as expressly set forth herein.

9. OWNERSHIP

(a) Generally. Unless otherwise agreed to in writing by the parties, the Confidential Information and any derivatives thereof shall remain the property of Company, and no license or other rights to the Confidential Information or derivatives is granted or implied hereby.

(b) Inventions. Unless otherwise agreed to in writing by the parties, Recipient agrees that all copyrightable material, notes, records, drawings, designs, inventions, improvements, developments, discoveries and trade secrets conceived, discovered, developed or reduced to practice by Recipient, solely or in collaboration with others, during and after the term of this Agreement, that relate to the Confidential Information (collectively, "**Inventions**"), are and shall remain the sole property of Company. Recipient agrees to assign (or cause to be assigned) and hereby assigns fully to Company all Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto.

(c) Further Assurances. Recipient agrees to assist Company, or its designee, at Company's expense, in every proper way to secure Company's rights in Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, including all instruments that Company may deem necessary in order to apply for and obtain such rights and in order to assign and convey to Company, its successors, assigns and nominees the sole and exclusive right, title and interest in and to all Inventions, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. Recipient also agrees that Recipient's obligation to execute or cause to be executed any such instrument or papers shall continue after the termination of this Agreement.

(d) Pre-Existing Materials. During and after the term of this Agreement, Recipient will not incorporate any invention, improvement, development, concept, discovery or other proprietary information owned by any third party into any Invention without Company's prior written permission. Except as otherwise agreed in writing, if Recipient incorporates into any Invention developed under this Agreement any pre-existing invention, improvement, development, concept, discovery or other proprietary information owned by Recipient or in which Recipient has an interest, Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, assignable, sublicensable, worldwide license to make, have made, modify, use and sell such item as part of or in connection with such Invention.

(e) Attorney-in-Fact. Recipient agrees that, if Company is unable because of Recipient's unavailability, dissolution, mental or physical incapacity, or for any other reason, to secure Recipient's signature for the purpose of applying for or pursuing any application for any United States or foreign patents or mask work or copyright registrations covering the Inventions assigned to Company in this Section 9, then Recipient hereby irrevocably designates and appoints Company and its duly authorized officers and agents as Recipient's agent and attorney-in-fact, to act for and on Recipient's behalf to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyright and mask work registrations with the same legal force and effect as if executed by Recipient.



10. **COMPETITION.**

(a) **Covenant.** The Recipient shall not, directly or indirectly, acting alone or in conjunction with others: (i) Request any customers of any business then being conducted by the Company to curtail or cancel their business with the Company; (ii) Solicit, canvass or accept any business or transaction for any other person, firm or corporation or business similar to the business of the Company, from any past or existing customers of the Company; (iii) Induce, or attempt to influence, any employee/associate/contractor/franchisee of the Company to terminate relations with the Company or to enter into any employment or other business relationship with any other person (including the Recipient), firm or corporation.

(b) **Acknowledgement.** Recipient acknowledges the time, geographic and scope limitations of Recipient's obligations under 10(a) above are reasonable, especially in light of Company's desire to protect its Confidential Information, and that Recipient will not be precluded conducting its business if Recipient is obligated not to compete with Company during the period and within the Territory as described above.

(c) **Severability.** If, in any judicial proceeding, a court refuses to enforce any of such separate covenants (or any part thereof), then such unenforceable covenant (or such part) shall be eliminated from this Agreement to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced. In the event the provisions of Section 10(a) are deemed to exceed the time, geographic or scope limitations permitted by Texas law, as applicable, then such provisions shall be reformed to the maximum time, geographic or scope limitations, as the case may be, then permitted by such law.

11. **TERM.** This Agreement shall survive until such time as all Confidential Information disclosed hereunder becomes publicly known and made generally available through no action or inaction of Recipient.

12. **REMEDIES.** Recipient agrees that any violation or threatened violation of this Agreement will cause irreparable injury to the Company, entitling Company to obtain injunctive relief in addition to all legal remedies.

13. **RECIPIENT INFORMATION.** Company does not wish to receive any confidential information from Recipient, and Company assumes no obligation, either express or implied, with respect to any information disclosed by Recipient.

14. **NON-ASSIGNMENT.** The benefits of this Agreement are and shall be personal to the Recipient, and none thereof shall inure to the benefit of his heirs, personal representatives, or assigns. The obligations and duties of the Recipient hereunder are not assignable or delegable by him in any manner, whatsoever. This Agreement shall be binding upon and inure to the benefit of the Company and it shall be assignable by the Company to any entity which may acquire substantially all of the business and assets of the Company, or with or into which the Company may be merged or consolidated.

15. **MISCELLANEOUS.** This Agreement shall bind and inure to the benefit of the parties hereto and their successors and assigns, except that Recipient may not assign or transfer this Agreement, by operation of law or otherwise, without Company's prior written consent. This Agreement shall be



governed by the laws of the state of Texas, without respect to conflict of laws principles. This document contains the entire agreement between the parties with respect to the subject matter hereof. If any provision of this Agreement is found to be illegal or unenforceable, the other provisions shall remain effective and enforceable to the greatest extent permitted by law. Any failure to enforce any provision of this Agreement shall not constitute a waiver thereof or of any other provision hereof. This Agreement may not be amended, nor any obligation waived, except by a writing signed by both parties hereto. The parties may execute this Agreement in counterparts, each of which is deemed an original, but all of which together constitute one and the same agreement.

IN WITNESS WHEREOF, this Agreement is executed and delivered as of the date first set forth above.

COMPANY:

Storm Guard Franchise Systems, LLC,

Signed BY: _____

Name: _____

Title: _____

Date: _____

RECIPIENT:

Company Name: _____

Signed BY: _____

Name: _____

Title: _____

Date: _____

EXHIBIT H
TO
FRANCHISE DISCLOSURE DOCUMENT

APPROVED PRODUCTS AND SUPPLIERS

- a. Aerial Mapping Software: EagleView Technologies, Inc. (headquartered in Bothell, Washington)
- b. Zoho Corporation. (headquartered in Pleasanton, California)
- c. Speed Pro Imaging (headquartered in Centennial, Colorado)
- d. Ambrush, Inc. (headquartered in King of Prussia, Pennsylvania)
- e. Intuit – Quickbooks (headquartered in Mountain View, California)
- f. Spotio sales tracking applications (headquartered in Dallas, Texas)

**EXHIBIT I
TO
FRANCHISE DISCLOSURE DOCUMENT
CURRENT AND FORMER FRANCHISEES**

CURRENT FRANCHISEES

COLORADO

ConstructCo, LLC
Lorin Jackman
10964 S. Pikes Peak Dr.
Parker , CO 80138
720-862-3928

Gi2C Holdings, Inc.
Brad Griebenow
5975 N. Academy Blvd., Suite 105
Colorado Springs, CO 80918
719-985-2110

LB9 Partners, Inc.
Janice Lopez
8495 County Road 2
Brighton, CO 80603
303-223-5719

JC &C Partners, Inc.
Jeffrey DeMaio
4025 Automation Way, Suite F-2
Ft. Collins, CO 80525
970-658-5279

FLORIDA

Infinipro, LLC
Bram Scharf
10365 Hood South, Unit 201
Jacksonville, FL 32257
904-712-3984

Preserve Development Corp.
Michael Gabele
5929 Approach Rd.
Sarasota, FL 34238
941-867-3124

ILLINOIS

M-Five Group Corporation
Mark Mohler and Cari Mohler
24137 W 111th St., Unit C
Naperville, IL 65064
630-216-8297

Kendal Jaxson, LLC
Cedric Welch
825 N. Cass Avenue, Suite 305
Westmont, IL 60559
630-806-8726

INDIANA

Tri-State Family Construction, LLC
Chris Gilliam and Matt Gilliam
1326 East Division St.
Evansville, IN 47711
812-401-2303

NMC New Future Inc.
Nicole Cynkar
652 N. Girls School Road, Suite 100
Indianapolis, IN 46214
317-300-9013

KENTUCKY

Wheatley Restoration
Joe Wheatley
2540 Ridgemar Court, #102
Louisville, KY 40299
502-631-9620

LOUISIANA

NOLA Exterior Restoration, LLC
Carl Dugas
330 Oak Harbor, Ste. C
Slidell, LA 70458
504-224-9164

MASSACHUSETTS

Mukhooy Industries, LLC
Elvis Plokhooy and Shibani Mukerji
9 Hawthorne Place, #5D

Boston, MA 02114
781-519-8686

MICHIGAN

Faithful Roofing and Construction, LLC
Brian Yokley
352 N. Main. St., Suite A4
Plymouth, MI 48170
734-371-0123

Honest Roofing & Construction
Chris Parker
1460 Walton Blvd.
Rochester Hills, MI 48309
248-985-3238

MISSOURI

Brauer K&D Enterprises, Inc.
Kevin Brauer and Denise Brauer
114 East Orleans St.
Pacific, MO 63069
636-778-9562

NORTH CAROLINA

R7 Restoration
Chris Cohen
2121 East Williams Street, Suite 102
Apex, NC 27502
919-303-4415

Howell Restoration
Jim Howell
810 Tyvola Rd., #136
Charlotte, NC 28217
980-237-9904

JABEC Enterprise, Inc.
Jeffery Trinh
900 Old Winston Rd., # 116
Kernersville, NC 27284
336-283-3197

Kuzy Restoration
Rob Kuzy, Linda Kuzy
400 Dominion Drive, Suite 101
Morrisville, NC 27560
(919) 379-5770

Stronghold Construction Corp.
Lincoln M Koontz
4 Northcrest Eoad
Weaverville, NC 28787
434-334-6633

Solo East Group Inc.
Kevin Griffin
1916 S. Glenburnie Rd., Unit #8
New Bern, NC 28562
252-389-8189

W3 Restoration
Andrew White
204 Gribble Rd., Ste A
Indian Trail, NC 28079
704-834-1567

KLFAM, LLC
Mike Kelsey
3955 Market St., Ste. A
Wilmington, NC 28403
910-769-3731

OHIO

Gohbgreac, Inc.
Sang Sing Goh & Shiau Wei Wee
103 Hamilton Rd.
Whitehall, OH 43213
641-568-4019

PENNSYLVANIA

Blue Lion Ventures
Robert Bodenschatz
133 Possum Hollow Road, Suite 150
Pottstown, PA 19464
610-322-3660

Clarkin Consulting Partners, LLC
John Clarkin
800 Old Pond Road, Ste. 703
Bridgeville, PA 15107
412-532-4765

SOUTH CAROLINA

Winds of Change, LLC
M Scott Deavenport

1049 Jenkins Rd.
Charleston, SC 29407
843-642-8608

TENNESSEE

Urban Exterior Restoration, Inc.
Andrew Scoggins
321 Billingsley Court, Unit 18
Franklin, TN 37067
615-988-9420

Castle Construction, Inc.
Link Koontz
102 West Springbrooke Drive
Johnson City, TN 37604
434-334-6633

TEXAS

JNH Restoration
James High
1221 Abrams Rd., Ste. 118
Richardson, TX 75081
972-696-7841

JMLG Partners, Inc.
Jason Gibson
2009 Ranch Rd. 520 N., Ste. 810
Austin, TX 78734
512-960-4090

Canales Consulting Corporation
Carlos Canales
25033 Pitkin Rd., Ste. D-200
Spring, TX 77386
713-437-3966

Logan Turner Services, LLC
Logan Turner
5000 Overton Plaza, Ste 200
Fort Worth, TX 76109
817-618-5541

Charlie Ringold, LLC
Steve Kneller
2830 Fossil Creek Dr.
Midlothian, TX 76065
682-337-9100

House of Studs, LLC
7302 82nd Street
Lubbock, TX 79424
806-631-4131

VIRGINIA

Integrity Restoration Specialists, Inc.
Doug Toler
14506-L Lee Rd.
Chantilly, VA 20151
703-421-7340

WISCONSIN

RJ Holding Company of Wisconsin, LLC
Ryan Engelbrecht
137 Enterprise Drive
Verona, WI 53593
608-497-3302

LIST OF FRANCHISES SOLD, BUT NOT YET OPENED, AS OF DECEMBER 31, 2022

NONE

FORMER FRANCHISEES

LIST OF STORM GUARD FRANCHISEES TERMINATED, CANCELED OR NOT RENEWED FROM JANUARY 1, 2022, TO DECEMBER 31, 2022 (OR HAVE NOT COMMUNICATED WITH US DURING THE PRIOR 10 WEEKS)

COLORADO

DGH Holdings, LLC
Daniel Henderson
6690 Wadsworth Blvd., Suite B
Arvada, CO 80003
303-557-2246

DJC Holdings, Inc.
Dennis Coffey
112-V Village Road
Leland, NC 282451
910-769-3731

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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

RECEIPT

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 Storm Guard Franchise Systems, LLC (“Storm Guard”) offers you a franchise, Storm Guard must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Storm Guard or its affiliate in connection with the proposed franchise sale. Iowa, New York and Rhode Island require that Storm Guard give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Storm Guard give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Storm Guard 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 those state administrators listed on Exhibit C.

The franchisor is Storm Guard Franchise Systems, LLC, located at 5000 Overton Plaza, Suite 200, Fort Worth, Texas 76109. Its telephone number is (817) 377-6360.

Issuance Date: May 31, 2023

The franchise seller involved in offering and selling the franchise to you is our President, Shane Lynch, who can be reached at Storm Guard Franchise Systems, LLC, 5000 Overton Plaza, Suite 200, Fort Worth, Texas 76109 or (817) 377-6360.

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

I have received a disclosure document with an issuance date of May 31, 2023, that included the following Exhibits:

- A) Franchise Agreement
- B) Financial Statements
- C) List of State Agencies
- D) State Addenda (including sample release)
- E) Lease Addendum
- F) Operations Manual Table of Contents
- G) Non-Disclosure Agreement
- H) Approved Products and Suppliers
- I) Current and Former Franchisees Effective Date Page

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Copy for Prospective Franchisee

RECEIPT

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| | I) Current and Former Franchisees |
| | Effective Date Page |

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Copy for Storm Guard Franchise Systems, LLC

Please mail a hard copy of this receipt page to the address listed on the front page of this disclosure document and e-mail a copy to our President at slynch@stormguardrc.com.